

REVITALISING NEIGHBOURHOODS IN DECLINE: PROPOSING A LAND BANK  
AUTHORITY FOR SAINT JOHN

by

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## **Executive Summary**

This study looks at the opportunity for establishing a land bank authority in Saint John, New Brunswick. The City of Saint John has experienced population loss, economic decline and an increase of inner-city poverty over the past 20 years. As the decline of some low-income neighbourhoods worsens, the need for a new strategy to tackle the problem has become more apparent.

A land bank authority is a tool that has been used in other declining post-industrial cities to mitigate the repercussions of population and economic loss, such as widespread property and neighbourhood abandonment. This research draws on the examples of Flint, Michigan and Baltimore, Maryland as relevant examples of cities that have recently implemented land bank authorities.

This study concludes with arguments in support of a land bank authority for the City of Saint John, and offers a series of recommendations to facilitate the transition from the current system to the recommended land bank.

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# Chapter 1: Introduction

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## 1.1 Rationale for Research

Saint John is one of many cities along the Atlantic shore board of North America that has been experiencing decline for several decades. The decline of the city has included the population, the condition of the housing stock, and general health of the local community, as well as many other social indicators. Unfortunately, one of the few things on the rise in Saint John is the poverty rate of inner-city neighbourhoods. The concentration of poverty in an aged and largely rundown housing stock, situated in a shrinking city, creates the recipe for certain hardship.

Saint John has a waiting list of dozens of people in need of affordable housing units. However, there has been very little done over the years by any level of government in response to this expressed need. Despite the best efforts of local nonprofits and housing authorities, the need for more affordable housing continues to grow. Trying to understand the exact nature of the housing need in Saint John is where my research essentially began.

After researching local affordable housing issues, however, I realised that there is a plurality of issues in Saint John that constrain people's access to acceptable housing. Saint John continues to have among the lowest rental rates in the country, although it also has one of the highest poverty rates. There is little doubt that affordability is a problem for many people in Saint John; however, the problems crippling the low-income neighbourhoods in the City have a number of features that warrant equal concern. Dilapidated dwellings, boarded up buildings, a rise in crime rates and drug abuse, the concentration of poverty, the lack of investment – all of these are problems that cannot be addressed by simply focusing on the affordable housing component of a much more complex set of conditions and scenarios that impoverish a great number of Saint Johnners.

Fifty years ago, Saint John began an unapologetic process of “urban renewal”. Like many other older cities in North America, the City leaders embodied the ‘development-at-all-costs’ culture of the time. The community was arguably largely in favour of most of the development activities that were taking place. There was sense that any change was good; that *status quo* was



no longer acceptable, and that it was incumbent on city leaders to take swift action and allow for the 20th Century to bulldoze its way into the urban fabric.

Today the reigning ethos is far more sympathetic to the remaining Victorian edifices in the City, which stand as tributes to a long and proud history. The old buildings that tower along the inner-city streets are as much members of the community as the people who scurry at their steps. The majority of these buildings in the City are privately owned. Nevertheless, there is an unspoken sentiment that the façade of the buildings that animate the physical character of the City are a collective possession owned equally by each member of the local community. Contrary to what may have been the preceding development strategy culture of the 50s, 60s and 70s, today there is a shared resentment toward the erstwhile urban renewal development that stole from the community many of the 19th Century buildings, and restructured the (typically low-income) neighbourhoods that surrounded them.

Historically, it was assumed that development would create jobs, which would provide the capital necessary to lift people from poverty. Despite the best intentions of leaders who subscribed to this view, development alone is unable to build the type and variety of spaces that communities need to flourish. On the contrary, “development-at-any-cost” often results in not enough investment in poorer neighbourhoods, and too much investment in the types of developments that contribute to urban sprawl.

In Saint John today, there is as much a need for affordable housing as there is a need for the improvement of existing housing. There is a need for more green spaces, community spaces (such as community gardens, playgrounds, or parks), and reinvestment in the low-income, historic neighbourhoods. The combination of the issues that plague the low-income neighbourhoods should not be looked at separately, but as interdependent conditions that together entrench a large portion of the population in unacceptable degrees of poverty. These problems require a new approach. This approach will arguably have to be bold; it will have to break from a conservative convention that shies from making drastic changes to the existing structure, which enables the current conditions to persist, even though these conditions are satisfactory to nobody. A new approach should embrace a holistic analysis that is able to address

the conditions of the buildings; is able to provide more affordable housing, entails the need for reinvestment in the community, values green spaces, and finally one that is participatory, transparent and democratic.

The strategy advocated in this research project is the establishment of a land bank authority (LBA). A land bank enables a city to address the social, physical, economic and environmental needs of each neighbourhood as they pertain to the issues most pertinent to the community in question. Because land banks are far more prevalent in the United States, I chose the land bank authorities in Baltimore, Maryland, and Flint, Michigan to use as case studies for the purposes of this research.

Abandoned properties have become a serious problem in many large post-industrial cities, such as Baltimore, Detroit, St. Louis, Flint and Richmond. Dallas, San Diego, and Portland (Oregon), among a growing number of other cities, have also established their own land bank systems. Baltimore and Flint were chosen for this study due to many of the similar features the city shares with Saint John. Specifically, both case study cities are post-industrial towns that have lost employment in recent years, they both have witnessed a decline in population, and they both have a high degree of urban poverty.

Although abandoned properties are essential to most land bank authorities in the U.S., land banks have the opportunity to play various roles in a community. The case being made in this research for the establishment of a land bank system in Saint John is not premised on the abundance of abandoned buildings scattered throughout declining neighbourhoods. Indeed, there is a noticeable presence of vacant buildings in Saint John, most of which are found in the urban core, which also contains the most historic neighbourhoods and, by virtue, the oldest building stock. Nevertheless, the concerns in Saint John are as much about vacant land and under-valued properties as they are about abandoned buildings. All of these factors contribute to the decline of neighbourhoods in the City that should otherwise be cherished for their historic composition. The challenge, as I came to see it, was not only to conceive of ways to implement affordable housing into the existing housing stock, but to envision a process that would enable the revitalisation and

reinvestment in communities that have largely been neglected for various reasons over the past 30 years.

Although renewal, or perhaps revitalisation, is needed in the City once again, this time the renewal must be focused on a much more holistic understanding of the community's needs. Throughout this process, the community must not be solely the recipient of any renewal projects, but the key participants in identifying and delivering on those needs. Much like the case studies mentioned in this report, the priority for the City of Saint John should be to eliminate blight, address the present and future existence of abandoned buildings, and acknowledge the challenges and reality of planning in a city that is immersed in a state of decline. Reinvestment should be strategic, promote smart growth and be focused on existing neighbourhoods that are in close proximity to the City centre.

Land bank authorities have the capacity to provide one piece of that puzzle as their primary motive is to help create more liveable communities, and revitalise neighbourhoods that have been left behind in the process of modernisation.

## **1.2 Purpose of this research**

The purpose of this research is to assess whether a Land Bank system, such as those used in many eastern and mid-western cities of the United States, would be feasible for Saint John. The purpose of a land bank is to bring abandoned houses, vacant lots and other undervalued properties into productive use in ways that benefit the entire community. Land banks offer a solution to communities that suffer from an oversaturation of blight from neglected properties. To a land bank authority, these negative spaces are viewed as assets to the community and carry in their dilapidated state the seeds of hope for positive change. As one expert on land bank systems states, "land banking is the story of attention to vacant, abandoned, and usually tax-delinquent parcels of land in the inner cities of our metropolitan areas. It is the story of the relatively recent development (over the past thirty years) of a new program of local governments designed to break the barriers that create and are created by vacant and abandoned properties" (Alexander, 2005: p.140 ).

Many municipalities with land bank systems are post-industrial cities that have undergone significant population decrease, have a high degree of poverty, and an unsustainable amount of available land within the city limits that has seen a decrease in property value. Many of these cities also have an old housing stock that is in need of proper maintenance.

Much like many American cities that have instituted land bank systems, such as Flint, St. Louis, Richmond, Baltimore, and Detroit, Saint John is an older city with negative population growth, an old building stock and a weak economy (Alexander, 2000; Schilling, 2002; Cohen, 2001; United States Conference of Mayors, 2006). Although the foreclosure crisis in America has created a much higher degree of abandoned properties south of the border, the substandard conditions of much of the building stock and the presence of underutilized land in Saint John present the conditions in which endorsing a land bank authority may be an effective policy direction for the City.

The focus of this study will entail an analysis of the most vulnerable neighbourhoods in the City. Evidence of the potential utility of a land bank system in Saint John is argued in three principle areas of land assessment: (1) abandoned buildings, (2) vacant property lots, and (3) undervalued properties. The structure of this analysis is conceived from the perceived negative impact each category has on the surrounding community. Discussion occurs around the prospect of improving individual lots, but does not stray from the primary goal of providing a community with the tools necessary to improve as a whole.

### **1.3 Methodological Approach**

The data used in writing *Revitalising Neighbourhood's in Decline: Proposing a Land Bank Authority for Saint John* draws on research conducted by several academic journals, governments and community organisations. Statistics Canada and the City of Saint John's Geographic Information System were invaluable sources of information that were used throughout the research. In addition, several conversations with planners, building inspectors, city solicitors, non-profit housing representatives, educators, developers, property owners and lawyers all helped inform and direct the content and approach of this research project.

# Chapter 2: Land Bank Authorities

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## 2.1 Background

Although housing abandonment is not a phenomenon specific to the 21<sup>st</sup> Century, the scale of abandonment in several American cities has generated the need for a new perspective in order to engage in the proper solution. The exigency of neighbourhood blight caused by abandonment and accelerated by the sustained neglect of declining communities over the past few decades requires lateral thinking and ingenuity to reverse this trend. Recent years have witnessed the genesis of a land bank movement in the United States as a mechanism to revitalise communities that have fallen victim to economic and social decline.

A land bank authority (LBA) is “a non-profit quasi-governmental entity with the primary responsibility and authority for acquiring, maintaining, and selling abandoned property in order to solve the challenges created by these blighting properties” (Baltimore Housing, 2009, para. 3). Further to this definition, land banks may also be involved in the acquisition and maintenance of vacant and under-utilised lands. A land bank requires enabling legislation that empowers the land bank to facilitate the acquisition and disposition of land, which often necessitates the absolving of existing tax liens on the property and the clearing of the land title.

A land bank is typically governed by a board of directors that “adhere to bylaws and articles of incorporation” (Sage Computing, 2009: p.1-2), which are designed to meet the needs of the subject area and help the local government fulfill its commitments to the local community. As opposed to contributing to the blight of a neighbourhood, the abandoned property obtained by a land bank becomes an asset that is used to help satisfy the stated goals of the city’s long-term strategic plan. These plans often include the provision of more affordable housing, creating more green spaces, establishing community flower or vegetable gardens, or providing other community amenities that may be in need. Reverting a previously blighted or vacant property to a productive use creates much needed tax revenue for cities experiencing decline, provides services, enhances security, and fosters a greater sense of pride for residents.

Land banking was a concept developed in the 1960s to preserve large amounts of land for future use as urban growth began to sprawl cities into greater regional areas (Alexander, 2008). However, land banks were never employed under this pretext; instead, the modern version of a land bank began to form over the past 25 years and has expanded significantly since then (*Ibid*).

A primary function of a land bank is to acquire vacant and abandoned land. In spite of this, the goal of the land bank is not to possess large swaths of land. On the contrary, the goal of the land bank is to return this land to productive use in an expedient manner. Most commonly, land banks hold the addition of more affordable housing units in their communities as a primary goal of their operations.

## **2.2 Role and power of land banks**

In many cities, land banks have acquired large amounts of land. Despite owning and maintaining this land, land banks should not be viewed as competitors in or hindrances to the open market. Indeed, the very existence of a land bank indicates that the market has failed to provide a function for available vacant land, and quite possibly failed the previous property owners. A land bank does not seek to “supplant the open market” (Alexander, 2009: p.4); on the contrary, it provides strategic community revitalisation tools that could nurse the local market conditions back to a point where renewed interest in a neglected neighbourhood could trigger a response from the otherwise dormant economy. Land banks simply absorb private and public properties that the real estate market cannot profitably manage (Alexander, 2005b).

An essential power held by the land bank authority is the ability to waive taxes and clear land titles. This power is paramount in enabling the return of tax-delinquent properties to productive use. Often times unpaid taxes mount on the property of an insolvent landowner that eventually surpass the retail value of the property. In such scenarios, reinvestment in the property is highly unlikely. With the ability to waive taxes, a land bank can create more market interest in a property – although the long-term interest of the land bank may be to turn it over to a community organisation. Regardless, the property is returned in a productive form to the fabric of the community.

Some land banks, like Genesee County Land Bank Authority in Michigan, allow residents to apply for a year's relief on tax payments due on their properties. If the applicants can demonstrate that they need more time to catch up on their debt repayments, the Land Bank has the capacity to grant those powers. In most cities that do not have land bank authorities, this option is seldom found.

Essentially, a land bank offers the capacity for a city to exercise good planning practices in neighbourhoods experiencing decline. Coupled with the right municipal legislation that allows successive fines for derelict and unsightly premises to face foreclosure, a land bank offers the capacity to reward good homeowners, help homeowners who need more time to pay outstanding bills, and create disincentives for slum lords and speculators who disregard the needs of a declining community.

### **2.3 Why implement a land bank?**

Older cities experiencing population and economic decline often have several abandoned buildings and an oversupply of vacant land. Returning this land to productive use is in the best interest of the community; however, there are often too many bureaucratic impediments that tend to inhibit this process. As a result, many buildings and blighted areas of the community remain in their deteriorating conditions for several years. Studies show that the direct financial costs these spaces have on the surrounding community significant. Some of these costs include:

- Decreased property values of adjacent properties
- Decreased property tax revenues from non-payment of taxes
- Decreased property tax revenues from declining property values of adjacent properties
- Increased costs of police and public safety surveillance and response
- Increased incidence of arson and costs of fire prevention
- Increased costs of local government code enforcement activities
- Increased costs of judicial actions

(National Vacant Properties Campaign, 2005)

A study conducted in Chicago in 2005 found that the foreclosure of a property that resulted in a boarded building imposed \$430 in direct costs to the city. Furthermore, a property

that was abandoned prior to the foreclosure imposed an average cost of \$20,000, while a foreclosed property that has been damaged by arson cost the community approximately \$34,000 (National Vacant Properties Campaign, 2005: p.9). It would be difficult to calculate the empirical cost to a community when there is human casualty involved in the burning or collapsing of a derelict building.

In addition to the tangible financial costs associated with abandonment, there are several intangible costs that arguably entail more detrimental impacts to the fabric of the community. Social cohesion, community pride, fear of social engagement, among other undesired repercussions, have resulted in many declining communities whose properties and land have been left to the discretion of free market forces, which are clearly incapable of guarding a community against the impacts of decline (Alexander, 2008). A land bank empowers a community to regain control over these spaces and utilise them in ways that best suit the community's stated needs.

An essential power to any land bank authority is the ability to expedite the foreclosure of an abandoned building. The longer the building remains vacated, the more expensive the rehabilitation will be for a potential new owner, which decreases the chances of the property being returned to a productive state. As Alexander argues, "when properties remain vacant for any significant length of time, the frequency of vandalism increases, and the decline in property values and neighbourhood stability accelerates" (Alexander, 2008: p.10). The costs to the government and the community begin to mount as derelict buildings remain unattended.

It is important to note that, while land banks are more common in cities that have experienced a large degree of abandonment, they are "potentially just as useful to safeguard healthy communities from deterioration, and for smaller communities seeking to protect land from passing through the slow process of decline so often associated with tax-foreclosed properties" (Kildee, cited in Alexander, 2005b: Foreword). As argued in Chapter 3, Saint John is somewhere in the early stages of a community in serious decline. It is a community in decline, although not to the degree of decline endured by the case studies presented in this research project. Although abandonment is not as rampant throughout Saint John, neighbourhood blight



arguably is. Three neighbourhoods in particular in Saint John have a large stock of rundown buildings that are still in use. As argued in Chapter 5, the possibility for many of these buildings to become abandoned in the near future is considerable. Unfortunately, the City currently has no mechanism to control the downward spiral of some of the more vulnerable neighbourhoods, while the ubiquitous deterioration of the built environment contaminates the tangible and intangible wealth of these communities.

## **2.4 Governance of a land bank**

The structure of a land bank is determined by the powers it is given by the state (or in Canada, the province) and the local government (Alexander, 2005b). Most land banks exist as “independent public legal entities” (Alexander, 2005b: p.40). Being a public legal entity requires the land bank to have a board of directors, which most often comprises a mixture of private citizens and government officials. The board members are not permitted to receive compensation for their work as it is viewed as a community service. In some communities, relevant community groups or organisations are given the power to appoint a member to the board of directors to create more community input and diversification in the skill set of the board members, while simultaneously contributing to the accountability of the land bank. Legislation for the land bank in Atlanta, for example, enables the local school board to appoint a member to the board of directors (Alexander, 2005a).

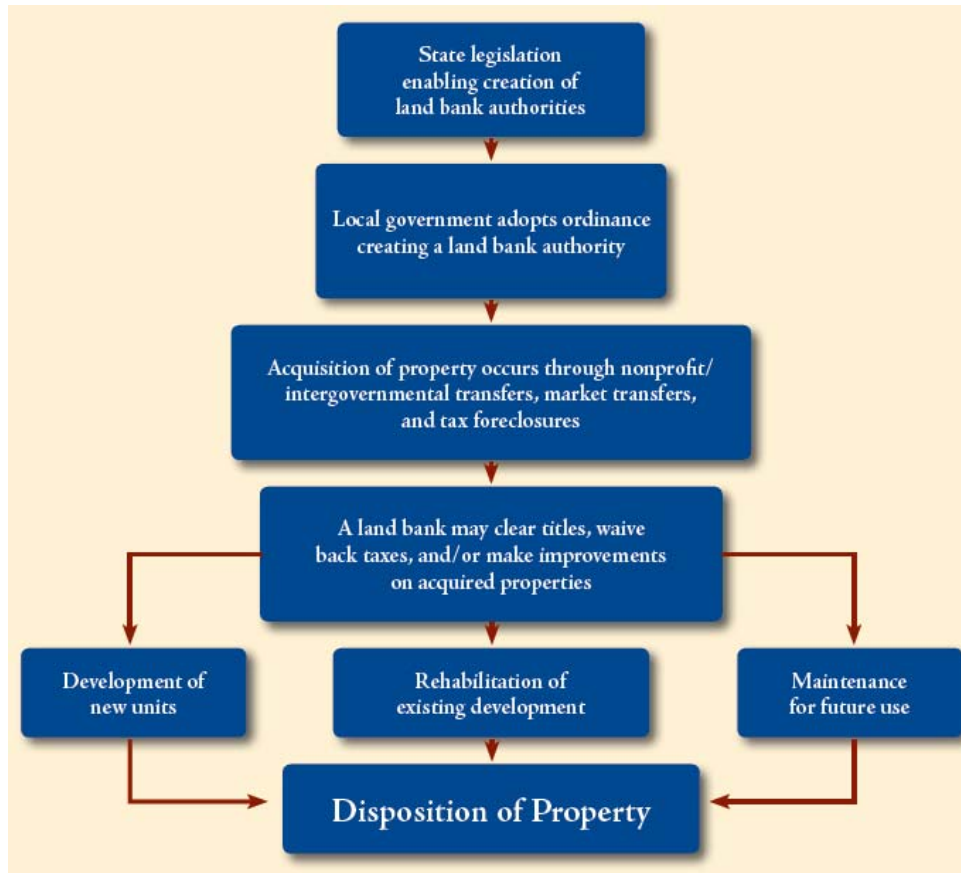
The staffing of a land bank authority depends on the budget and needs of each LBA. Many land banks utilise existing governmental employees working for relevant departments (i.e. Planning and Development) to fill the necessary positions. Some communities feel the need to create full or part-time positions to handle the workload of the LBA.

The legal and governing structure of the land bank empowers the Bank to make decisions regarding the future use of abandoned and vacant properties. The decision making process is informed by an established set of criteria that promotes the revitalisation of certain communities. The land bank is able to operate in an expedited fashion that avoids bureaucratic delays, and is able to maintain public accountability by virtue of its appointed board of directors (Alexander, 2005b).

## 2.5 Land bank process

The process of forming a land bank in America varies from state to state, depending on specific state legislation. For the case studies presented in this research, the formation and property acquisition process generally follows the structure presented in Figure 1.

**Figure 1: Land Banking Process**



(Source: Sage Computing, Inc., 2009)

The land bank is responsible for maintaining an inventory of all its properties, which normally includes the classification of the properties and their proposed future use. Properties that come into the possession of a land bank are typically assigned their future use potential based on the criteria established by the board of directors. This information can be viewed by the public from the Bank's website, or by other convenient means. If necessary, the title of the property is cleared and/or back taxes are waived to help improve the marketability of the property. After the

land has been assessed, placed on the inventory and all titles and taxes have been cleared, the disposition of the property is the final step. An applicant submits a written proposal for a property, after which the Board checks the proposed use against the listed classification for the property and makes a collective decision. If approved, the applicant is typically given a timeframe in which he/she must fulfill his/her obligations.

## **2.6 Barriers to the success of a land bank**

There are a number of barriers worth consideration that a community may encounter when attempting to establish a land bank authority. These barriers by no means preclude the ability for a municipality to implement a land bank; however, being cognizant of their capacity to impede the establishment of a land bank is largely to the benefit of any community.

A primary barrier to the success of an LBA is related to its ability to fast track the transfer of a property to a new owner, which involves the clearing of the title and waiving all back taxes on the property. Delays in the foreclosure process can cause the system to be ineffective in transferring the property to a new owner or allowing it to involve a different use. It is understandable that many would feel compelled to patiently move through this process in order to avert a hasty decision that may be later regretted, but allowing too much time to transpire would also be counterproductive to the fundamental objective of the land bank.

Another critical barrier to establishing a land bank is financing. The activities of the land bank, including the acquisition, maintenance and disposition, can be costly (Sage Computing, 2009). Some land banks, like the Genesee County Land Bank in Michigan, have found creative ways to be self-financing and have involved volunteer groups from the community for some of their operations. But most land banks depend on committed financing from one of three levels of government (or a combination therein).

A third barrier worthy of acknowledgement is the capacity for the land bank to ensure the transferee of the property is not seeking to speculate on the property for quick economic gain. Ownership of the property must be retained by a person, group or organisation that has committed to fulfilling the development proposal they had submitted at the time of application for the property. Most land banks stipulate a timeframe within which the applicant must

complete their development project; otherwise the land bank is able to reclaim title of the land.

Finally the bureaucratic process of the land bank must not be slowed down by redundant procedures. If the land bank is required to seek approval from Council for a candidate they have already selected for the transfer of a property, for example, this would create unnecessary delays in the process, and essentially defeat the purpose of the land bank. The LBA must be given the proper powers to enable the expedited transfer of a property to a new owner. As Alexander explains, “The core legal authority essential for land bank operations is the power to acquire, manage, and dispose of property” (Alexander, 2005b: p.22).

## **2.7 Summary**

As the practice of planning trends more toward participatory strategies, land bank authorities will likely become more common tools in municipal government structures to manage abandoned and vacant lands. Part of the appeal of an LBA is its versatility. An LBA can be designed to meet the particular needs of any community. Regardless of where it exists, a land bank will necessarily involve more participatory decision making processes that value the input of various elements of society. The collective decision making of an LBA helps determine the best uses for blighted private and public spaces. As quasi-governmental bodies, LBAs are more accountable to the public they are designed to serve. In addition, a land bank’s decisions are normally based on the vision of existing neighbourhood and city plans. This effectively increases public input into the decision making process as these plans often articulate the desire of the community to see its community advance in certain directions.

The success of a land bank will be determined in part by its ability to create well defined goals, maximise its transparency and accountability to the public, and foster a greater sense of pride in communities that have been experiencing decline and neglect. Ultimately, as one author suggests, the “success of a land bank is best measured by its own demise” (Alexander, 2005a: p.156).

In order to achieve its goals, each land bank will have to be structured and developed to satisfy the needs of the local community and the legislation that governs it. As such, understanding the cultural, political and historical context of a community contemplating the

establishment of a land bank is paramount to its eventual success. The following chapter offers a profile of Saint John, New Brunswick to generate a clear understanding of the opportunities and challenges of the potential application of a land bank authority in the City.

# Chapter 3: Profile of Saint John

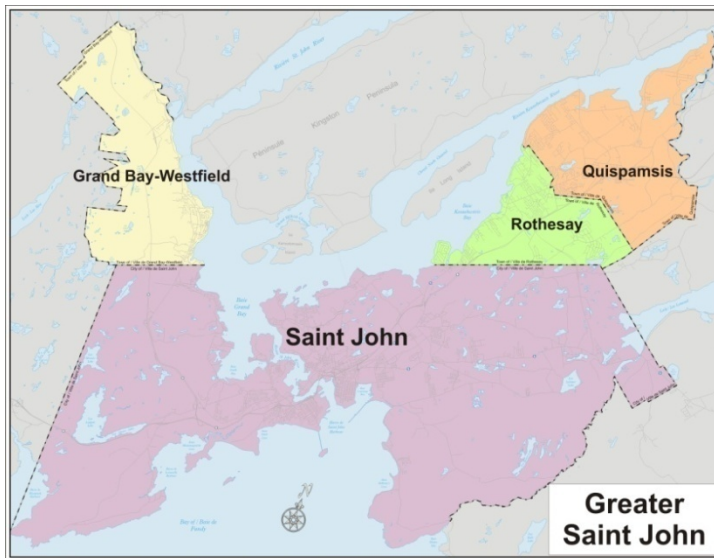
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## 3.1 Background

The City of Saint John is located in southern New Brunswick where the St. John River empties into the Bay of Fundy. There are approximately 122,000 people currently living in the central metropolitan area (CMA) (see Figure 1) of Saint John; a population base that has varied little over the last 100 years.

The City was first incorporated in 1785, making it the oldest incorporated city in Canada. The age of the City is evidenced by the number of 19<sup>th</sup> Century buildings peppered throughout the inner-city urban fabric. As discussed later, the dated building stock in Saint John offers both a unique cultural inheritance that is highly valued by the community, and a significant maintenance challenge to satisfy municipal building codes.

**Figure 2: Greater Saint John**



(Source: City of Saint John, GIS Division, 2009)

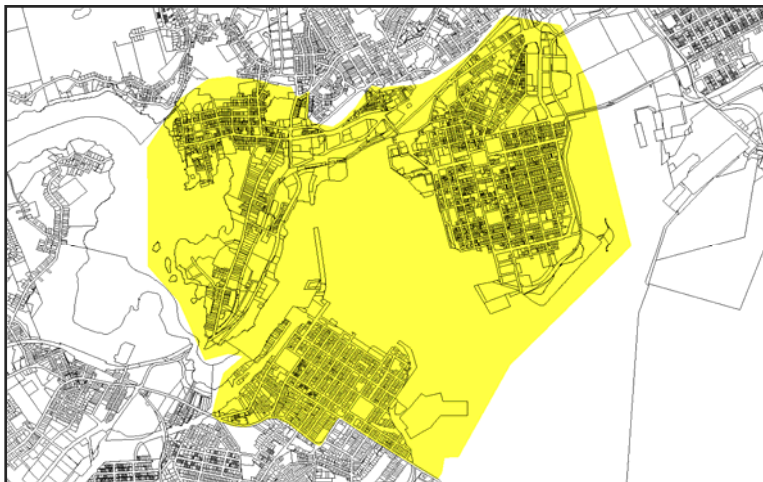
It was believed in the 19<sup>th</sup> Century that Saint John would become one of the major urban centres gracing the eastern shore board of North American. Contrary to this optimistic outlook, Saint John found itself in a state of perpetual economic hardship for the majority of the 20<sup>th</sup> Century.

Among other salient economic indicators, new housing starts were not as common in the City as they were in other areas of Canada. As with many cities in North America, however, new housing development did occur in the post-war period in select neighbourhoods that were mostly characterised by suburban settlement patterns. The 1960s also saw a development renaissance in Saint John, fuelled in part by yet another optimistic but misguided forecast of an imminent population boom. This period of “urban renewal” brought with it the demolition of some of the City’s finest buildings. The promise to modernise the urban landscape to match the contemporary styles of mid-20<sup>th</sup> Century architectural influences, stripped the City of much of its Victorian heritage. Consequently, many low-income neighbourhoods were partially bulldozed and often disconnected from the uptown area by new highways or arterial roads.

### 3.2 Study area

The focus area of this study contains a large portion of the urban core of Saint John. For the purposes of this study, the “urban core” refers to a region of the City that encompasses a large portion of the historic neighbourhoods. The area continues to be the most densely populated part of the City today. This area includes the Uptown, South End, Lower West Side, Waterloo Village, and the North End. The highlighted yellow section in Figure 3 illustrates the geographical boundaries within the urban core region that delineate the “study area”.

**Figure 3: The Study Area**

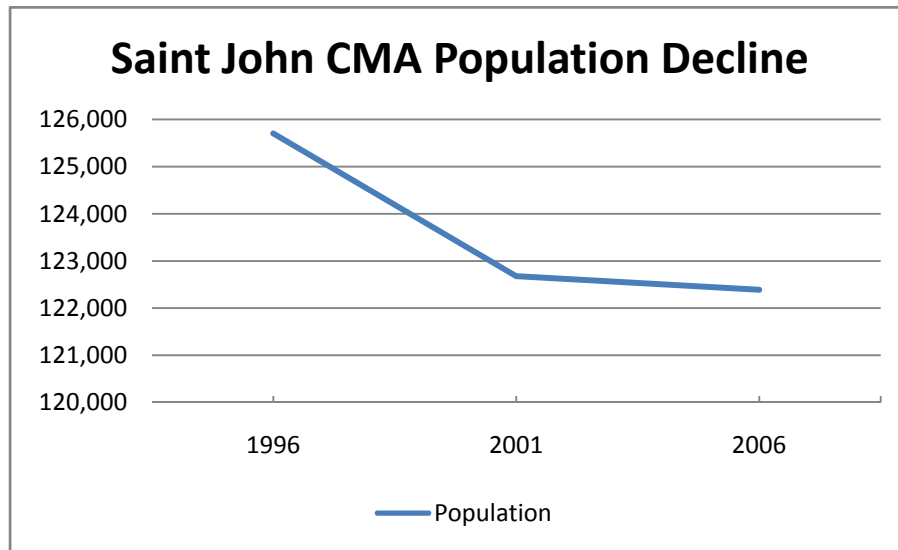


(Source: City of Saint John, GIS Division, 2009)

### 3.3 Growth of the suburbs

Over the past 15 years, Saint John has seen a steady decrease in population (see Figure 4). The decline has mostly occurred in the 20 to 30 age cohort of the population as many young adults in the City (and other regions of Atlantic Canada) tend to relocate to larger cities in Canada to pursue their careers in more promising economies, or seek adventure in more dynamic urban environments.

**Figure 4: Saint John CMA Population Decline**

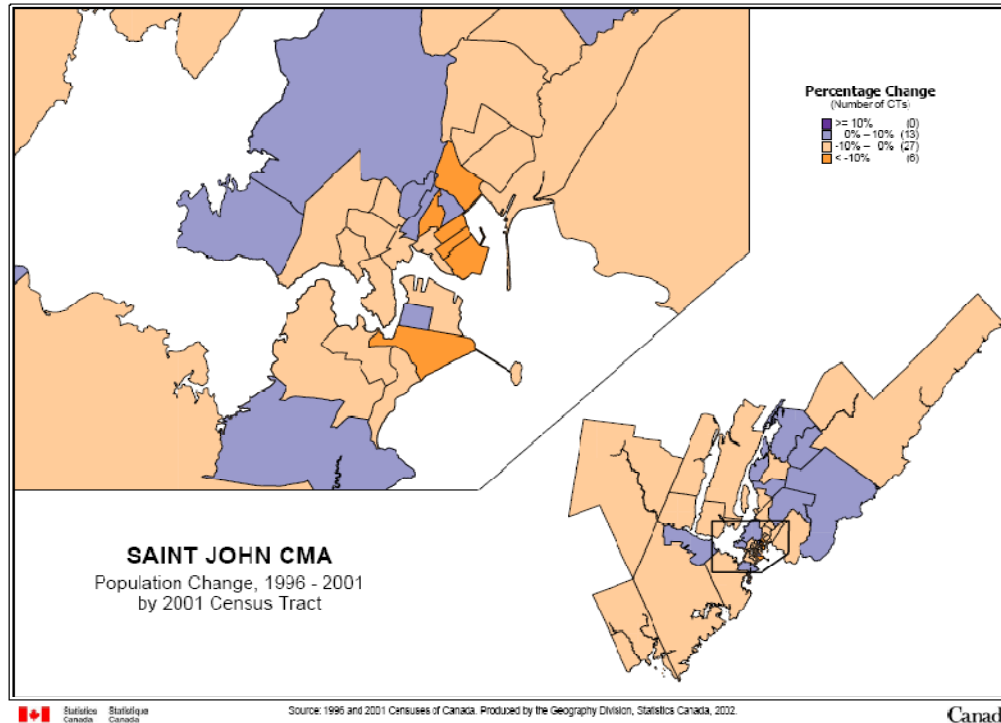


(Source: Statistics Canada, 2007)

Migratory patterns within the greater Saint John region tell a much different story of people seeking the perceived advantages of suburban lifestyle well outside of the Uptown area. Figure 5 depicts the population change within the Saint John CMA over a five year period from 1996 to 2001, illustrating the trend in the local population to relocate to suburban neighbourhoods.

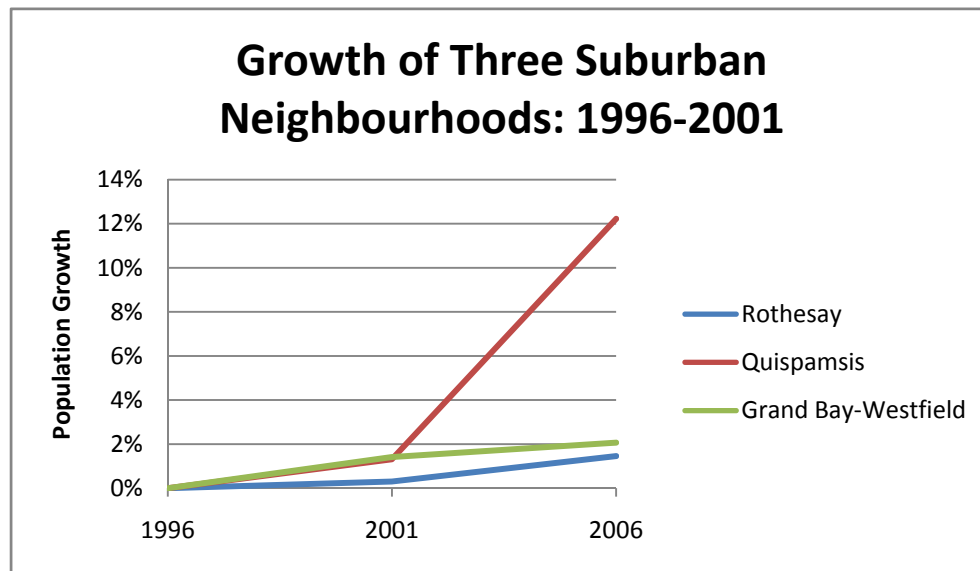


**Figure 5: Population Change in Saint John CMA**



The internal and external migratory patterns have produced a flight of educated young professionals and the potential economic advantages they could offer to the local community. Typically, as young adults begin their families in Saint John and become relatively successful in their careers, they opt to live in suburban neighbourhoods. The three largest bedroom communities, Rothesay, Quispamsis and Grand Bay, have all been experiencing population growth over the past 15 years, with Quispamsis reaching more than 12%, as illustrated in Figure 6.

**Figure 6: Growth of Suburban Neighbourhoods**



(Source: Statistics Canada, 2007)

These neighbourhoods have become a favourite resettlement destination for the upper-middle and upper economic classes of Saint John, allowing this population to leave behind the perceived disadvantages of the low-income neighbourhoods in the Uptown area, and the typically undesired foggy weather in the inner-harbour.

Interestingly, despite the population decline and high poverty rates, Saint John has one of the highest property tax rates in Atlantic Canada. This could be a contributing factor for many families in choosing to live in suburban areas that offer quieter neighbourhoods and more favourable weather conditions. Conversely, there are no government incentives encouraging people to live in the urban core.

### **3.4 Poverty in the urban core**

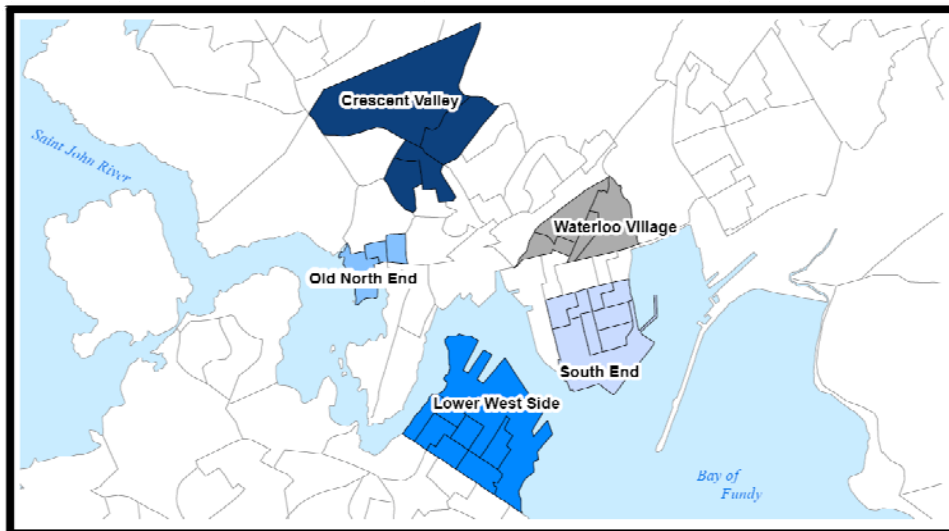
The flight to the suburban areas of Saint John over the past 20 years has resulted in the urban core of the City being heavily neglected and overrun with an unsustainable amount of concentrated poverty. Landowners in poor neighbourhoods often do not make much needed repairs to their buildings. Knowing that the majority of their tenants would not be able to sustain an increase in rent to offset the renovation costs could partially explain the reluctance on the part of the landowners to invest in his/her property. The City does offer some incentives to entice

homeowners to make renovations to their buildings, but this is often limited to heritage buildings and is insufficient to cover many types of repairs that do not pertain to the façade of the dwelling. The City simply could not afford to pay for all the repairs needed for every building in Saint John.

Much of the building stock in need of repair is found in the urban core of the City, which also contains the poorest neighbourhoods. There are five neighbourhoods in the urban core that comprise the most impoverished communities:

1. Waterloo Village
2. South End
3. Lower West Side
4. Old North End
5. Crescent Valley

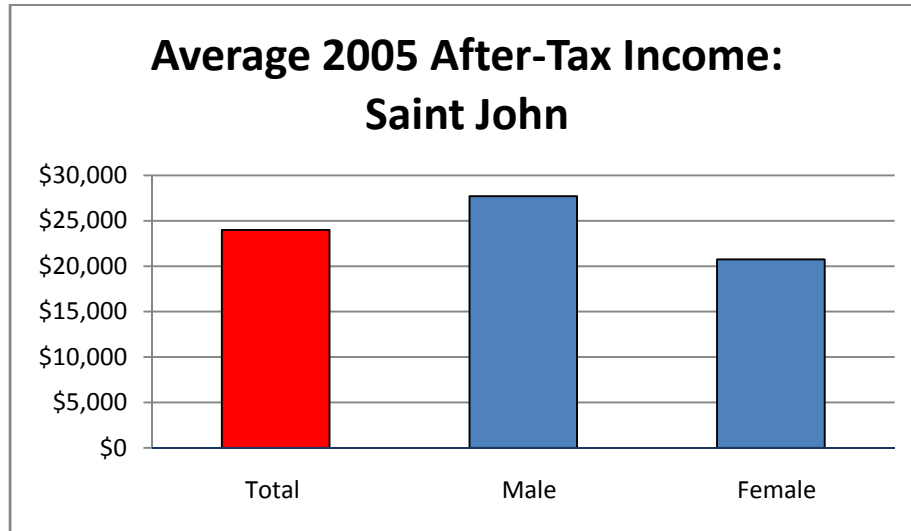
**Figure 7: Five Priority Neighbourhoods**



(Source: City of Saint John, GIS Division, 2009)

These communities (Figure 7) have been identified as “priority neighbourhoods” due to the prevalent experience of poverty throughout these areas (Human Development Council, 2005). Annual income in the greater Saint John region was below the national average of \$25,664,220 in 2006 (Statistics Canada, 2006) (see Figure 8).

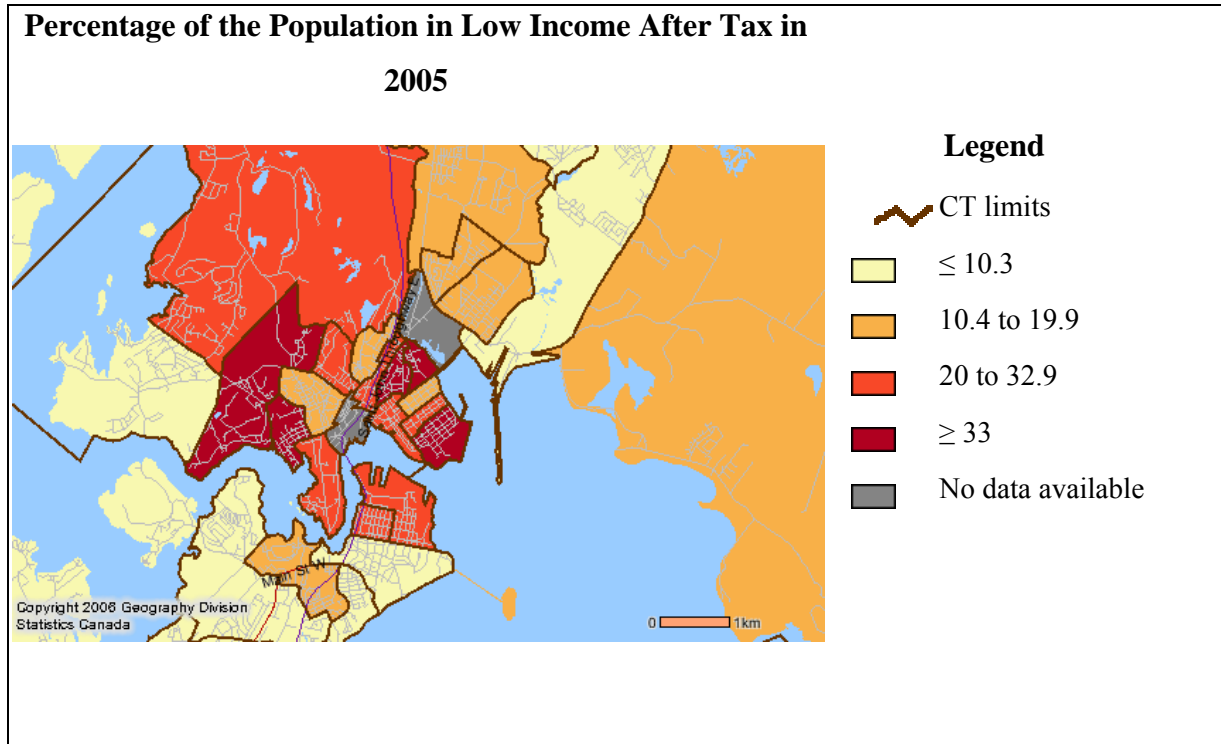
**Figure 8: Average 2005 After-Tax Income**



(Source: Statistics Canada, 2006)

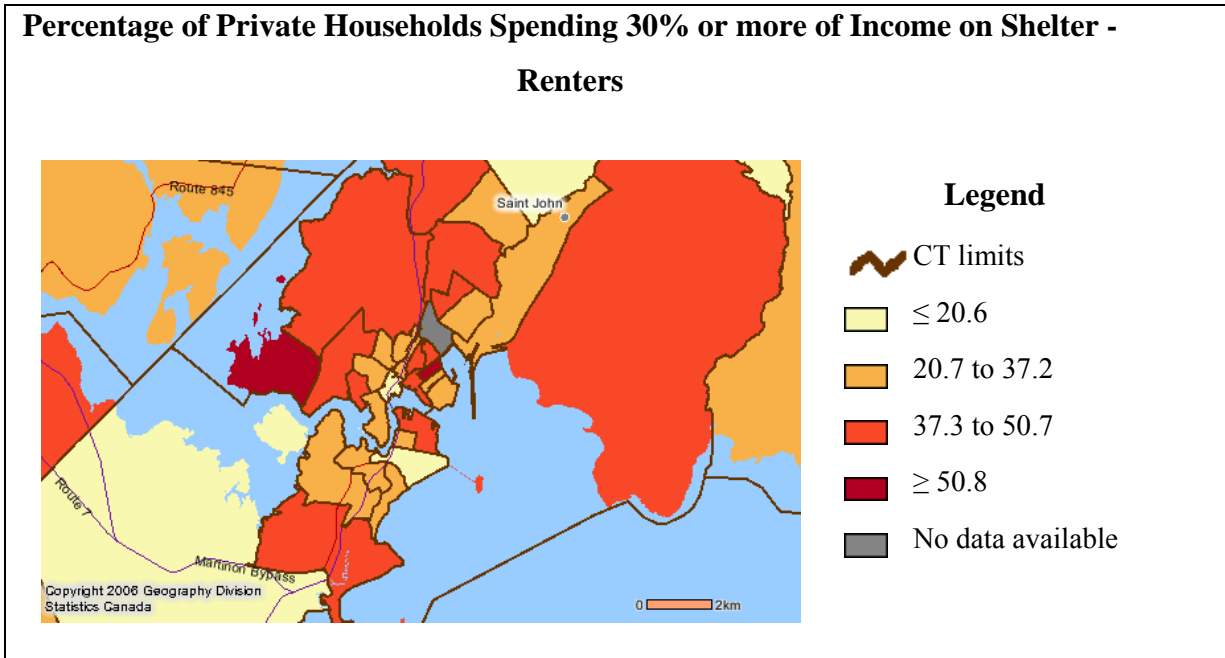
Although these figures are only marginally less than the national average, the presence of the wealthier bedroom communities outside the Uptown area effectively skews the real experience of poverty in the urban core. Figure 9 offers a more sobering portrait of the concentration of poverty in the Uptown area of Saint John.

Figure 9: Population in Low Income



As the above map indicates, the South End, North End, Waterloo Village and the Lower West Side have very high poverty rates. A common consequence of an over-concentration of poverty in a neighbourhood is a high degree of households dedicating more than 30% of their income on housing. The neighbourhoods highlighted in orange and red in Figure 10 indicate the clustering of households spending more than 30 percent of their income on rent.

**Figure 10: Priority neighbourhoods**



With the exception of the South End, there is a clear correlation between those spending more than 30% of their income on rent and the concentration of poverty in these same areas. The results for the South End would most likely also be higher than indicated in the above map if the data was isolated to the South End neighbourhood and did not include much of the Uptown peninsula. Combining the two neighbourhoods allows for a greater averaging of two adjacent communities with radically different economic backgrounds. The central area of the Uptown peninsula is much wealthier than Waterloo Village and the South End.

### **3.5 Age of housing Stock**

There are many factors that complicate the housing experience of many Canadians, including cost, condition and location. An aging housing stock, such as Saint John's, needs considerable investment in order to satisfy building codes and be suitable for habitation. If well taken care of, an old housing stock can lend incredible charm to the built form of a city, much like the unique character extolled in the historic buildings of numerous European cities. When these buildings are not well maintained, however, they can become extraordinary burdens to the community and local government, despite their aesthetic appeal. Neglected older buildings tend to be less energy efficient, have more electrical and plumbing problems, and are in greater need of structural

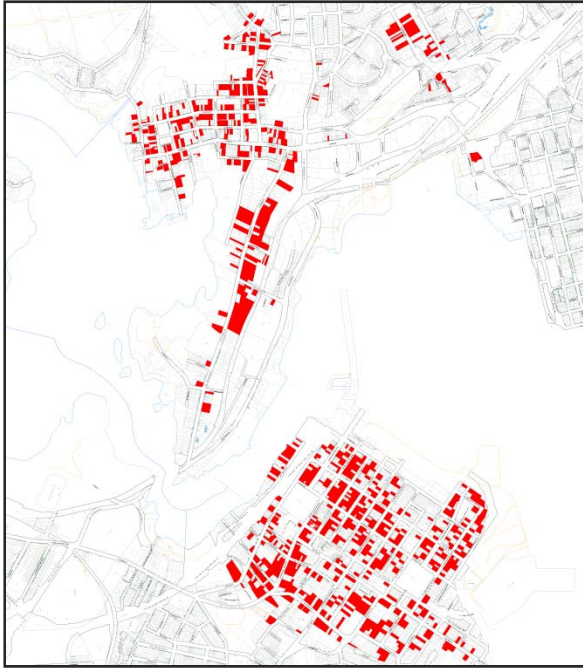
repair. After sustaining a long period of neglect, the cost of fixing an old building becomes prohibitively expensive. In a low-income neighbourhood, a property owner interested in making necessary repairs to his/her building is unlikely to recapture much of this cost by increasing rent. The income levels in priority neighbourhoods would likely not be able to match the mark up in rent to offset any renovation costs incurred by the property owner. Furthermore, any improvements to a damaged building will eventually cause the property assessment value to increase, which would in turn increase the amount of property tax the landowner is obligated to pay. This could also have the undesired result of putting upward pressure on rent, thereby worsening the affordability of the existing housing stock for many low-income earners. As a result, a significant portion of the older building stock eventually becomes run down and in need of structural repair.

The average age of the housing stock in Saint John is much older than the national average. The percentage of all dwellings in the country that were built before 1920 is approximately 6%, whereas in Saint John the average is approximately 11% (Statistics Canada, 2006). However, the more recent housing stock of the suburban neighbourhoods does not provide an accurate image of the built environment of the Uptown area of Saint John. Even though the average age of the local housing stock puts it among the oldest in the country, the urban core of the City has a much greater concentration of older buildings, as illustrated in Figure 11. The highlighted red areas of the images indicate property lots that contain a building older than 1920. The clustering of old buildings is evident throughout the historical neighbourhoods of the City, which includes the majority of housing in the Lower West Side, Old North End, South End, Uptown and Waterloo Village.

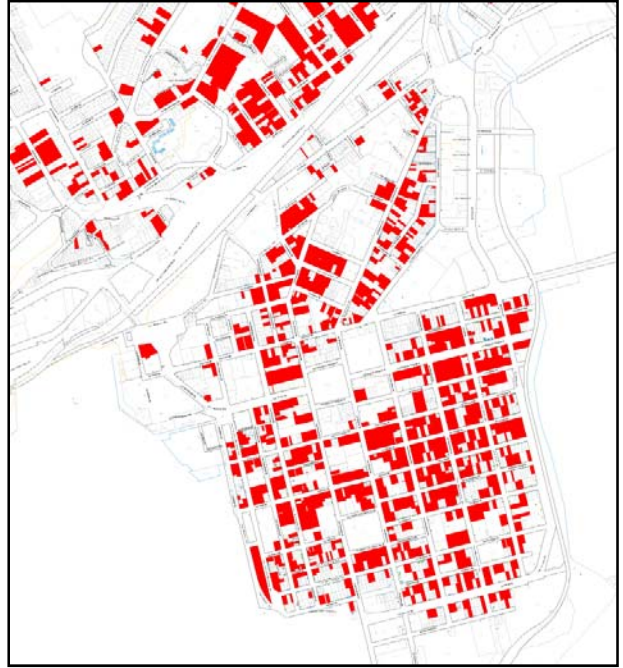


**Figure 11: Buildings older than 1920:**

**Lower West Side and Old North End**



**Uptown, South End and Waterloo Village**



(Source: Service New Brunswick, 2009)

The architecture of many of these turn-of-the-Century buildings is strongly influenced by attractive Italianate, Georgian, Romanesque and Maritime Vernacular styles. If well kept over the years, these buildings can present a strong, attractive character to a neighbourhood, such as the character seen along one of the main residential streets of the South End. On the other hand, if not kept in good condition, these buildings can deteriorate to the extent of becoming derelict and uninhabitable:

**Figure 12: Contrasting views**

**South End building in heritage district**



**Abandoned old building**





Unfortunately, it is the later substandard condition of the housing stock that characterises much of the built environment in the priority neighbourhoods. Many of the buildings are still inhabited, but are in need of significant repair.

### **3.6 Condition of housing stock**

The condition of the local housing stock in Saint John is considerably worse than the national average. Roughly 34% of the dwellings in Canada need either minor or major degrees of repair. In Saint John, the number climbs to 42%. Predictably, the housing stock that is in need of repair is also concentrated in select neighbourhoods. Buildings built before 1920 have roughly 54% chance of needing repair, both in the City of Saint John and in Canada (Statistics Canada, 2006). Roughly half of the dwellings indicated in red in Figure 11 are likely in need of repair. Because Saint John has a large land area for its population base, the critical state of many buildings in the urban core is lost in the regional averaging of the numbers. As mentioned above, the newer suburban neighbourhoods on the periphery of the City effectively reduce the overall percentage of substandard housing conditions in the urban core. If the Statistics Canada data were refined to include only the five neighbourhoods of the Uptown area, a greater amount than 42% of the housing stock would likely be found to need some degree of repair.

### **3.7 Abandoned buildings**

As a result of the continued neglect of some buildings in the priority neighbourhoods of Saint John, the dwellings have been vacated. Figure 13 offers an approximate idea of the existing vacant buildings in the South End, Waterloo Village, the North End, and the Lower West Side:

**Figure 13: Vacant Buildings**

**South End and Waterloo Village**



**North End**



**Lower West Side**



(Source: Service New Brunswick, 2009)

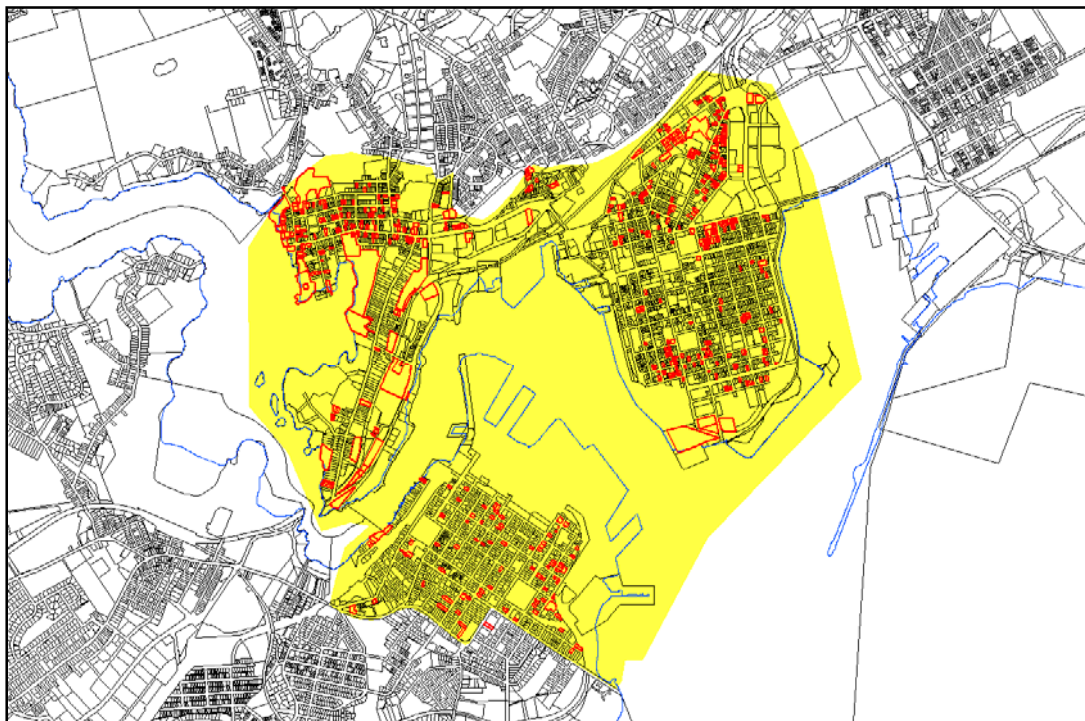
Considering the average age and general condition of the housing stock in these neighbourhoods, it is likely that the number of dwellings that become vacated due to the lack of proper

maintenance will increase. With an average of 54% of all buildings built before 1920 needing some level of repair, and considering the ubiquitous presence of buildings predating this threshold mark in the study area, the number of buildings in Saint John that eventually become uninhabitable will likely only expand in the near future. The economic, social and psychological ramifications of this could be severe.

### 3.8 Vacant lots

Saint John has an enormous amount of vacant land. The property lots outlined in red in Figure 14 indicate parcels of land in the study area that are currently vacant. These are sites where buildings typically either previously existed, or areas where development has never occurred. Regardless, there is a significant amount of vacant lots in the urban core that could be of interest to a land bank system.

**Figure 14: Vacant Lots**

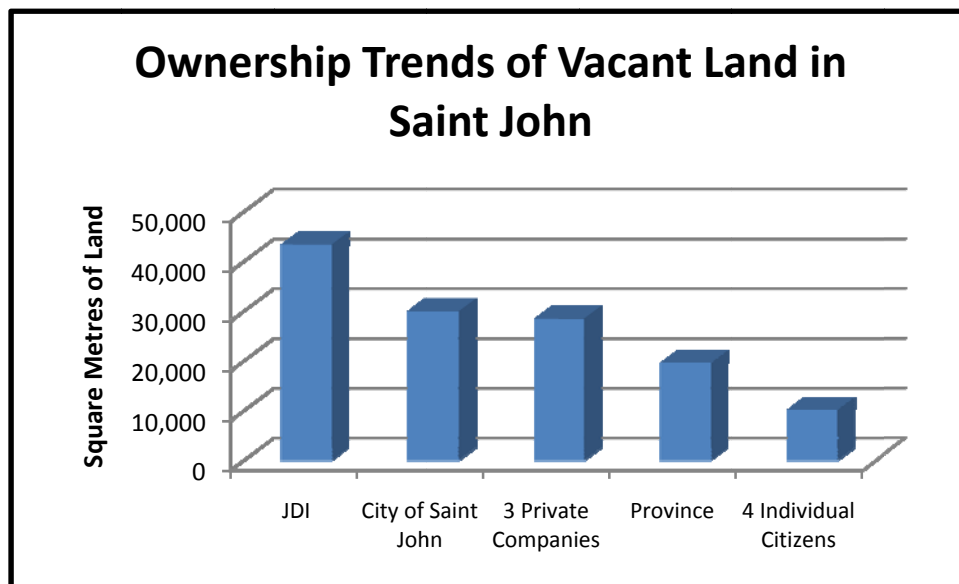


(Source: Service New Brunswick, 2009)

It should be noted that the vacant land highlighted in Figure 13 is only representative of the vacancy found in the study area. Vacant properties exist throughout the City in virtually every

neighbourhood. The owners of vacant lots will often leave the property inactive for a number of years (or indefinitely in some cases) while waiting for the favourable market circumstances before selling the land off, or developing something of higher value. Identifying where all the vacant land is, how it became vacant and what the intended plans for the property may be is far beyond the scope of this research project. However, Figure 15 below shows the primary owners of vacant land in Saint John CMA.

**Figure 15: Ownership Trends of Vacant Lots**



(Source: Service New Brunswick, 2009)

As Figure 15 demonstrates, one company (JDI) owns an extraordinary amount of vacant land, as does the City and Province. At least some of this vacant land would be of interest to an LBA.

A lot of the idle land in Saint John could be put to better use. Some of this land is likely undevelopable; on rough terrain, on steep elevation, poorly located, or contaminated. However, there is certainly a portion of this land area that could be developed into more meaningful spaces for the surrounding community. Such development could provide greater density (infill housing), affordable housing, green spaces, community gardens, or any other uses that a community identifies as a priority. Reverting blighted properties to celebrated community spaces or new housing units could also help increase new investment in the neighbourhood by attracting developers from the private industry.

### **3.9 Summary**

The housing stock in Saint John presents many planning challenges for the community. Compounded with issues of poverty, abandoned buildings and vacant properties, the conditions in the urban core area of the City beg immediate attention. Landowners are in a difficult position to invest in their properties due to the lack of capital or the perceived minimal return. Further, many landowners are simply speculating on cheap land and have no intention on investing in any new developments in the near future.

Despite this trend, new investment from the private sector should be part of the solution. However, when new interest is invested in a community from the private sector, there is a risk of over-gentrifying a previously low-income neighbourhood and creating or exacerbating affordable housing problems. A land bank authority can manoeuvre to counter this trend by taking the initiative to incorporate affordable housing in areas where they see a particular need. The following chapter discusses how the Land Bank Authority in Baltimore, Maryland was created to combat the rapid spread of blight throughout several neighbourhoods in the City.

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# Chapter 4: Case Study of Baltimore Land Bank Authority

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## 4.1 Background

The City of Baltimore was chosen for this study for numerous reasons, among them the physical and historical characteristics it shares with Saint John. Both cities are post-industrial urban areas fixed in steady states of population decline. The loss of population has led both cities to greater degrees of poverty in their inner-city neighbourhoods, has hindered much needed reinvestment in an aging housing stock, and has created more vacant properties. This chapter will look at the process that occurred in Baltimore that led it to adopting a land bank authority.

Baltimore, Maryland, is located on the east coast of the United States. The city was established in 1729 (“Baltimore History”, Baltimore City Website, 2010), and became a prominent port city during the 19th Century as the U.S. began to emerge as a global industrial powerhouse. However, a decline in Baltimore’s manufacturing base in the late 20th Century resulted in the loss of employment and a decrease in population, which contributed to continuing social problems, such as drug use and crime. By the early 21<sup>st</sup> Century, the municipal government decisively embraced a pro-active position to mitigate the negative trends of the declining city by attempting to reduce the amount of vacant and abandoned properties, which were found to have strong correlations to the presence of other negative social indicators.

At its peak, Baltimore was a much more prominent and populated city than Saint John. Likewise, the City’s decline brought with it a loss of resources, buildings and people. Baltimore has experienced far greater levels of abandonment, vacant land, and perhaps greater social problems than Saint John has ever been forced to endure. Having lost more buildings than any American other city to vacancy, the struggle Baltimore faces to revitalise its inner-city neighbourhoods is a colossal endeavour. Saint John could very well be positioned at an early stage along the same trajectory as Baltimore with regards to the declining state of its housing stock and negative population growth it has been experiencing for a number of years. It would be valuable for Saint John to become more familiar with the circumstances and processes that led Baltimore to adopt a land bank authority. Perhaps the City of Saint John may conclude that

confronting the task of planning for a declining city before the decline takes catastrophic proportions would be a prudent policy direction to embrace. Analysing the process that ultimately led the City of Baltimore to create a land bank authority may provide some valuable insight for cities, such as Saint John, that find themselves contending with circumstances of a similar nature and are potentially seeking new strategies that provide communities with the appropriate tools to adapt to the challenges of the 21<sup>st</sup> Century

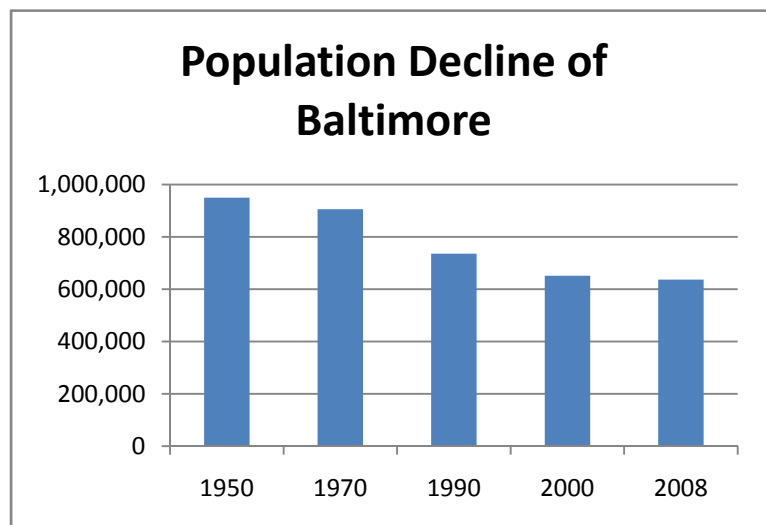
Finally, Baltimore is the most recent American city to implement a land bank authority as a tool to mitigate the impacts of neighbourhood decline. Leaders in Baltimore made the decision to adopt a land bank in 2008, which presents a relevant current example of a city making the transition to land banking.

#### **4.2 Population decline and abandoned buildings**

Part of the rationale in using Baltimore as a case study is due to the similarity of the built environments between the two cities. The economic success shared by both port cities in the 19th Century brought with it unprecedented population growth and urban development. Development in the 19th Century produced a built environment heavily influenced by Victorian architecture, which continues to be a celebrated heritage component of the urban form for both cities. The busy ports helped precipitate an industrial boom for Baltimore and Saint John that has lasted to this day (albeit on a lesser scale).

Unfortunately, the nascent industrial boom of the 19<sup>th</sup> and early 20<sup>th</sup> Centuries gave way to an economic decline that took hold in the 1950s and continues into the 21<sup>st</sup> Century. Like any city that suffers economic decline, undesired social repercussions were soon to follow. Baltimore's population decline occurred at a much faster rate than Saint John's, resulting in widespread neighbourhood decay throughout the city.

**Figure 16: Population loss in Baltimore**



(Source: U.S. Census Bureau, Population Division, 2009)

The former residents of Baltimore who have left the city were most likely in a better financial position to make such a costly and onerous move. Consequently, inner-city poverty in Baltimore grew to overwhelming levels, and the municipality lost valuable tax revenue to address the problem; both of which contributed to the deteriorating state of the city's economic and physical condition (Cohen, 2001).

The state of population decline in Baltimore reached 33 percent between 1950 and 2002, forcing the City to contend with 37,000 vacant and abandoned housing units (Sage Computing, 2009). By the same time, vacancy rates in the city had reached more than 14 percent (*Ibid*). In 2002, City Mayor Martin O'Malley observed, "instead of using our resources and powers to put properties back on the market, we've been spending it on the maintenance of divestment... It's time to return value to our city's land and make that value work for us" (cited in Sage Computing, 2009: p. 12). It has been estimated that since 2001, the municipal government of Baltimore spent an average of three million dollars per year to maintain and secure abandoned properties ("Mayor Dixon Presses for Support", 2009, para. 2).

The rate at which older buildings transition from habitable to uninhabitable structures is typically faster than the rate for newer buildings. Older buildings need more care and investment if they are to maintain their structural integrity and not violate minimum code standards. With a



population decline of roughly 85,000 between 1990 and 2000, landowners in Baltimore took a significant financial loss and many were either unable to make necessary investments in their properties or maintain their mortgage payments. Entire tracts of row houses, single family homes and other multi-unit dwellings were abandoned as a result.

Cohen (2001) defines an “abandoned house” as a “chronically vacant and uninhabitable unit whose owner is taking no active steps to bring it back into the housing market” (Cohen, 2001: p. 417). Cohen explains the growth of abandoned homes as a result of the “out-migration of middle-class residents from many city neighbourhoods” (*Ibid*). The impact of this migration creates an economic climate in which property investment for many landowners is infeasible. In such cases, foreclosure or abandonment is the unfortunate fate for many insolvent landowners.

In need of work and in search of other opportunities, the inevitable exodus of thousands of property owners from Baltimore left behind upwards of 40,000 abandoned housing units for the City to manage (Cohen, 2001). A proactive government has helped reduce this number in recent years, returning some units to productive use while demolishing several thousand more to make room for future development, or to simply avert the onset of neighbourhood blight. In addition to the abandoned buildings, the City of Baltimore has approximately 14,000 vacant lots, which is land that could potentially be put to better use (Cohen, 2001).

#### **4.3 Addressing the need for a new policy direction**

Realising the extent of negative impacts that abandoned housing and vacant lots can have on the entire city, municipal leaders in Baltimore explored various policy measures before committing to the establishment of a land bank authority. The City eventually regarded the land bank as the best available tool to help revitalise the less fortunate neighbourhoods in the City that were experiencing extraordinary rates of decline.

A common problem for many cities with abandoned properties is the practice of real estate speculation. This occurs when a vacant lot or abandoned property is auctioned to help recover the outstanding fees levied against the property. However, instead of committing to a project that would return the land to productive use, the speculator sits on the property and waits for the market to rebound; hoping that in the interim period improvements made by other

property owners in the community will help his/her property gain value. Essentially, speculators wait for others to make the initial investments before either committing the necessary funds to bring the property back into productive use, or flipping the property to make a quick profit. In such scenarios, the property often remains vacant for a prolonged period of time, adding to the blight and decay of the surrounding neighbourhood.

Prior to the establishment of the land bank, the municipal government of Baltimore implemented a receivership ordinance that enabled either the government or its community development corporation (CDC) designee to “appoint a receiver for any property with a vacant building violation notice” (Brachman, 2005: p. 5). The receiver retained the power to collect rents, make repairs to the property, or sell it to somebody willing to make the necessary repairs. This system was effective in deterring speculation on abandoned and vacant properties.

Although the receivership ordinance was successful to a degree, the scale of the abandoned housing problem warranted more aggressive initiatives. An aggressive plan to reduce the number of vacant buildings was needed in order to effectively deal with the conditions of neglect that were rising throughout the city. In an effort to confront the abandonment crisis, the City adopted “PlanBaltimore!”. The Plan set a number of new goals and recommendations for the demolition or transfer of ownership of vacant houses (Cohen, 2001).

PlanBaltimore! was managed by the city’s Land Resources Division and involved returning an ambitious 5000 abandoned properties to productive use. Tax-foreclosures, quick-sales, eminent domain (i.e. expropriation), and traditional methods of acquisition would be the methods by which the city would come into possession of blighted properties. Within a three-year period, the Land Resources Division acquired over 6,000 properties, comfortably surpassing its original goal. By 2008, the program had assumed the possession of over 10,000 properties, doubling its initial target and inadvertently creating a problem requiring the maintenance of these properties. That is, inheriting numerous properties that required significant management and maintenance, the city essentially became victim of its own success.

Two primary concerns arose from the administration of “Plan 5000” that eventually signified the need for a renewed approach. First, the amount of property being retained by the city was a result in part of the difficulty of transferring the title of a property from the city to a

new owner. The transition of property ownership was weighed down in bureaucratic procedures that caused significant delays or forbade the transfer altogether (Sage Computing, 2009). The process to sell city-owned property involved “duplicative efforts by a number of city agencies” (Sage Computing, 2009: p. 14). City-owned property was held in one of three different municipal departments, each containing their own sets of regulations and procedures for signing off on land title transfers. This process frequently forced potential developers to conduct separate negotiations with different city departments in order to acquire the property intended for the proposed development. This complicated the arduous process of transferring land title, thus creating a significant barrier to returning properties to productive use.

Secondly, the system was more focused on maximising the profit margin from the property sale to help recapture some of the acquisition and possible demolition costs. There was therefore little concern invested in the outcome of the proposed development, which put “community development corporations, neighbourhood groups, and local affordable housing developers at a competitive disadvantage” (Sage Computing, 2009: p. 14). Not-for-profit and community-based outfits clearly do not have the same amount of available capital to successfully engage in a bidding war with private developers for auctioned properties. Furthermore, awarding the property title to the highest bidder diminishes the City’s capacity to exercise control over the planning that could otherwise take place as low-income neighbourhoods undergo significant change. The simple act of selling vacant property to a potential developer (or speculator) does not enable city planners to institute the variety of strategies that may be preferred for a neighbourhood experiencing decline. A community may need more affordable housing, children’s playgrounds, a nursing home, or other spaces that would positively contribute to the composition of the neighbourhood as it attempts to emerge from a state of sustained neglect. It is unlikely that the private sector would provide all the amenities necessary for a community while it attempts to stymie further decline and create more stability.

#### **4.3 Implementing a land bank authority**

Under the leadership of the proceeding (and current) mayor, Mayor Sheila Dixon, the City committed to implementing a land bank authority to facilitate the process of bringing vacant and abandoned properties back to productive use. According to the Mayor, a primary operational goal of the Land Bank was to “remove vacant properties from the city and get them into the

hands (of the needy), and redevelop them so people can have quality housing without having to go through the red tape that we've been experiencing" ("City To Create 'Land Bank' To Sell Vacant Properties", 2007, para. 5). Acknowledging the social and economic costs that vacant and abandoned properties have on a community, the municipal government regarded the potential of a land bank as the best tool to help cut through the red tape of the bureaucratic system that often delayed the transfer of property title for up to three years (Sage Computing, 2009). It also granted the city increased capacity to create more affordable housing units and green spaces.

The implementation strategy included three resolutions to expedite the process:

1. Amend the city code to grant the Department of Housing and Community Development (HCD) the authority to sell abandoned property;
2. Place property suitable for redevelopment under the management of a central agency; and
3. Create a non-profit entity to acquire, maintain, and sell abandoned property on the city's behalf (Sage Computing, 2009: p. 14)

Allowing HCD to acquire and sell properties expedites the sluggish process of transferring property title, and frees the government's obligation to focus on generating a profit from the sale. In addition, the properties under the care of the Land Bank would have to be properly maintained, which would minimise the presence of blight in the neighbourhood (Sage Computing, 2009). Allowing garbage to pile on a property, paint to peel on buildings, or broken windows to remain on dwellings, communicates to the local residents that the government is indifferent to the condition of their neighbourhood (Schilling, 2002). This message contributes to the decline of the neighbourhood as the sense of community pride begins to suffer along with the decrepitating condition of the abandoned dwellings and local businesses.

Placing these properties under the control of a land bank serves the community in two fundamental ways: it immediately brings them under the stewardship of a quasi-governmental body that is henceforth responsible for cleaning and maintaining the properties, and, as mentioned, it fast tracks the process of reassigning land title to a new owner. The maintenance of the property is an important method to communicate to the neighbourhood that there is still need to care for community spaces despite the apparent population and economic decline. In Flint, for

example, the burden of maintenance is shared by several community groups and organisations, such as Karate clubs, church groups and sports teams (Kelly, 2009). Although buildings are frequently abandoned in cities like Baltimore and Flint, it is important that the communities themselves do not feel abandoned by their governments.

Senate Bill 911 was the enabling legislation that granted the City of Baltimore the capacity to establish a land bank authority. The Bill states that “the land bank authority may acquire, rehabilitate, own, and sell or transfer properties and may establish a land acquisition fund and issue bonds for the purchase and rehabilitation of properties in Baltimore” (SB Bill 911, 2008: p. 1). The Bill permits the Land Bank to sell properties for less than the amount of all taxes and liens owed on the property, which helps return abandoned properties to productive use. That is, the price set by the Land Bank Authority can be set at a rate more likely to entice private developers or more accommodating to the budgets of non-profit groups.

The Board of Directors of the Land Bank consists of eleven members, comprising a mixture of public officials and citizen members (SB Bill 911, 2008). This structure strikes a good balance between members holding office or employed as a public servant, and members from the general community. The City decided that, “due to the scope of the fiscal responsibility”, the majority of the Board should be elected or appointed public officials (Task Force Recommendations, 2008: p. 5). Included in this group of public officials are the Mayor, the City Council President, City Comptroller, the Commissioner of Housing and Community Development, the Director of Planning, and the Director of the Finance (TFR, 2008). The Land Bank Authority is mandated to achieve the following goals:

- Eliminate blight
- Eliminate barriers to returning properties to productive use
- Aggregate and responsibly hold properties for future use
- Enhance neighbourhood viability
- Create opportunities for affordable and mixed income homeownership and rental housing
- Encourage economic development
- Promote fiscal stability of the City as a whole as well as that of individual neighbourhoods (SB 911, 2008)

To achieve these goals, the Land Bank was granted ownership of city-owned vacant property and was able to consolidate it under the auspice of a single entity. The land bank is charged with the responsibility of conducting regular inventories of their properties and ensuring that they receive proper maintenance in order to mitigate the presence of blight (“Creating a Land Bank Authority for Baltimore City”, 2009, paras. 6-8).

#### **4.4 Summary**

In creating the Land Bank Authority, the municipal government has identified the need to situate abandoned buildings and vacant properties within the scope of a long-term planning strategy. The short-term need to recapture the cost of expropriating, demolishing and/or maintaining the property is no longer a top priority. As Baltimore Housing Commissioner Paul Graziano stated, “we’re not looking for the last dollar on the sale of a property. We’re working to ensure that whoever gets the property will put it back into productive use that will strengthen communities” (“City To Create 'Land Bank' To Sell Vacant Properties”, 2007, para. 8).

The Land Bank Authority in Baltimore is a relatively new entity, but has been applauded for the impressive work it has been able to accomplish in short order. Most of the Land Bank’s work, however, is in the future. Thousands of vacant and abandoned properties are scattered throughout the city. Although the accolades attributed to the Land Bank are well deserved, the apparent success of the Bank begs one question: could the scale of the problem have been drastically reduced if the City had introduced a land bank authority sooner?

The following chapter looks at Flint, Michigan, which is the most celebrated land banks in America. The juxtaposition of the two case studies offers a richer perspective of the various applications of a land bank system, and introduces slightly altering circumstances that provided the appropriate context for the establishment of a land bank authority.

# Chapter 5: Case Study of Genesee County Land Bank Authority

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## 5.1 Background

Like Baltimore, Flint is a post-industrial city. Located in eastern Michigan, the city is the birthplace of General Motors. Flint saw a population boom occur as a result of the thousands of jobs that were created from the success of the automotive giant. As of the early 1960s, the population reached just under 200,000 (Gillotti & Kildee, 2008). Reflecting the success of the automobile industry of the time, the city's Master Plan, written in 1965, optimistically foresaw the need to accommodate the future growth of the city that would peak at 250,000 (Kildee, 2008). However, the car industry suffered numerous unforeseeable blows in the 1970s and 1980s that led to severe job losses in cities like Flint. Fewer domestic car sales, more sophisticated technology that replaced human labour and the relocation of manufacturing plants to developing countries, all played key roles in providing the context for the immanent decline of Flint. Instead of gaining the projected increase of more than 100,000 people, the city lost close to 90,000 residents in the past 40 years, leaving Flint with a modest 110,000 people according to the 2005 American Community Survey (Gillotti & Kildee, 2008). Of the previous 82,000 GM employees in Flint working in one of 15 GM factories, only 15,000 were still employed by 2002 in one of the five remaining factories in the city (Basset, Schweitzer and Panken, 2006).

Flint was chosen as the second case study for this research project for a few salient reasons. Foremost among them, Flint has the most progressive and active land bank in America today. The Genesee County Land Bank Authority (GCLBA), which includes the City of Flint, is widely celebrated as one of the most successful land banks in America. Being the second most recent land bank (after Baltimore), Flint was able to glean the successful components of other land bank authorities and fuse those with its own unique set of needs. As such, the GCLBA offers a wealth of information stemming from its vast experience for any community contemplating the implementation of a land bank authority.

Flint also shares a few other characteristics with Saint John that are worth mentioning. Although the age and character of the housing stock of Flint may not be as old as Saint John's, the size of the city and the previous structure of the economy reveal similar traits. Both Saint John and Flint have in the vicinity of 120,000 people, with an unacceptable degree of poverty and low education levels marking both cities. In addition, much of the population flight from both cities has ended up in suburban neighbourhoods at the outskirts of the city, leaving the inner-city neighbourhoods in decaying conditions.

Much like Flint, since the mid-Twentieth Century Saint John's economy has been dominated by one company, Irving Oil, which owns an enormous share of the local job market. Their portfolio expands several industries, and includes a pulp and paper mill, forestry business, a trucking company, TV and newspaper outfits, and an oil refinery, among several other businesses. An unexpected crisis to any of the major sectors of the family's extensive network of businesses (i.e. the oil refinery, forestry industry or the pulp and paper mill), Saint John would most likely suffer a very similar fate as Flint. For example, if global oil supply was suddenly disrupted by war, embargo, depleting stocks, or any other external factor that could inhibit the market from functioning at its current rate, the local work force could sustain a catastrophic blow, resulting in several thousand local residents losing their jobs. Mid-sized cities with economies that have a high degree of dependence invested in one company are necessarily at risk of losing the backbone of their local economy should that company fold, downsize or relocate. Even though the Irving companies have been doing well over the past thirty years, Saint John has been experiencing population decline. It is hard to imagine what the decline would be like if the company were to cease to be a major economic pillar for the community. Flint has lost roughly forty-five percent of its population in the last forty years (Alexander, 2005); there is no reason to believe Saint John would not experience the same degree of population flight under similar circumstances.

## **5.2 From crisis to opportunity: the evolution of the Genesee Land Bank Authority**

Tens of thousands of Flint residents fled the city after the closure of several GM production plants. Dan Kildee, the Genesee County Treasurer, astutely observed that, when these residents left Flint, they "did not take their houses with them" (Kildee, 2009: p. 1). The city was left with



the daunting task of having to manage an abundance of vacant and abandoned properties. Under the previous foreclosure system, the abandoned property either became state-owned property, or the possession of land speculators (Gillotti & Kildee, 2008). Typically out-of-town investors generally have no immediate plans for the land, instead they choose to wait for the market to rebound and often flip the property for a quick profit. Concerns regarding the conditions of the neighborhood or the members of the local community are generally not high priority issues for a speculator. Nevertheless, speculators came into possession of vast amounts of property in Flint through tax lien sales as government and other lien holders were more focused on regaining lost revenue. Local officials were incapable of interrupting the transfer of foreclosed property to individuals with no desire to return it to a productive use.

The largest problem of the previous system was its failure to offer a helping hand to families that were on the verge of losing their homes. As Kildee explains, “a family facing tax foreclosure was at the mercy of a tax lien holder, usually an out-of-state investor with a personal financial interest in the property foreclosed” (Kildee, 2008: p. 2).

By the turn of the millennium, the circumstances in Flint had reached a level in which the need for formidable change to the system was undeniable. The city was declining at an unprecedented rate. Contrary to previous strategic plans for the city, Flint was forced to acknowledge the permanency of their population loss. Instead of planning for an attempted resurgence in population growth, they took the bold position of planning for a shrinking city whose real population was likely smaller than existing levels. By acknowledging the state of decline, the challenge for the city became not how to reverse the trend, but how to control it (Streitfeld, 2009): “Decline in Flint is like gravity, a fact of life. We need to control it instead of letting it control us” (Streitfeld, 2009: para. 4).

Initially, the State Legislature of Michigan passed the “Delinquent Property Tax Foreclosure Act” in 1999. The Act was designed to speed up the foreclosure process of abandoned properties, and create a marketable title for the properties that would inevitably revert to municipal authority (Sage Consulting, 2009). Known as “Public Act 123”, this Act reformed the property tax foreclosure laws in Michigan, effectively expediting the process, which

previously took anywhere between four to seven years, by enabling counties to foreclose on tax-delinquent properties (*Ibid*). The legislation reduced the time property owners had to pay back outstanding taxes, and allowed local governments to “reclaim tax delinquent properties in less than three years” (Sage Consulting, 2009: p. 9).

Although PA 123 provided the mechanism for local authorities to address the problem of undeterred speculation, it inadvertently created management problems for the numerous properties that came under the ownership of the state as a result. Because the new legislation enabled a large number of tax-delinquent properties to be foreclosed at a single judicial hearing, the Treasurer of Genesee County came into possession of more than a thousand properties by 2002 (Alexander, 2005). Even though the state claimed ownership over the newly acquired properties, the city lacked a comprehensive plan to return these properties to productive use.

The legislation enabling the establishment of a land bank authority was first reviewed in 2002, but was not signed into law until 2004 under the “Michigan Land Bank Act” (Alexander 2008, 23). The land bank was created to acquire, manage, and convey tax-delinquent properties. The powers awarded to the land bank allowed it to assemble, sell or redevelop lands in its possession to help revitalize communities that were suffering from excessive blight and abandonment. The land bank acquires approximately 1,000 abandoned properties every year, and has returned roughly \$100 million to property values throughout the community that had been adversely affected by blight (*Ibid*). Furthermore, the land bank has developed “hundreds of units of affordable housing”, created more than 75 community gardens and increased the number of community green spaces (Alexander 2008, 23; “From Eyesore to Green Space”, Adair, n.p.). “Before, these (abandoned) buildings and land tended to become mired in legal limbo, contributing to blight. Now they quickly become the domain of county land banks, giving communities a powerful tool for change” (Streitfeld, 2009: para. 8).

The Land Bank Authority can acquire land through a number of methods. They can bid on foreclosed property, acquire property at the end of the year that failed to attract private investors, property transfers through private, non-profit or governmental entities, purchase land

on the open market, or receive land as a donation (Alexander, 2005). Nevertheless, the most common method of property acquisition is through foreclosure.

### **5.3 Structure and programs of the GCLBA**

The GCLBA is legally a separate corporation with an independent board of directors. The legal structure of the land bank is formed by the set of powers delegated to it by the State legislature. In Michigan (as with some other states), the land bank operates at a regional scale, which requires intergovernmental agreements coordinated with the state land bank authority (Alexander, 2005). Because the land bank is an independent legal entity, it must have a board of directors and its own set of articles and bylaws that govern the land bank's operations (*Ibid*). Being an independent legal entity allows the land bank to avoid the typical bureaucratic procedures that previously slowed the process of land title transfers down and created the conditions for abandonment to occur. The legal independence of a land bank authority enables it to make swift decisions that involve title transfer, the pricing of land, the land use, and the ability to waive outstanding tax liens on the property to encourage new ownership. Local land banks in Michigan, for example, "determine the size, composition, and method of appointment of board members in the intergovernmental agreement, with the statute requiring only that the board consist of an odd number of members and that the county treasurer serve as one of the members" (Alexander 2005: p. 41).

Unlike most other land banks, the GCLBA has its own full-time staff that is responsible for the daily operations of the land bank. These operations include ten separate programs that constitute the scope of activities the land bank is normally engaged in. The land bank will review all the properties in its possession and categorize them according to one of three areas of priority uses: how the property will be used, the nature of the transferee and the development needs of the neighbourhood and community. "The ranking of priority as to use begins with homeownership and affordable housing, followed by neighborhood revitalization and returning the property to taxpaying status" (Alexander 2005: p. 44). Applicants from a not-for-profit organisation are given preference with the GCLBA, but corporations and individuals are equally welcome to apply for the acquisition of any property held by the land bank. The requirement is

only that the applicant submit a written proposal for the use of the land, which is then reviewed and evaluated by the board of directors.

More than any other land bank, the GCLBA has a range of ten separate programs to effectively revitalize neighbourhoods through the strategic reintroduction of foreclosed properties. As opposed to laying idle and presenting possible safety and health issues to the local community, the GCLBA assigns the foreclosed property (or properties threatened by foreclosure) to one of the following program areas: foreclosure prevention, housing renovation, side lot transfer, clean and green (vacant lots are converted into gardens and green space), planning and outreach, demolition, property maintenance, sales, development, and brownfield redevelopment (“Operations and Programs”, Genesee County Land Bank Authority Website, n.d.). Collectively these programs work to stabilise neighbourhoods, provide affordable housing, create more green space in communities, and mitigate potential harm represented by derelict structures.

The broad range of activities comprising the workload of the GCLBA requires a large degree of land use planning that helps determine the appropriate need for each community as property comes available and proposals are tendered. To avoid further speculation on land bank property, the GCLBA requires the recipient of a proposed parcel of land to occupy it as his or her “principal residence for at least five years following the transfer” (“Genesee County Land Bank Authority Priorities, Policies and Procedures”, Genesee County Land Bank Authority Website, section 5-18). Furthermore, the land bank does not allow the transfer of property title to any prior owners of foreclosed properties.

#### **5.4 “Clean and Green”**

Among the programs offered by the GCLBA, the “Clean and Green” program works to promote strong environmental stewardship and enhance food security. The first Clean and Green project started in 2003 and was led by two community groups that provided maintenance for 45 land bank properties. The work entailed regular property maintenance, as well as the installation of new decorative fencing and raised garden beds (“Clean and Green”, Genesee County Land Bank Authority Website, n.d., para. 2). The success of the program resulted in twelve community groups maintaining over 600 land bank properties by 2006 (*Ibid*). The Land Bank now conducts

award ceremonies every year to honour the participants and award the year's best projects. The Land Bank requires every group seeking to administer a green project each year to submit an application. Some of the criteria for the selection of groups that are awarded properties to execute their green plan include the following:

- Strong ties to the neighbourhood or area in which work will be performed
- Past experience in clean-up and/or neighbourhood beautifying activities
- A commitment to including area youth as part of the program
- Creative and thoughtful plan regarding the beautification and greening of properties, with a focus on vegetable gardening and/or fresh food generating greening activities (*Ibid.*).

Each group is required to maintain at least 20 land bank properties that include at least two gardening projects in their portfolio. Although planting edible gardens is a focus of the program, tree planting, flower gardens and other types of decorative landscaping activities are frequently employed. The groups are encouraged to promote the projects in the local community to help other community members adopt and maintain green lots.

### **5.5 Financing the GCLBA**

Most land bank authorities in America largely depend on government funding for their operations. Of all the land banks in the U.S., however, the Genesee County Land Bank has the most elaborate system of financing to help cover the costs of its operations. The primary source of funding is through the proceeds from the tax foreclosure process (Kildee, 2009). Due to the sheer volume of property that is foreclosed in the county every year, this proves to be a lucrative source of funding for the GCLBA. The Bank has a “multi-tiered structure” for applying fees to its properties based on the “intended uses and the property types” (“Genesee County Land Bank Authority Priorities, Policies and Procedures”, Genesee County Land Bank Authority Website: n.p.). The required subsidy needs of a not-for-profit organisation interested in establishing an affordable housing unit, for example, would be a pertinent aspect of the application that the Land Bank would consider. In this way, the GCLBA, as well as other land banks, are able to help a

local government fulfill its policy objectives relating to the provision of housing, or developing other valued community spaces, such as gardens, parks or playgrounds.

In addition to the funds collected from tax foreclosure process, recent Michigan legislation has granted the Land Bank authority to accept fees and collect rents, which enables it to acquire abandoned properties that retain active renters. It also enables the Land Bank to “rehabilitate and lease its properties to third parties” (Alexander, 2005: p. 24). Further, the State of Michigan has also recently amplified the Land Bank’s capacity to generate financing by creating legislation that grants tax benefits to the Bank. The GCLBA can “receive 50 percent of all property taxes for a five-year period of time following the conveyance of the property to a third party for redevelopment” (Alexander, 2008: p. 13).

The GCLBA was the first land bank to initiate a side-lot transfer program in which a property owner could submit a proposal to acquire an adjacent vacant lot for a nominal \$1 charge. Although the charge has recently been increased to \$25 per lot, this is one of the only programs that does not generate revenue for the Land Bank. However, it is a highly successful program in returning abandoned residential property back to productive use. The new owner is responsible for any taxes that may apply to the land and, as mentioned about, is obligated to maintain the property without subdividing it for at least five years (“Genesee County Land Bank Authority Priorities, Policies and Procedures”, Genesee County Land Bank Authority Website, section 5-18). This measure helps protect against further property speculation for short-term financial gain.

## **5.6 Summary**

By the late ‘90s, it was evident that the City of Flint, Michigan, was in an irreversible state of decline. The manufacturing industry under the stewardship of General Motors had closed shop and moved most of their production overseas or across the southern border to Mexico. Tens of thousands of Flint residents joined the exodus out of the city, leaving the city to toil under the burden of unprecedented amount of vacant and abandoned land. With grim prospects of ever recapturing the lost population base, city planners reversed their hitherto vision of urban growth and boldly embraced the reality of a much smaller Flint. As Dan Kildee opined, “the quality of a

city is determined by what life is like for the people who live there – not by how many people live there” (Kildee, 2009, para. 1). With quality of life as the new mantra informing the decisions of city planner, the establishment of the Genesee County Land Bank Authority was an appropriate first step toward creating a long-term, sustainable solution. As of 2008, the Land Bank had managed to return more than 170 properties to productive use, transferred more than 100 properties as side-lots for neighbouring properties, and saved roughly 1,000 families from foreclosure (Kildee, 2008). Although Flint persists in a state of undeniable decline, the mechanisms to revitalise the neighbourhoods and provide much needed affordable housing have been adopted.

As with the land banks in Flint and Baltimore, the commitment of municipal leaders in Saint John should be guided toward improving the “quality of life”. A land bank authority could aid in the process of revitalising the low-income neighbourhoods of Saint John. There is great opportunity for a land bank authority to successfully operate in the City, although the process of the land bank would likely differ in Saint John from the case studies presented in this research. The following chapter presents several arguments favouring the establishment of an LBA in Saint John.

# Chapter 6: From Problems to Opportunities: Making the Case for a Land Bank Authority in Saint John

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The commitment to a land bank authority for any community is a monumental decision. All the related opportunities and concerns of such a quasi-governmental body should be debated at great length before a community makes the decision to either endorse or reject a proposal to establish an LBA. This chapter begins that conversation by presenting some of the opportunities for establishing a land bank in Saint John, and ends by highlighting some potential barriers.

## **6.1 Similarities to other municipalities that have established land bank authorities**

A natural departure point for launching the discussion regarding the establishment of an LBA is to recognise the similarities that Saint John may share with other communities that have made the same decision. Although by itself it is insufficient evidence for a city to establish a land bank authority based on the physical, social or cultural similarities that it shares with other municipalities with successful LBAs. Nevertheless, it is a starting point from which to begin the dialogue.

There are six land bank authorities in America that have been widely celebrated for their success: Flint, Baltimore, Atlanta, St. Louis, Cleveland and Louisville (Alexander, 2005: p. 2). These cities all shared some fundamental similarities at the point of creating their LBAs. Population decline, high poverty rates concentrated in select neighbourhoods, abandoned properties, a need for more affordable housing, and strong political will were ingredients consistent in each city. Although the Saint John CMA has experienced roughly 3% population decline in the past ten years, this is minor compared to the approximate 35% and 45% population loss experienced in Baltimore and Flint respectively (Sage Computing, 2005; Kildee, 2009). However, the population of Saint John proper in 1971 was 89,042. When compared to the population in 2006, which declined to a modest 68,043, the population loss amounts to a hefty 31% (Statistics Canada, 2007; and, Saint John Human Development Council, 2005), which is more comparable to the numbers lost in Flint and Baltimore. Despite this high rate of population



decline, the presence of abandoned buildings is not as prevalent in Saint John as other cities that have experienced similar population flight. This is explained in part by the urban renewal projects and the highway and thoroughfare developments of the 1970s, which saw the demolition of entire neighbourhoods that were mostly low-income and contained dilapidated buildings.

Despite the development projects of previous decades, there is still a noticeable amount of abandoned buildings in Saint John. As mentioned in Chapter 3, the number of abandoned structures does not approach the numbers experienced in Flint or Baltimore. However, with the decline of the population in poor neighbourhoods, the condition of the aging housing stock, and the high degree of poverty in the Uptown area, there is a distinct potential for a much greater number of abandoned buildings to populate the City in the near future.

A final physical description shared between most cities with land bank authorities and Saint John is the existence of a high degree of inner-city poverty. Saint John and Baltimore both have poverty rates affecting approximately 20% of the population, while Flint endures a poverty rate of roughly 35% of its population (Statistics Canada 2006, cited in Vital Signs 2, 2008; U.S. Census Bureau, cited in Baltimore City Data Collaborative, January 2007).

## **6.2 Foreclosed properties**

A strong argument supporting the establishment of an LBA is the apparent disinterest other authorities demonstrate in taking ownership of abandoned properties. As opposed to being regarded as an impediment to the development of a community, a land bank takes the position that these properties are potential assets. The current system, however, does not ensure that the properties will be transferred to owners willing to return them to productive use.

When a property owner holds a debt against his/her property, the property is said to have a “lien” against it. The power of the lien depends on the nature of the encumbrance on the property. In the Province of New Brunswick (as with most areas), a property tax lien against a property is considered the first lien, which indicates that the taxes owed on the property must be repaid prior to any other debt owed against the property.

If a property owner has not paid his/her property taxes, the Province can acquire the property through the tax lien and resell it at a tax sale. However, because the Province has little interest in owning, managing and maintaining derelict and abandoned properties, it often takes the Province years to possess the property and subsequently resell it at a tax sale.

In addition, banks are also reluctant to reclaim derelict properties that default on their mortgages for liability reasons. The ownership of these properties is further complicated by the City's disinterest in inheriting problematic properties. However, because the City has a "Dangerous and Unsightly" By-law, the City is responsible for the maintenance of properties with no apparent owner. A land bank would be the only authority with a direct interest in acquiring such properties, which would be to the benefit and satisfaction of both the City and the Province.

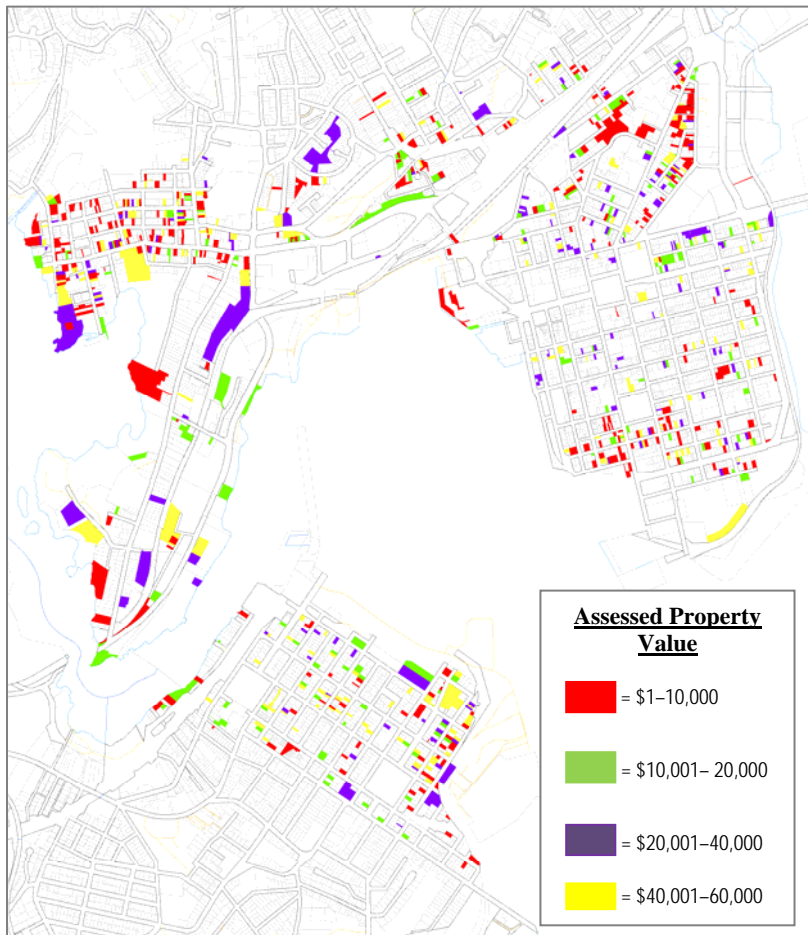
### **6.3 Under-valued property**

In addition to the vacant lands and abandoned buildings described in Chapter 3, Saint John has an astonishing amount of under-valued property<sup>1</sup>. The study area of this research project is centred on the core areas of the City. Indeed, there are highly valued sections of the Uptown area that contain numerous properties. However, Figure 18 demonstrates that there is vast amount of land in the core area of Saint John that appears to be under-valued.

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<sup>1</sup> For the purposes of this analysis, an assessed property value of \$60,000 or less was used as a threshold below which it was reasoned that the property is undervalued. Although this amount is relatively random, it was chosen on the premise that very few properties in the urban core should be valued less than \$60,000. This is less than half of the average property value in the study area.

**Figure 17: Assessed property values in the study area**



(Source: Service New Brunswick, 2010)

The assessed value of a property is only an estimate of what the property would sell for on the market. The undervaluing of properties can result from a number of circumstances: the devaluation of neighbouring properties, being located near undesired land uses or structures, being in an extremely dilapidated state, or for many other reasons. There is also the possibility that the assessment method employed by the Assessment Officers is inaccurate. Understanding why many properties in the Uptown area of Saint John seem to be heavily undervalued is outside the scope of this project. However, the abundance of property in the study area valued below \$60,000, especially the properties valued closer to \$10,000, indicates the large number of properties that could be put to more productive use.

Whatever the source of the low valuation, the properties could produce more value to the community in a number of ways, including:

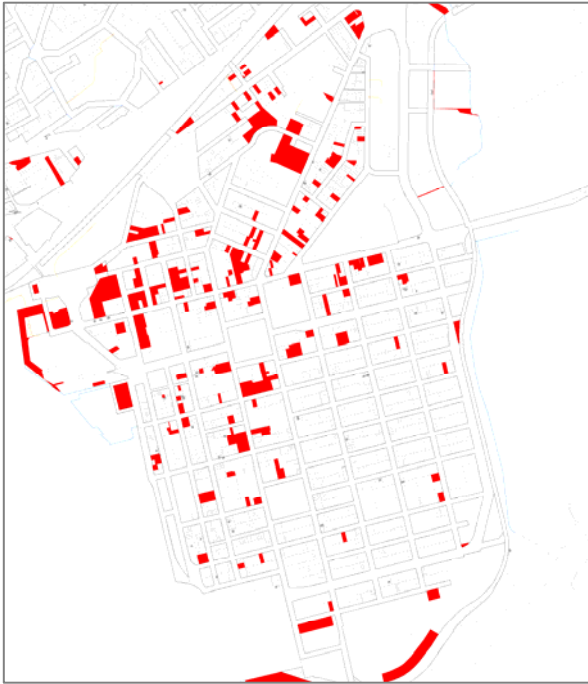
- Greater tax revenue for the city
- More affordable housing units
- Community gardens
- Green spaces

A new project involving the development or renovation of the under-valued housing stock would generate much more tax revenue for the city. The City and Province gain minimal tax revenue from properties valued at \$20,000 or under, which represents a fair portion of the property shown in Figure # (above). Furthermore, there is good opportunity to introduce more affordable housing, community gardens, green spaces, or other desired community amenities where these undervalued and/or under-utilised (and often unsightly and dangerous) properties currently exist.

#### **6.4 Parking**

In addition to under-valued land, a LBA in Saint John would likely be interested in under-utilised land. A parking lot, for example, may be valued higher than the target amount of \$60,000 in Figure 1 (above), but may still be under-utilised. For the purposes of this research, under-utilised land is land that could be put to better use to serve the needs of the community. The monetary value of the land does not always reflect the value it may or may not have to the surrounding community. A surface-level parking lot, for example, is a land use that can offer very little to the community outside of its primary function of providing temporary parking spaces for vehicles, but may have relatively high market value. The need for some degree of parking in a community is undeniable. However, an oversupply of such spaces could compromise the aesthetics and “feel” of a neighbourhood. Figure 19 shows the amount of surface level parking spaces in the Uptown area of Saint John.

**Figure18: Surface Parking Areas in the Uptown**



(Source: Service New Brunswick, 2010)

The prominence of parking in Saint John is explained by the relatively minor amount of capital needed to convert an empty lot into a surface parking area. When a derelict building is demolished, short-term investors or the Saint John Parking Commission often acquire the property to use for commercial parking purposes. Many of the spaces seen in the image above had dwellings on them at one point in history. After the dwellings were removed, the market essentially failed to value the land enough to justify a new development in the same space, making the conversion of the space into a parking lot an attractive option.

Even if a new building would not have been feasible for some of these lots, perhaps community gardens, children's playgrounds, or other spaces that contribute to the social cohesion of a neighbourhood would have served a better function for the community than surrendering the space for the solitary use of parking cars. If a land bank had existed when the previous structures on these sites were removed and was able to acquire them, it is highly unlikely that the current amount of prime real estate in the Uptown area would be designated for

parking.

## **6.5 Smart Growth**

Land banks promote smart growth policies in many ways. To begin with, land banks promote infill housing. Vacant or under-utilised lots owned by an LBA are often developed into affordable or market housing in low-income neighbourhoods, which satisfies smart growth principles of providing a range of housing options and creating or encouraging development in established neighbourhoods.

In addition, land banks are collaborative, democratic and equitable in their approach. This is essential for smart growth policies as it develops a greater level of local buy-in, which in turn offers the community a stronger sense of place by allowing people to fill the vacant or under-utilised spaces of their neighbourhoods with land uses they have identified as necessary. Finally, land banks contribute to building more attractive, green communities that provide spaces for all of its members (“About Smart Growth”, Smart Growth Online, n.p.).

## **6.6 Barriers**

There are a few barriers in the process of establishing a land bank that should be flagged at the outset. Specifically, the three most prominent barriers in Saint John are prohibitive heritage bylaws, the capacity to effect change at the provincial level, and the need for strong political will.

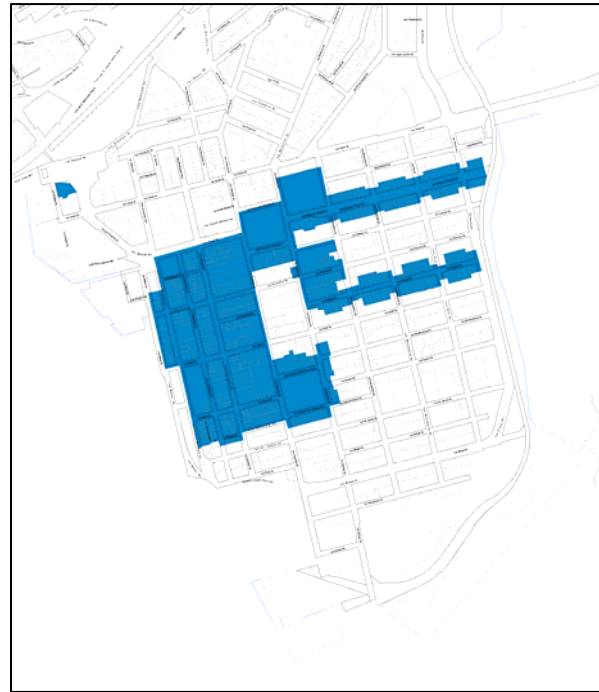
There are entire blocks of the Uptown area and parts of the Old North End of Saint John that are designated “heritage” zones. Any development or renovation done in these areas is subject to the strict aesthetic standards of the zoning bylaw. New developments are rare in these areas as a result of the prohibitive costs involved in following the rigid development standards. As a result, there are a number of vacant and surface-level parking lots in the heritage zone that will not likely see new development, unless the project is funded by a governmental body or involves a developer with access to significant capital. Non-profit outfits or community organisations seeking to build in this area will unlikely be able to afford the type of design necessary for new developments in the heritage zone.

**Figure 19: Designated Heritage Areas**

**Old North End and Lower West Side**



**Uptown and South End**



(Source: Service New Brunswick, 2010)

A second barrier involves convincing the Province of New Brunswick to empower a land bank to conduct necessary procedures that encroach on provincial areas of legislation. Waiving property taxes, clearing land titles and foreclosing abandoned properties to the City are some of the legislative areas of authority that the Province currently administers, but would need to transfer to municipalities operating a land bank authority. Although the Province would stand to benefit from the establishment of a land bank due to the increased tax revenue the bank would generate, the Province is generally reluctant to transfer legislative powers to other jurisdictions. This may stem from the fact that a governing provincial party answers to the electorate of the entire province, rather than a single municipality. Unforeseen opposition to the establishment of an LBA in Saint John (or any other city in New Brunswick) arising from negative political opinion from other areas of the Province, could deter the provincial government.

Related to the previous barrier, the final barrier involves finding the right leadership to carry the concept through to its end. The key ingredient in instituting any monumental change in governance is political will. A new idea needs a political champion to lobby for the prescribed

change, without which the opportunity for improving upon an ineffective system will likely be lost. Whereas a land bank authority is a quasi-governmental body, the need for political leadership supporting its establishment is categorical. However, there may be opportunity within the existing structure of the City to include other relevant departments in the operations of the Land Bank. Involving other quasi-governmental departments, such as Saint John Parking Commission, Saint John Non-Profit Society, the Planning Advisory Committee, etc., could help create buy-in at the political level by creating more participation, and offsetting possible expenses.

### **6.7 Summary**

As mentioned at the outset of this study, there is a need for a comprehensive revitalisation strategy for poor neighbourhoods in Saint John. An injection of more housing options for low-income families would be welcomed; but new housing is only one missing piece of the puzzle. These communities need more investment, improved green spaces, more schools, places to buy food, etc. Most importantly, the communities themselves must play a critical role in deciding how, where and when the revitalisation of their spaces should occur. A transparent, accountable and democratic governmental body, such as a land bank, that collaborates with the community and includes citizen members among its Board, is precisely the type of structure that can provide this type of service.

The commitment of political leaders should not fall to the temptation of promising new riches and opportunities to the impoverished neighbourhoods of Saint John. Widespread poverty has existed in the City for over a century, and will likely exist well into the future. Focusing on the quality of life would do more to create the sinews of peace, trust and happiness that lie at the foundation of community pride, and are valued by many as the essence of the human experience. Such intangible assets are at the fabric of every community, and should play a vital role in the planning process in any city that is undergoing economic, social or demographic changes.



# CHAPTER 7: RECOMMENDATIONS FOR A LAND BANK AUTHORITY IN SAINT JOHN

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## 7.1 Background

To facilitate the creation of a land bank authority in Saint John, this section offers recommendations relating to the necessary legislation, structure, and financing of the LBA, as well as other complementary policies the City could endorse to help maximise the benefit of the LBA.

## 7.2 Recommendation #1: Necessary legislation

A fundamental power given to every land bank authority is the ability to waive outstanding taxes and clear any existing titles for properties in the bank. Clearing the title ensures that any new owner of the property is able to own the land free and clear of impediments, save and accept any taxes and easements that may exist on the land. Property law is currently within the Province's domain, which means any legislation enabling an LBA to clear title and waive taxes would have to be given at the provincial level. Without this power, the Land Bank would be ineffective.

A second piece of necessary legislation is to enable the municipal government to fast-track the process of foreclosure. A property should not remain abandoned for several years, as currently is the case as this will lead to further devaluing of the land and buildings (?). The Land Bank should be granted the power to foreclose a property after a reasonable amount of time (i.e. one to two years). Such legislation exists in Michigan, where the "Michigan Land Bank Fast Track Act" signed in 2004 has provided the GCLBA with the legal foundation to expedite the foreclosure process and grant the Bank the flexibility needed to make the system successful (Kildee, cited in Alexander, 2005: Foreword).

Vacant land that has been identified as having good potential for development will also be of interest to a land bank. However, vacant land is frequently not tax delinquent, and therefore the City is unable to possess most vacant property through foreclosure. Under special

circumstances, the City could exercise its right of expropriation found under Section 14-4-1 of the Real Property Tax Act. The legislation allows the municipality to expropriate land under certain conditions (see Appendix A). Among these conditions, “urban redevelopment and renewal”, “housing” and “community services” are listed as justifiable reasons for expropriation.

The City should exercise caution when using this authority; however, as it could be perceived as an abuse of power. If the Province were to introduce a new tax regime that assessed the tax rate based on the potential value as well as the current value of a vacant lot, the need to expropriate vacant land could be mitigated. Many vacant property owners in the Uptown area of Saint John would likely sell their land to an interested developer, sell it to the LBA, or develop the land themselves if this were the case. The landowner could pay the taxes and do nothing with the land, but it would potentially be a net value loss if the tax rate were set high enough to deter speculation. Further, if the Land Bank had identified the property as essential to a proposal or project it felt was necessary to enhance the community, the City would retain its right to expropriate and transfer the property to the LBA.

To reduce the annual budget of the LBA, legislation should be passed to enable the Land Bank to forego the requirement of paying any property taxes. The Province and the City should recognise that there was previously little to no taxes collected on vacant and abandoned properties that would be in the possession of the LBA. Therefore, it would not be an actual economic loss to the Province or the City to waive the taxes on these properties while they were in the possession of the LBA. On the contrary, it would help the City save money by further reducing the annual budgetary needs of the LBA. The State of Michigan has provided the GCLBA in Flint with this tax waiver, which has successfully helped the Bank become budget-neutral. Seeing as property tax law is also a provincial area of jurisdiction, the Province would have to enable this legislation.

### **7.3 Recommendation #2: Board of Directors**

As with most other municipalities with LBAs, it is recommended that the LBA for Saint John have a board of directors. The Board would be the decision making body of the Land Bank, which would require a mandate from Council to enable the Bank to make decisions regarding the

best use for each parcel of land held by the LBA. As in other LBAs, the Board should be required to maintain a publicly accessible list of lands in its possession so that the public could review the available property and submit proposals to the LBA for a new use of the land. The LBA would then review the proposals received and collectively decide which proposal best fulfilled the community's needs based on the research the Board would have already conducted. If the Bank was given the budget and mandate from Council to facilitate the work of community non-profit groups, the Board would be responsible for making decisions on the amount of subsidy (if any) that would be provided for each project.

The Board would also be required to collaborate with community groups and organisations where LBA land exists in order to generate a greater understanding of the needs of each community. This would help determine which proposals from public or private organisations best fit the community's needs and/or desires, create local buy-in and allow for greater transparency. The Board of Directors should be given the power to make final decisions regarding the approval of a proposal without being required to present their decisions before Council. Bringing the approval of Council back into the decision making process would introduce an unnecessary level of bureaucracy that would slow the process down and make the system less efficient.

### **7.3.1 Structure of the Board**

Like the Board of Directors in Baltimore, it is recommended that the Board in Saint John consist of an odd number of representatives, such as seven members. The majority of these members (perhaps four) should be public officials that are employed in areas that relate to the operations of a land bank authority. The combination might include the Commissioner of Planning, the Commissioner of Leisure Services, the Commissioner of Finance, and one elected official. The elected official would be a member of Council or the Mayor<sup>1</sup>. The remainder of the LBA Board of Directors should be citizen members. Applications should be received from the community to

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<sup>1</sup> The City of Baltimore appoints the Mayor as an automatic Board member. However, this negates the possibility that an elected Councillor might be a better candidate for the position due to his/her educational background, experience or level of interest. Permitting a Councillor to be appointed as a member of the Board maintains the accountability of the Bank, while providing the best candidate for the position.

fill these positions, and Council should be given the authority to appoint members from this pool. The criteria for selecting these members should be established and adhered to by Council.

The position held by the elected public official on the Board should be renewed with every municipal election. The purpose of this is to enable the public to select their preferred candidate for the position one the day of elections. A feature as simple as “check the box indicating the candidate you feel should be a board member of the Land Bank Authority” could be included on the ballot. The only stipulation would be that the candidate with the most votes for the Board position would also have to win their riding as a Councillor or Mayor. In the event that he/she gets the most votes for the position as a Board member, but loses the election, he/she could not serve as a Board member. The elected candidate with the most number of votes for the Board position would be given the position. However, a candidate who gains the most number of votes for the LBA position but loses the election would be a member of the community that Council may decide to include for one of the citizen members of the Board.

The citizen members of the Board should be rotated on a more frequent basis than the elected official position; perhaps on two-year rotation cycles. Requiring a commitment from a citizen Board member for than a limited amount of time could dissuade some people from applying for the position.

#### **7.4 Recommendation #3: Financing the LBA**

It is inevitable that the Land Bank Authority will require a start-up budget. Council should approve a budget for the first five years of the LBA’s existence in order to ensure it is given the appropriate time to establish itself and be effective. The long-term goal of the LBA should be to become cost-neutral, or at least able to operate on a small annual budget from Council.

##### **7.4.1 Retaining 50% of property taxes**

Becoming cost-neutral would be facilitated by enabling the LBA to keep any proceeds that result from land sales. This strategy is practiced in Genesee County Land Bank Authority, where the Land Bank has successfully operated without an established budget from Council. Moreover, as previously mentioned, for the first five years after a property has been returned to productive use

the GCLBA collects 50% of the property taxes. Although this appears to be a significant amount, the 50% retained by the City would often be more than 100% of the tax previously collected on the property. In this way, the Province of New Brunswick and the City of Saint John would still be able to collect some revenue from the property taxes, and would be guaranteed to collect much more property tax after the five year period has expired as the new development would have a much greater value than the previous vacant or abandoned property. Furthermore, providing the LBA with this funding allows the City to minimise the amount it would otherwise have to budget for the LBA every year.

#### **7.4.2 Volunteer labour**

As a further cost-saving measure, it should be noted that Board members should not be compensated for their work. It is standard in American LBAs, including the two case studies presented in this research, that compensation is not offered to any of the Board of Directors.

A final cost saving measure would be for the LBA to involve community groups, sports teams, local schools, and other organisations in the City to help with the general maintenance of Land Bank property. This practice has been largely successful in Flint, Michigan, where numerous community organisations have shouldered the responsibility of doing general maintenance duties for the GCLBA properties.

### **7.5 Recommendation #4: Foreclosure Prevention**

Most land bank authorities, including GCLBA and the Baltimore LBA, offer programs to help citizens avoid foreclosure and stay in possession of their homes. The goal of the land bank authority is to provide more housing options and revitalise a community by reducing abandoned and vacant properties; not to take homes away from people who already have them.

#### **7.5.1 Postpone property taxes**

If an owner is in a position where he/she may lose his/her home to foreclosure, the LBA can meet with the property owner and review his/her case. Although the GCLBA has the capacity to issue grants and other types of financing mechanisms, it is unlikely that an LBA in Saint John

would be in a position to offer such benefits at the outset. However, the GCLBA and the Baltimore LBA can extend the final foreclosure date for the property for a year (and sometimes, when a convincing case has been made, for two years) (“Genesee Country Land Bank Programs”, Genesee Land Bank Authority, n.d.). If the property owner can successfully prove that he/she is in need of such reprieve, the LBA should be provided the power to waive the property taxes for that year to grant the applicant this opportunity. This is an essential power granted to the LBA as it allows people to remain in the houses and communities where they currently live.

### **7.5.2 Develop warning signals**

Part the effort made by the Genesee County Land Bank Authority to prevent families from having their homes foreclosed is recognising clear warning signals. Using a software program that indicates when a property is delinquent in a combination of municipal fees, such as, water, property taxes, mortgage payments, etc., the City is able to generate a warning signal that indicates that a property may be entering the beginning stages of the foreclosure process. This system allows the City to intervene and offer guidance and support before the home is eventually lost to foreclosure. Along with the tax postponement program offered by the GCLBA, this program has saved more than 900 families from losing their homes (Kildee, 2008).

### **7.5.3 Offer tax credits**

Incentives should be created to entice homeowners of derelict properties to conduct the renovations to satisfy code requirements. In Baltimore, for example, owners of qualifying properties can have their property taxes frozen at pre-rehabilitation levels for 10 years afterward (Cohen, 2001). A land bank authority in Saint John should be given the authority to administer such tax credits to identified derelict properties in priority neighbourhoods.

## **7.6 Recommendation #5: Complementary Policies to Support the LBA**

There are many policies that could be enacted to help the LBA achieve its long-term goal of revitalising declining neighbourhoods. The Board of Directors will likely come to realise the type and range of policies that would best complement the Land Bank’s activities. This section offers a few suggestions that may be of interest to a land bank operating in Saint John.

### **7.6.1. Grant inspection fines more immediate power**

Building Inspection should be provided with the capacity to place work orders on a property that function as “super liens” against the property, in the same way that property taxes act as a super lien against a property. The liens should only be issued by the Chief Building Inspector, and should be issued in only extreme cases where properties are severely deficient from the code standard and represent significant threat to the inhabitants or community. The recommendation for this lien should come from the area inspector who would refer the Chief Inspector to the property in violation.

The lien should be made second only to the property tax lien. When the lien is issued, the property owner should be given a reasonable timeframe (for example, six months) to bring the building back to code compliance in the manner indicated by the Inspector. If the property owner fails to do so, the property would be foreclosed and placed under the care of the LBA. The LBA would then waive the outstanding taxes, clear the title, and either transfer the property to a non-profit entity, or attract an investor from the private sector who would be willing to make the necessary repairs and manage the property responsibly. If necessary, the LBA could use part or all of its property tax collection (50% for the first five years) as leverage to attract the right investor. If no developer were interested in the property, the LBA would be responsible for bringing the building back to code standards. Until an appropriate owner is located, the LBA should be able to keep the rental income (if any) of the property to help offset the costs. The GCLBA in Flint often rents properties under similar circumstances, which helps the Bank obtain its cost-neutral budget.

### **7.6.2 Create a better system for taxing vacant land**

To put development pressure on the owners of key vacant properties in the Uptown area, the LBA (or the land assessors) should categorise vacant land into at least three divisions (i.e. “A”, “B” and “C”). The properties identified as being the most developable should be categorised as such (i.e. “A”) and taxed at a higher rate. Vacant land in the Uptown area is too often in the ownership of speculators who do nothing with the property. Having vacant land in the prime area of the City, however, is not in the interest of the Province, the City or the community. Despite

this, the current tax system rewards speculation by granting vacant properties in the urban core lower tax rates.

A speculator uninterested in paying a higher tax rate could sell the property to a developer who would do something productive with the land, or sell it to the Land Bank, which would at least be able to maintain the property until finding the right developer or project to transfer the property to.

## **7.7 Conclusion**

Saint John, Baltimore and Flint are all post-industrial cities that have suffered population loss and economic decline in the latter part of the 20th Century. Much of the population loss in all three cases has been to the surrounding suburban areas of the region. Poverty, abandonment, and decay have ensued in many of the inner-city neighbourhoods, crippling the local governments' capacity to provide a better quality of life for these communities. As the population of a neighbourhood declines and poverty rises, the conditions for vacancy and abandonment ripen. Neighbourhoods experiencing record levels of abandonment in Flint and Baltimore have damaged the economies and pride of both cities.

In an effort to mitigate the impacts of abandonment, Flint and more recently Baltimore have established land bank authorities. Charged with the responsibility of acquiring, maintaining and dispossessing of the foreclosed and vacant properties, the land banks in these cities have successfully returned several hundred properties to productive use.

Saint John shares many features with the case studies presented in this research. Population decline, a faltering economy, high poverty rates, and a concentration of poverty in several inner-city neighbourhoods are symptoms of the same decline experienced in other post-industrial cities, such as Flint and Baltimore. Although the conditions in Saint John are not as critical in other cities, the need for immediate attention is paramount. Much like Flint and Baltimore, the market in Saint John has failed to provide a suitable place to live for many residents of the City.



Establishing a land bank authority in Saint John would be unprecedented in the Canadian context. The task would have to involve political leaders at the provincial and municipal levels, which may be a significant hurdle in establishing a land bank. Furthermore, the cost of developing in some of the heritage areas of the City may be prohibitively expensive.

However, these challenges are not insurmountable. The desire to see the revitalisation of low-income communities could trump the intractable nature of power and bureaucracy.

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