



## Greater Syracuse Land Bank 2017 Annual Report to Syracuse Common Council

Delivered March 26, 2018

As required by section 1612 of the New York Land Bank Act:

*(c) In addition to any other report required by this chapter, the Land Bank, through its chairperson, shall annually deliver, in oral and written form, a report to the municipality. Such report shall be presented by March fifteenth of each year to the governing body or board of the municipality. The report shall describe in detail (1) the projects undertaken by the Land Bank during the past year, (2) the monies expended by the Land Bank during the past year, and (3) the administrative activities of the Land Bank during the past year. At the conclusion of the report, the chairperson of the Land Bank shall be prepared to answer the questions of the municipality with respect to the projects undertaken by the authority during the past year, the monies expended by the municipality during the past year, and the administrative activities of the municipality during the past year*

### (1) Projects undertaken in 2017

#### A. Acquisitions

The Land Bank Acquired 170 properties in 2017, 161 of which came from City tax-foreclosure and all of which were located in the City of Syracuse.

TNT	Total
Eastside	7
Eastwood	9
Northside	31
Southside	62
Valley	16
Westside	45
Total	170

The number of properties acquired in 2017 was 53% lower than the total acquired in 2016 (358 properties acquired in 2016). It appears that the City is less than halfway through implementing this new tax collection policy and catching up with the 'backlog' of properties that have been allowed to become seizable. We suspect this slowdown in foreclosures is partly the cause of our diminished sales revenues in 2017 discussed later in this report.

By property type acquisitions included:

Property Type	Total
Commercial Building	3
Commercial Vacant Lot	3
Residential Building	115
Residential Vacant Lot	49
Total	170

**B. Sales**

The Land Bank sold 146 properties in 2017 (compared to 150 in 2016). These sales included:

Property Type	# Sold
Commercial Building	3
Commercial/Industrial Lot	5
Industrial Building	1
Residential Building	104
Vacant Lot	33
<b>Total</b>	<b>146</b>

145 of these sales were in the City of Syracuse. The majority were on the Southside and Northside (leveraging \$1.6 million in private investment in renovations in just those two TNT areas), followed closely by the Westside with 28 sales and nearly \$1 million in private renovation investment). By TNT area they are broken out as follows:

TNT	Number Sold	Buyer Investment
(Town of Elbridge)	1	-
Eastside	13	\$404,658.00
Eastwood	1	\$52,500.00
Lakefront	1	-
Northside	41	\$681,596.00
Southside	50	\$920,338.00
Valley	11	\$172,713.25
Westside	28	\$911,664.00
<b>Total</b>	<b>146</b>	<b>\$3,143,469.25</b>

To date, the Land Bank has sold 562 properties – 546 in the City of Syracuse. These are leveraging over \$19 million in private renovation investment, effectively crowdfunding revitalization:

TNT	Number Sold	Sum of Buyer Investment
(outside of City)	16	\$308,089.00
Downtown	2	\$4,823,953.00
Eastside	46	\$1,356,578.00
Eastwood	19	\$606,985.00
Lakefront	3	-
Northside	178	\$4,295,471.35
Southside	168	\$3,566,432.35
Valley	33	\$1,141,712.75
Westside	97	\$2,951,688.00
<b>Grand Total</b>	<b>562</b>	<b>\$19,050,909.45</b>

Proceeds from the sale of property totaled approximately \$1.38 million in 2017, down approximately 20% from 2016.

	2014	2015	2016	2017
<b>Total Sales Revenue</b>	\$ 965,015.00	\$ 1,481,446.55	\$1,725,545.06	\$1,378,313.00
<b># of Properties Sold</b>	76	169	150	146
<b>less side lots and AG transfers (private renovations)</b>	55	122	103	106
<b>Average price for structures sold for private renovation</b>	\$ 17,587.70	\$ 11,902.37	\$ 15,691.85	\$ 13,002.95

In early 2016 we expressed concern that our average sales price had declined by 31% from the prior year. In March 2016 we hired an in-house sales specialist and by September 2016 terminated our contracts with outside real estate brokers. The average sales price in 2016 increased 31% over 2015. We also changed our pricing policy in late 2015 stating that we would no longer accept offers for less than asking price and this has improved 2016 sales prices.

That positive momentum was reversed in 2017. The City is foreclosing on more distressed properties that have been vacant for a longer period of time, require greater renovation investment, and therefore cannot command as high a sales price. Interestingly our number of sales has not declined significantly, but the average sales price has dropped. When the City was foreclosing on a greater number of properties, there were more high-end properties that we could list to offset the lower-priced sales. We urge the City to increase the pace of foreclosures since maintaining sales revenue is critical to controlling our annual operating deficit. This deficit was approximately \$278,000 in 2016 and grew to over \$414,000 in 2017.

We estimate that the properties sold just in 2017, now returned to taxable status, will generate approximately \$200,000 annually in City and County property taxes. The buyers of these properties have pledged to invest just over \$3.1 million in renovations. The Land Bank’s strategy of acquiring properties and marketing them in as-is condition for buyers to renovate is successfully leveraging private investment in neighborhood revitalization.

**To date, the Land Bank has sold 562 properties and approximately 36 more sales are pending closing. Cumulatively, properties sold by the Land Bank to date are generating approximately \$956,000 per year in local property taxes and have leveraged over \$19 million in renovations. In addition, partnership with the Land Bank has made an unprecedented improvement to City tax collection efforts – The City has collected approx. \$10.6 million more than the level they historically budgeted for in delinquent collections.<sup>1</sup>**

While the Land Bank previously relied on buyers to propose a scope of renovations, in early 2016 we started publishing required renovation specs with most listings. This has made it easier for buyers who lack construction experience to engage a contractor and pursue construction financing.

Buyers are required to complete the mandatory scope of renovations and sign an enforcement mortgage agreement at the time of purchase, which is not discharged until the renovations are complete. Of the 562 properties sold to date, only four have defaulted on their enforcement mortgage and been taken back by the Land Bank. One of these has already been re-sold. Two are undergoing further stabilization/clean-out before being re-listed, and the fourth is under consideration for inclusion in a grant-funded project. The enforcement mortgage tool works and in the past year we have taken steps to automate the notification and enforcement process so that it is even more efficient.

The Land Bank’s rate of sales has continued to improve as we gain experience (although 2017 is clearly an outlier due to the slow pace of foreclosures).

Year	2013	2014	2015	2016	2017	total
<b>Properties Sold</b>	0	76	169	150	146	537
<b>Properties Acquired</b>	131	336	442	358	170	1,432
<b>% of that year's acquisitions sold</b>	0	22.62%	38.24%	41.90%	85.88%	37.5%

<sup>1</sup> During that time the City provided \$6 million in funding to the Land Bank

At this point about ½ of the structures in our inventory are demo candidates and half are renovation candidates. We have about 50-60 active sales listings at any given time and we list those in the best condition asap so that they are not sitting for a prolonged time risking vandalism or further deterioration. Since we've had so few properties coming into our inventory, we're now listing properties that are in far worse condition and that have been vacant for a longer period of time. Many of our active listings have been on the market for over a year, sometimes 18 months, and just aren't moving. They are, nevertheless, renovation candidates and it doesn't seem prudent to shift them to the demolition list when there are already 225 properties on that list in worse condition. We are looking at other strategies to move these properties back to productive use. One idea is to put a new roof, siding, and windows in the property and re-list at a higher price, which would at least visually improve the neighborhood in the interim. Another option would be to "auction" a few of these each month wherein pre-qualified bidders could submit sealed bids with a price starting at \$500. We are also considering whether it makes sense to renovate them and operate as rentals, which would visually improve the property and provide high quality rental units that are often hard to find in our more distressed neighborhoods. This option could provide an income stream that might help us offset our operating deficit, but it would require we scale up our staff to manage more renovations and rentals.

We often get calls about properties that aren't listed yet. In those cases, we discuss with the caller how much work the property needs and often visit the property with them to determine if they're really interested. They often decide that the home needs more work than they are willing to undertake and shift their focus to other properties we have listed. If they are interested in submitting an offer, we get the property cleaned out and listed so that it's on the open market for at least a few weeks and anyone else who may be interested will also have an opportunity to submit an offer. That process can take a few weeks and we do tell people that they can submit offers right away on the properties that are actively listed.

### **C. Renovations**

To date, the Land Bank has received nearly \$7 million from the NY OAG. The first two grant rounds totaling nearly \$5 million funded 38 demolitions and 68 renovations, 58 of which are in the City of Syracuse. The last of these projects were completed in 2017.

Round 3 provided us with \$2 million and funded 56 demolitions (all of which were completed in 2017 + 1 more in 2018 exceeding the required grant deliverables) and 8 substantial rehab/new construction projects. These projects, 100% of which are located in the City's Neighborhood Revitalization Strategy Area (NRSA) will be completed in 2018 in partnership with Home Headquarters and we expect them to include:

- |  |                                 |
|--|---------------------------------|
| 1. 707 First North Street – New Construction | 5. 123 Belle Ave – Renovation   |
| 2. 128 W. Kennedy St. – New Construction     | 6. 1108 Hawley Ave – Renovation |
| 3. 134 W. Kennedy St – Renovation            | 7. 135 W. Borden – Renovation   |
| 4. 207 W. Boyden – New Construction          | 8. 138 W. Newell – Renovation   |

The Land Bank's primary strategy for renovations is to attract well-screened private buyers who are required to renovate within a set period of time per an enforcement mortgage. This strategy has proved an effective way to leverage private investment for mission-related activities (see above re: nearly \$19 million in private renovation investment); although it is rare that we can attract private investment to pay for demolitions (see below).

We are looking at other models such as partial renovation prior to sale and other sources of grant funds. In addition, the Land Bank sells properties at-cost for the development of subsidized, affordable housing.

**D. Demolitions**

The Land Bank completed 67 demolitions in 2017, a decrease of 12% over the prior year, and has completed 234 demolitions to date:

	Demos Completed
2014	30
2015	61
2016	76
2017	67
2018 to date	1

We have now fully depleted the following sources of demolition funds:

Source	Amount
SIDA	\$1,000,000
CDGB	\$ 750,000
OAG Rounds 1 and 2	\$1,076,284
County funds	\$ 462,976
OAG Round 3 (1 house left to do)	\$1,400,000
Total grant funds for demo expended to date	\$4,698,260

In addition to the restricted funds listed above, in 2016 the Land Bank spent over \$1 million in unrestricted cash on demolitions. Having demolished 234 structures to date, this averages just under \$25,000 per demolition (keeping in mind that some of these 234 were large commercial structures). The Land Bank currently owns over 225 demolition candidates. At this average rate, the Land Bank would need \$5.5 million to address all the demo candidates held in inventory. In addition, we expect there are over 100 demolition candidates that the City has yet to foreclose upon and convey to the Land Bank. With **no source of demolition funds secured for the 2018 construction season**, we have temporarily stopped accepting demolition candidates from the City’s foreclosure pipeline, but we would like to resume accepting these properties once another source of demolition funding is secured.

Even without sufficient demolition funds secured to address the number of demolition candidates held in inventory, it still makes sense for the Land Bank to hold these properties until demo funds become available rather than leaving them on the seizable list for a prolonged period of time:

1. The City continues to send tax bills to the property until the foreclosure is completed and must make the SCSD whole during that time so the City loses money every quarter these properties remain taxable, but not yet foreclosed.

*For example, the sum of assessed values at the time of acquisition for all demo candidates the Land Bank currently holds is approx. \$6.5 million. Prior to foreclosure, these properties would be issued City/School tax bills each year even though they were unlikely to pay. Those bills would total approx. \$209,779 of which the City collected \$0, but was still obligated to pay \$136,757 to the Syracuse City School District because the properties were still taxable. It doesn’t make sense to postpone foreclosure and continue to bill properties that we know will not pay because not only does it mean \$0 collections for the City, leaving uncollectable properties on the rolls actually puts the City in the negative because they make SCSD whole.*

2. The City maintains the property and bills the owner (who won't pay) for these services. Post-foreclosure the Land Bank can provide those services more cost effectively than the City can (\$54 v. \$12 to mow a lawn; \$200 v. \$30 to board a window) plus the Land Bank shovels the sidewalks, a service which the City does not provide on seizable properties.

*There has been some discussion of whether the Land Bank is taking on too much inventory. This inventory is here in our community (x number of properties have been effectively abandoned) and it's become the public's responsibility to maintain them whether or not they've been foreclosed on yet. The Land Bank can provide that service more cost effectively.*

3. The Land Bank files a trespass affidavit against the property enabling the Syracuse Police Department to arrest people on the spot and we are a cooperative local owner willing to work with Codes, DPW, SPD, and SFD to address problems as they arise.
4. Holding demo candidates in inventory makes us very competitive grant applicant applicants. We have "shovel ready" demos whereas other land banks might take 9-12 months to take title before they can start demos. We've brought home more AG money than any other land bank and this is partly why.
5. Proactively foreclosing enables us to assemble more attractive sites for new development and as those opportunities become apparent we can prioritize demos to get these properties to market (see examples in our PowerPoint presentation where this is coming to fruition).

## **(2) Monies expended in 2017**

See our unaudited 2017 Profit and Loss Statement attached. We have further broken this out by restricted and unrestricted sources of funds. Without including demolition and renovation expenses, the cost of operating the Land Bank in 2017 was approx. \$2.2 million (Total COGS + Total Expense). Sale of property, rents, fees charged by the Land Bank, and donations brought in approx. \$1.54 million – leaving a gap of \$660,000, for which we rely on local government support. This is 2.4 times greater than the Land Bank' 2016 deficit – a \$382,000 increase in deficit spending. \$320,000 of this shift is due to decreased revenues and only \$42,000 to increased expenses.

The Land Bank spent nearly all of the \$1.4 million included in the Round 3 OAG demolition grant in 2017 and has no secured source of funding for 2018 demolitions.

Between a policy change shifting the cost of legal closing costs to our buyers and a slight reduction in our (premises) liability insurance rates the Land Bank saved about \$117,000 in these expenses in 2017 compared to 2016. In 2017 the Land Bank paid \$193,058 in special assessments. The Land Bank is tax-exempt and within the City we are granted that exempt status immediately upon taking title. We are then billed for the prorated remainder of that year's special assessments. The County has waived a substantial amount owed in sewer unit charges over the past few years, since those fees are levied against all improved properties, but most of the Land Bank's properties are not actually using the sewer since these buildings are vacant. However, the County was unwilling to grant long-term exemptions and the Land Bank was still liable for a considerable volume of fees. Working with the NY Land Bank Association, Assemblyman Bill Magnarelli, and Senator Valesky, two amendments passed in 2016 and 2017 have exempted land banks from these special assessments and user fees. We anticipate we will enjoy a significant savings next year.

Our balance sheet estimates the value of properties held at \$805,000, but this does not reflect long-term liabilities associated with maintaining these properties (~\$2 mill/year to operate) or the looming cost of demolitions. In addition, for the 225 demolition candidates currently on the books we estimate that cost to be \$5.5 million. For this, we must continue to seek local and state financial support.

Subtracting liabilities and restricted funds from total cash on hand and receivables, the Land Bank at the end of 2017 held a \$3.6 million fund balance – down 10% from last year. Given that as we take on more properties this deficit will grow, the Land Bank projects this fund balance will be depleted by the first quarter of 2021.

### **(3) Administrative Activities**

#### ***A. Staff and Operations***

In late 2015 the Land Bank reevaluated the way it contracts for property management and decided to bring occupied property management, intake and periodic inspections, minor repairs, and many other property-management related tasks in-house. In March 2016 we hired an in-house sales specialist and phased out our contracts with outside real estate brokers. This has given us better control over the message being delivered to our buyers, ensuring that they are better informed at the time of purchase. Both of these changes have increased our payroll, but significantly reduced overall expenses and it continues to be worthwhile to keep these functions in-house.

We continue to outsource debris removal, lawn mowing, snow shoveling, demolitions and major renovations. We are proud to report that all of our debris removal, lawn mowing, and snow shoveling is contracted to M/WBE contractors with the exception of Project Joseph, which does some of our snow removal and is a local workforce training program.

While our enforcement mortgage tool has been working well in the sense that we have only had to take back four properties, many of our buyers are having trouble finishing their renovations on time, requiring numerous extensions. We hear from many of our buyers that their projects end up going significantly over budget, as well. The work specs we attach to each listing come with a cost estimate. In the past we allowed buyers to estimate how much the work was going to cost them and show corresponding proof of funds. Many buyers who work in the construction trades or have family in the construction trades are able to get the work done for less when labor is essentially donated. However, many buyers overstated their expertise on their application.

We are now adding a 10% contingency line item to our estimated renovation budget if they are hiring the whole job out to contractors and a 20% contingency line if they are planning to do the work their selves and requiring that buyers show sufficient financing available to cover our budget, even if they estimate they can do the work for less. We are also requiring that they have written quotes from licensed contractors before they take title so if a quote comes back much higher than expected we can make sure they have sufficient financing before they take title and get in too deep without a plan to finance the project.

We are getting some complaints from interested buyers that this puts too many hurdles between them and buying a home, but our experience has shown that too many people start these substantial renovation projects without enough information and run into difficulties financing the complete project.

#### ***B. Planning, Land Banking/Site Assembly***

The Land Bank continued our partnership with the Northeast Hawley Development Association, whom we have engaged to assist side-lot purchasers required to resubdivide and combine the lot with their adjacent property. Their assistance has been invaluable, since these applications require a diligent steward to ensure that they progress through the City's multi-department review process in a timely manner. The Land Bank has utilized them to complete resubdivisions for many Land Bank owned properties, as well as those being

purchased by next door neighbors as side-lots. NEHDA assisted the Land Bank and our buyers with 91 resubdivisions to date and we have an additional 19 pending.

***Looking Forward:***

In 2016 Housing Visions was awarded Low Income Housing Tax Credits for their Butternut Commons project, for which we have been land banking and assembling sites since 2013. Housing Visions took title at the end of 2017 and demolitions and site work are underway now on this \$16+ million project that will bring over 50 units of new affordable housing to the Northside. Housing Visions is also investing about \$7.8 million in the renovation of 664 W. Onondaga Street.

Home HeadQuarters was awarded funding from New York State for several properties we have been land banking for them on the Near Westside for the past several years. We expect work to begin on these renovations and new construction in 2018. They have two new homes currently under construction on lots purchased from the Land Bank for their Resilient Corners project at the corner of Otisco and Ontario Streets.

The Land Bank will also be partnering with Neighborhood & Business Development to renovate 10 homes for sale to owner occupants over the next two years. We are working with them now to identify homes in the Neighborhood Revitalization Strategy Area (NRSA) that are in need of subsidy to support their renovation, which the Land Bank will renovate and sell to owner occupants. We're excited about adding this move-in ready product to our listings since a lot of customers who express interest in Land Bank houses do not have the experience needed to manage a complete renovation. This subsidy will enable us to fully renovate homes reducing the buyers' maintenance costs while keeping the sales price affordable.

We are working on significantly increasing the volume of roof repairs and replacements we do on properties not categorized as demolition candidates. This preventive maintenance is cheaper than a demo and prevents the property from becoming a demolition candidate, increasing the odds a private buyer will renovate and return the property to productive use and tax paying status.

In addition, we are working to select one block with a concentration of Land Bank properties where we select a handful of homes for partial rehab, put new roofs, windows and doors, and siding on them, gut the interior to the studs where needed, and market them for sale. This way the exterior is done first and the neighborhood is already beautified while the buyers work to complete the interiors and we can attract several private buyers to all work on the same block simultaneously. We are in the initial planning stages, but hope to organize a weekend open house event to promote land bank properties in general as an affordable option for local homebuyers and where our partners who do home lending and grant making can promote their services, as well.

As the City continues to foreclose on tax-delinquent properties, we are able to assemble clustered abandoned properties into larger sites to attract private investment. We currently have developable sites on South Salina Street, several on South Ave., S. Geddes St., and Midland Ave. and we are working on assembling more. The Land Bank is planning a series of meetings to discuss these sites with the community and get their feedback on what they want to see developed at each location. We will issue a Request for Proposals for each site basing the parameters for each site on the feedback we get from the neighbors and from the City Planning Office and NBD. Once a qualified developer is selected, they will get an option to purchase, but the sale will only close after they will finalize their development plans through a process involving additional community engagement, develop construction drawings, secure financing, and obtain the necessary permits from the

City. These larger sites are the best strategy we have to attract private investment in infill construction. I have attached a few renderings of what might be possible on some of these sites.

### ***C. Board of Directors***

All Board of Directors meetings are open to the public. The Board of Directors met frequently in 2017 in order to approve a large number of property sales, property acquisitions, oversee contracts and the procurement of services for the maintenance and redevelopment of Land Bank-owned properties.

- January 17 – Annual Meeting
- February 21 – Regular Meeting
- March 30 – Audit Committee Meeting
- March 30 – Regular Board Meeting
- April 13 – Finance Committee Meeting
- April 13 – Personnel Committee Meeting
- April 18 – Regular Meeting
- May 16 – Regular Meeting
- June 20 – Regular Meeting
- July 18 – Regular Meeting
- August 17 – Regular Meeting
- September 19 – Regular Meeting
- October 9 – Personnel Committee Meeting
- October 10 – Finance Committee Meeting
- October 17 – Regular Meeting
- October 31 – Special Meeting
- November 21 – Regular Meeting
- December 19 – Regular Meeting

Our certified financial audits are posted to our website as soon as they are completed. We expect our 2017 audit to be completed and adopted by our board on March 28<sup>th</sup>. This and our Annual Report to the NY Authorities Budget Office will be posted to our website and submitted to the ABO by March 31<sup>st</sup> as is required annually. We are also required by the Land Bank Act to post a list of all sold properties and our current inventory on our website and maintain these inventories through weekly updates.

I encourage you to review all the Greater Syracuse Property Development Corporation's Policies and Procedures published at [www.syracuselandbank.org](http://www.syracuselandbank.org), which were all reviewed and readopted in January, 2018 unless otherwise noted.

#### **Attachments:**

- 2017 Unaudited
  - Balance Sheet,
  - Profit & Loss Statement
- Renderings of possible infill construction resulting from Land Bank site assembly

**Site Assemblages** – We encourage the City to increase the pace and keep foreclosing on properties for transfer to the Land Bank since this process enables us to assemble sites more attractive for private investment. These are just some examples of what infill is possible on these sites. There are several additional sites already assembled on South Ave not pictured here and more that are close. We are working with NBD to identify high priority foreclosures that will enable us to wrap up other assemblages.

**601-21 S. Geddes Street**

This .4 acre commercially zoned site was four separate tax-delinquent parcels with different owners. By foreclosing and combining them into one site we've saved developers the time and hassle of having to purchase them outright, deal with liens against the properties, etc. This rendering is just an example of what might be built here. The property is currently on the market and we are seeking a developer who will engage the community in developing a plan for the site, but we are looking for this level of investment – multi-story, mixed-use, etc.



### 1631 and 1641 S. Salina Street

This is a very large site, approx. 1.2 acres, where the Gothic Cottage and New Jerusalem Church used to be located. The draft new zoning map has this area categorized as MX1, which would allow for the development of an apartment building, mixed-use development, row houses, two-families, or single-family homes. With this many options on the table, community input will be important to help us draft an RFP that reflects what the neighborhood wants. It is in a National Register Historic District and most of the other buildings on this block are large, detached, wood-framed houses. Here is one possibility showing room for 4-5 new homes, which could be multi-family. Increasing the number of units will make this more viable for a private developer. If units really have to be maximized in order to make private financing work, an apartment building like the one shown below (which is on the corner of Genesee and Beech) might also be an option, although in MX1 height would be limited to 3 stories.

