How Can Land Banks Lead on Home Rehabilitation
**Housing Products**

- **In-House Rehabilitation**
  - **Pro:** Highest quality of work
  - **Con:** Most expensive
  - **Con:** Limited capacity
  - **Con:** Poor housing market, low returns

- **Deed-in-Escrow (private buyer/investor)**
  - **Pro:** Maximize profit/Leverage private $ 
  - **Con:** Property off tax duplicate during 6 months renovation
  - **Con:** Risk buyer will not complete renovation

- **Non-Profit Organizations, CDCs, Others**
  - **Pro:** Good “deed”
  - **Con:** ROI challenging
  - **Con:** Organizational capacity (screening & follow up must be robust)

- **New Construction**
  - **Pro:** creates modern products & strengthens markets
  - **Con:** only works in moderately strong markets with out subsidy
  - **Con:** projects are likely cash intensive
Deed-in-Escrow Program

• What is it?
  • Deed/Escrow – house as leverage point
  • Structured renovation plan
  • 120 Days
  • Periodic inspections

• Role of Technology
  • Automated “showing” requests & progress inspections
  • HDP - Percentage complete
  • Follow up letters
  • Overall Importance of PPS
Policy Decision

Deciding who receives priority?

Owner Occupiers

Community Development Orgs.

Investors

Non Profit Orgs.
Housing Products

• In House
• Deed In Escrow
• Straight Conveyance
• New Construction

• The EYE
  • What is it?
  • What are we looking for?
    • Delinquent Property Taxes
    • Foreclosures
    • Condemnation
    • Housing Code Violations
    • Pattern of **flipping**
    • Secretary of State – different entities
Process

- In House: Deposit $ in escrow - up front
- Deed In Escrow: Inspect the property regularly
- Non-profit: Start job timely
- Special Program: Complete the renovation
- Close out project
LAND BANK
DEED IN ESCROW PROGRAM
PRESENTED BY MAN HOLDINGS
DEED IN ESCROW

FROM THE DEVELOPER’S POINT OF VIEW
IDENTIFY THE PROPERTY

SOURCES FOR POTENTIAL PROPERTIES

• LAND BANK WEBSITE / INVENTORY LIST
• CANVASSING AREA OF INTEREST FOR DISTRESSED PROPERTIES
• STATE FORFEITURE LIST
• TAX DELINQUENT PROPERTY LIST
YOU HAVE IDENTIFIED A PROPERTY: WHAT’S NEXT?

- Contact your land bank to receive their inspection report.
- Inspect property with the land bank report and their representative.
- Come to an understanding with land bank representative regarding all improvements required for transfer.
- Sign the (amended) report with the land bank representative.
- Request a contract from the land bank.
- Agree on purchase price and timeline for renovation.
RISKS TO WATCH FOR

• Be extra conservative when drafting your timeline. If you think an aspect of your project scope will take 2 months, it could be 4, so make sure that the timeline allot sufficient time for issues like:
  • City permitting delays
  • Getting meters placed

• If you need to do a roof and you are in the middle of winter.... you may need to wait until spring

• Property was disconnected from the gas (or other utility) for few years... it might take 2-3 month to get new service lines dug or meters placed

• Estimated reads during transfer of ownership
GETTING READY TO SIGN A CONTRACT?

• MAKE SURE YOU UNDERSTAND YOUR CONTRACT WITH THE LAND BANK
  • IF YOU DON'T, GET ADVICE FROM AN ATTORNEY
• KEEP THE CONTRACT SIMPLE

• SEND YOUR CONTRACT TO A TRUSTED TITLE COMPANY
  • ORDER TITLE SEARCH
  • REQUEST A TITLE SURVEY
  • ORDER TITLE INSURANCE
YOU SIGNED A CONTRACT

- Land Bank will countersign the contract
- Deposit your purchase money in escrow
- You will receive “Permission to Start Work”
- We recommend taking pictures of all meters on the day that you take possession via deed in escrow
- Rehab the house according to your inspection report and city code
- If there is a timeline “hiccup” the Land Bank can be flexible if they see you making progress in the renovation
GET TO WORK

• PULL YOUR PERMITS
• TURN ON YOUR UTILITIES AND/OR ORDER YOUR METERS
• START THE WORK
  • IF YOU ARE USING CONTRACTORS, BE SURE TO HAVE CLEAR WRITTEN CONTRACTS, INCLUDING TIMELINES, WITH REPUTABLE BUSINESSES
• BE READY FOR YOUR MILESTONE INSpections
ONCE YOUR WORK IS COMPLETE

- **Once the final inspection has been completed, you are ready for the formal closing.**
- **After closing, utilities may need to be transitioned to the name of the purchaser.**
REVITALIZE

www.yndc.org
COMMUNITY PARTNERSHIPS AND INCREMENTAL PROGRESS

YOUNGSTOWN NEIGHBORHOOD DEVELOPMENT CORPORATION

mahoning county

landbank
REVITALIZE!

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820 Canfield Road, Youngstown, Ohio 44511

Youngstown Neighborhood Development Corporation

@Youngstownndc

Tiffany Sokol, Housing Director
tsokol@yndc.org
Neighborhood Homes Investment Act
REINVEST | REVITALIZE | REPOPULATE

SEPTEMBER 24, 2020
OHIO LAND BANK CONFERENCE
• 70% of all Americans currently live in single-family homes

• 80% of all Americans would like to
The median home price in Ohio is $169,900.
Challenges to Revitalization and Repopulation

- Aging housing stock in need of repair
- Shortage of move-in-ready starter homes
- Lack of relevant appraisals in distressed areas
- Abandoned properties in need of substantial repair
The Value Gap Problem

- Purchase Price: $40,000
- Remodeling expense: $150,000
- Total Project Cost: $190,000
- Post-construction value: $140,000
- Appraisal (Value) Gap: $50,000
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$15,000</td>
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<tr>
<td>Construction cost</td>
<td>$195,000</td>
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<tr>
<td>Total Development Cost</td>
<td>$210,000</td>
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<tr>
<td>Post-construction value</td>
<td>$150,000</td>
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<tr>
<td>Appraisal (Value) Gap</td>
<td>$60,000</td>
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The Value Gap Problem
Limited Impact of Current Federal Programs

<table>
<thead>
<tr>
<th></th>
<th>Hartford</th>
<th>Statewide</th>
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<tbody>
<tr>
<td>2019 HOME Allocation</td>
<td>$1,311,500</td>
<td>$9,039,736</td>
</tr>
<tr>
<td>House/land Purchase Price</td>
<td>$140,000</td>
<td>150,000</td>
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<tr>
<td>Renovation Cost</td>
<td>$150,000</td>
<td>$120,000</td>
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<tr>
<td>Total Development Cost</td>
<td>$290,000</td>
<td>$270,000</td>
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<tr>
<td>Sale Price</td>
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<td>$210,000</td>
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<tr>
<td>Appraisal Gap</td>
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<td>$60,000</td>
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<tr>
<td>Downpayment/Closing Cost Assistance</td>
<td>$15,000</td>
<td>$25,000</td>
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<tr>
<td><strong>Total Subsidy Needed Per House</strong></td>
<td><strong>$65,000</strong></td>
<td><strong>$85,000</strong></td>
</tr>
<tr>
<td># of Houses Renovated Per Year</td>
<td>20</td>
<td>106</td>
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</table>
What is needed?

A reliable source of subsidy to fill the gap between what it costs to rehab or build a home and what it can be sold for.
Neighborhood Homes Coalition
What Are We Proposing?

- The Neighborhood Homes Investment Act (NHIA)
  - A new federal tax credit to attract capital to distressed neighborhoods
  - New construction and substantial rehabilitation of single family (1-4 unit) housing
How Would the NHIA Work?

- States write allocation plans
- States make allocations to NHIA managers
  - developers, investors, lenders, CDFIs, intermediaries
- NHIA managers use allocation to raise equity capital from investors
- Managers rehab or build, sell to an eligible buyer
What Areas Would NHIA Target?

Eligible Census Tracts (must meet 3 criteria):

- **Poverty Rate** greater than 130% of area poverty rate
- Median Family Income **less than 80% of Area Median Income**
- Median House Value **less than 100% of Area Median House Value**
Housing Eligibility

- Eligible Home Types
  - Single-family homes with 1-4 units
  - Condominium units
  - Cooperative housing
  - Community Land Trust Housing

Source: 1-year American Community Survey (ACS) Data, 2015
Housing Eligibility

- Maximum home price cannot exceed 4 times state MFI
  - Ohio median family income = $56,111
  - $56,111 x 4 = $224,444

- Uniform Relocation Act applies if renter could be displaced

Source: Detroit-Warren-Livonia, MI HUD Metro FMR Area (based on 2014 ACS data, U.S. Census)
Homeowner Eligibility

- Homes must be sold to homeowners with incomes less than 140% of area median family income.
- States may set additional criteria.
NHIA Financing

- **Up to 35% of total eligible development costs**
  including: building acquisition*, rehab, demo, construction and developer fee

- **$25,000 minimum rehab** per unit

*Eligible building acquisition costs limited to 75% of rehab/construction costs.
33 Goshen Street
### 33 Goshen Street (substantial rehab)

<table>
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<th>Description</th>
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<tbody>
<tr>
<td>Purchase price</td>
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<tr>
<td>Rehab cost <em>(estimated)</em></td>
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<tr>
<td>Developer fee <em>(estimated)</em></td>
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<tr>
<td><strong>Total Development Cost</strong></td>
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<td>Appraised market value at resale <em>(estimated)</em></td>
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<tr>
<td><strong>Total Appraisal (Value) gap</strong></td>
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<tr>
<td>Eligible Acquisition = $150,000 x 75%</td>
<td>$112,500</td>
</tr>
<tr>
<td>Maximum Tax Credit: ($112,500 + 150,000 + $20,000 = $255,000) x 35%</td>
<td>$98,875</td>
</tr>
</tbody>
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Claiming the NHIA

- NHIA credits are claimed when a home is completed, inspected, and occupied by an eligible owner.

- Investors are not subject to recapture.

- If home resells within 5 years, homeowner must pay 50% of property appreciation (up to tax credit amount) to state for re-use in neighborhood revitalization.
NHIA Outcomes

- Livable homes built or rehabilitated
- Reduced blight and vacant properties
- Affordable homeownership opportunities created
- Private equity investment generated
- New jobs in construction and related industries
- Tax revenues for federal, state, local government
- Asset-building for wide range of households
For more information about the NHIA proposal and coalition advocacy efforts, please visit our website:

www.neighborhoodhomesinvestmentact.org

Contact us at:
info@neighborhoodhomesinvestmentact.org