



Greater Syracuse Land Bank 2018 Annual Report to Onondaga County Legislature

Delivered March 14, 2019

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.

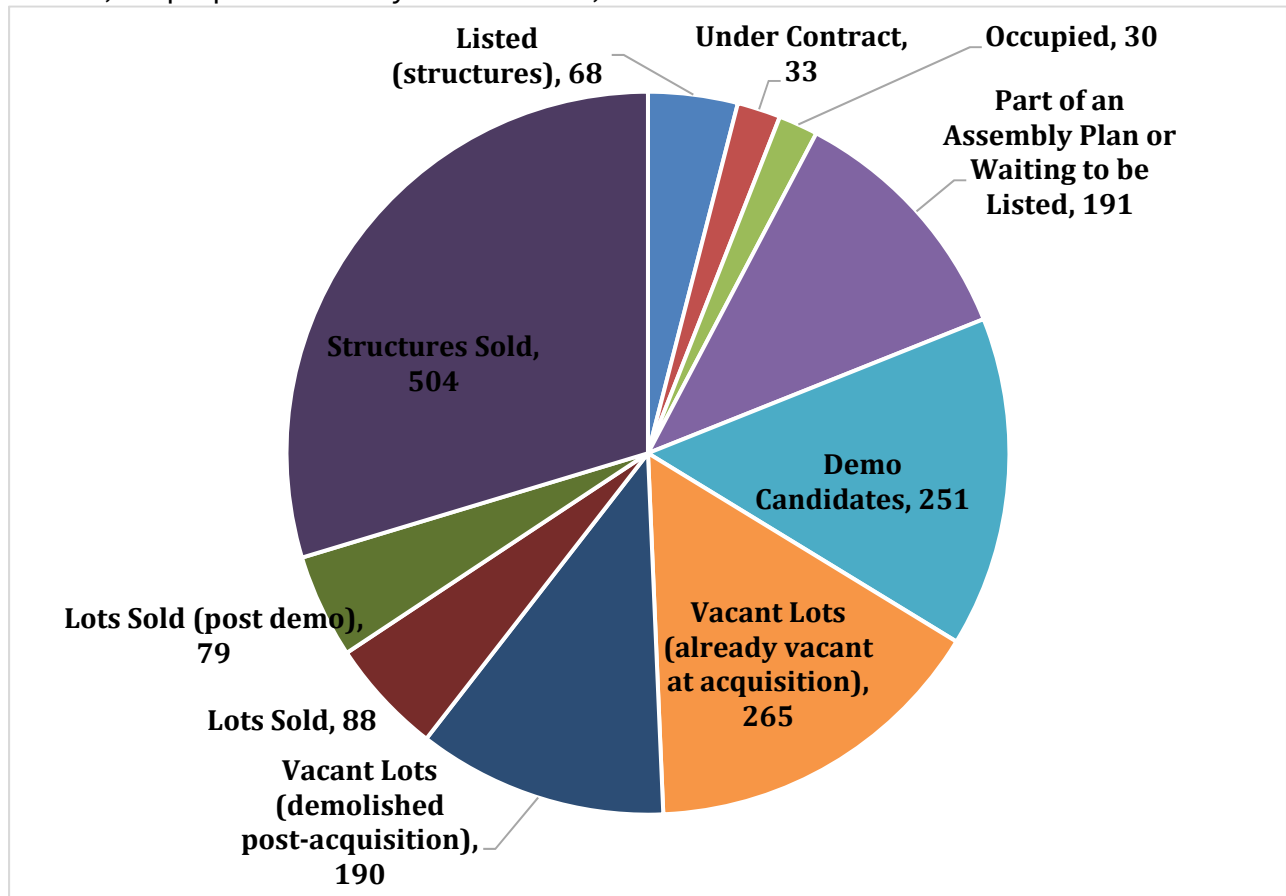
I. Introduction

The Land Bank is a local public authority created by the City and County in 2012 for this purpose: to acquire vacant and abandoned properties and facilitate their return to productive use. The Land Bank has partnered with the City to become the default recipient of their tax-foreclosed properties. In 2012, we decided that we already had strong not-for-profit affordable housing developers, but they can only do a limited number of projects each year based on available grant funds. The Land Bank was designed to complement their work and to take control of abandoned properties sooner in the cycle of abandonment:

- so we can address the scale of abandoned properties with “interim” strategies such as preventive maintenance
- take these properties off the rolls temporarily so the City and County aren’t sending tax bills to properties they know don’t pay
- by taking all the City’s foreclosures, help make the City a better collector of their own delinquent taxes and County taxes on City properties.
- by default, engage in site assembly (making bigger, more attractive sites available for development) and make site control available for these developers while they put together grant applications
- hold title to hundreds of shovel-ready projects, enabling us to apply for state and federal grants
- engage in land banking on their behalf so we can hold properties tax exempt until they’re ready to start construction (allowing more grant funds to go into brick and mortar expenses; on Housing Visions Butternut Street project this saved them nearly \$50k in carrying costs)
- position properties to attract private investors – by taking title proactively we clean them out and draft specs, so buyers can use traditional financing and know what they’re getting into, enabling us to expand the number of properties redeveloped each year to leverage private investment in renovations and return a greater number of properties to tax-paying status

It took decades of neglect and property abandonment for our neighborhoods to get this way, and we are making significant progress, but it will take a sustained effort, and sustained public investment, to reposition our local real estate market. The partnership we’ve crafted between the Land Bank and the City is working:

- Since the City started issuing foreclosure notices to the ‘backlog’ of 4,000 seizable properties in 2012, they have collected \$14.4 million more of overdue receivables. Presumably, a corresponding \$9.6 million above historical levels has been collected on behalf of the County through this effort. This revenue is generated by the properties that pay and avoid foreclosure.
- In addition, we have sold over 670 properties post-foreclosure, leveraging over \$21 million in private renovation investment and those properties. Now returned to the tax rolls, these sold properties generate over \$1 million/year in local property tax.
- With \$6.75 million invested by the City of Syracuse and \$2.4 million from Onondaga County, the Land Bank has been able to attract and leverage over \$21 million in other grants from federal, state & local sources. These funds support renovations, new construction, demolition, and other neighborhood revitalization activities.
- Of the 1,600 properties conveyed to us so far, we have addressed over half via sale or demolition.



- The number of residential vacant properties in the City has decreased by 17% in recent years.¹
- Over time, we’ve been able to assemble larger sites for new development and an inventory of buildable lots for infill construction. It often takes several years of foreclosures and property purchases to assemble larger sites that are better able to attract new development, but the Land Bank’s low carrying costs enable us to patiently go about this pre-development work. We’re ready to go with shovel ready sites for commercial and residential development – including at least five half-acre commercial sites and hundreds of buildable residential lots. This puts our community

¹ According to the latest data from the City’s Department of Neighborhood & Business Development.

development and business development partners in a stronger position when applying for grants and other funding.

- The ~1,000 properties still held in our inventory used to be tax-delinquent and the City would cite property owners for neglected maintenance and then bill them for trash pickup, mowing, board-ups, etc. Post-foreclosure, responsibility for maintenance and cleanup is transferred to the Land Bank. While that doesn't result in immediate renovation and beautification, it has transferred a significant maintenance obligation off the City's books. The Land Bank is able to perform many of these tasks at a much lower unit cost than can be achieved by the City.

We think we can be doing more to help communities outside of the City, as well. See attached recent letter send to County Executive Ryan McMahon and Mayor Ben Walsh at the end of this report.

II. Annual Report

(1) Projects undertaken in 2018

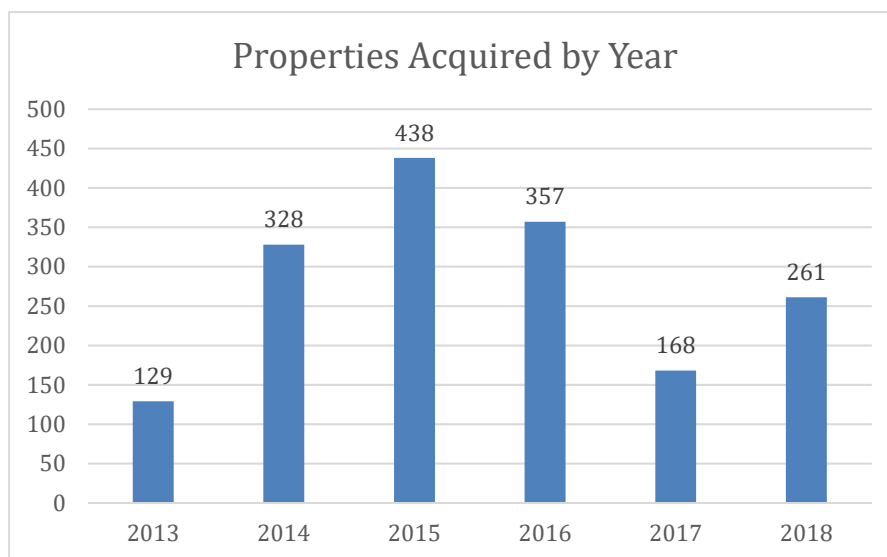
A. Acquisitions

The Land Bank Acquired 261 properties in 2018.

Acquisition Method	
Default on Enforcement Mortgage	2
Donation - Private	1
Purchase	2
Tax-Foreclosure - City	247
Tax-Foreclosure - County	9
Total	261

City/Town	
Clay	1
DeWitt	1
Elbridge	2
Geddes	1
Lysander	1
Salina	3
Syracuse	252
Total	261

Structure Type	
Apartment	5
Commercial	13
Industrial	1
Industrial	1
Single Family	93
Three Family	9
Two Family	60
Vacant Lot	79
Total	261

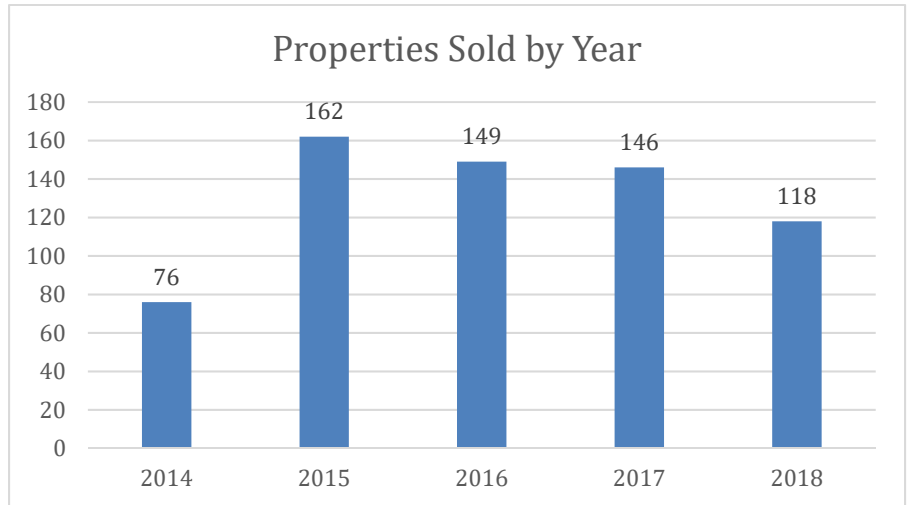


In 2017, the City saw that foreclosures were slowing, but they were not yet halfway through catching up with the “backlog” of seizable properties that had existed when the Land Bank was first formed. They made a concerted effort to increase the number of tax-foreclosures in 2018, adding an outside paralegal to support Law and Finance staff’s work in completing the foreclosures before properties are conveyed to the Land Bank.

B. Sales

The Land Bank sold 118 properties in 2018. These sales included:

Property Type	
Commercial Lot	3
Residential Building	82
Residential Lot	33
Total	118



116 of these sales were in the City of Syracuse. The majority were on the Southside and Northside (leveraging \$1.65 million in private investment in renovations in just those two TNT areas), followed closely by the Westside with 21 sales (where nearly \$500,000 in private renovation investment was leveraged) in 2018.

By TNT area (and location outside of the City), 2018 sales are broken out as follows:

TNT	Buyer Investment Leveraged	Number Sold
Eastside	\$ 141,127.30	5
Eastwood	\$ 114,634.00	8
Northside	\$ 903,700.91	28
Southside	\$ 750,160.16	39
Valley	\$ 156,039.50	9
Westside	\$ 514,202.25	27
Mattydale and Dewitt	\$ 82,978.00	2
Total	\$ 2,662,842.12	118

To date, the Land Bank has sold 668 properties – 651 in the City of Syracuse. These are leveraging over \$21 million in private renovation investment, effectively crowdfunding revitalization:

TNT	Sum of Buyer Investment	Number Sold
Downtown	\$ 4,823,953.00	2
Eastside	\$ 1,539,084.75	52
Eastwood	\$ 718,229.00	26
Lakefront	\$ -	3
Northside	\$ 5,171,655.91	204
Southside	\$ 4,166,694.36	200
Valley	\$ 1,399,805.75	42
Westside	\$ 3,215,092.95	122
Outside of City	\$ 391,067.00	17
Total	\$ 21,425,582.72	668

Proceeds from the sale of property totaled ~\$1 million in 2018, down approximately 26% from 2017.

	2014	2015	2016	2017	2018
Total Sales Revenue	\$ 965,015.00	\$ 1,481,446.55	\$1,725,545.06	\$1,378,313.00	\$1,014,852.59
# of Properties Sold	76	169	150	146	118
less side lots and AG transfers (private renovations)	55	122	103	106	74
Average price for structures sold for private renovation	\$ 17,587.70	\$ 11,902.37	\$ 15,691.85	\$ 13,002.95	\$ 13,714.22

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. We believe this is because 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.

We estimate that the properties sold just in 2018, now returned to taxable status, will generate approximately \$170,000 annually in City and County property taxes. The buyers of these properties have pledged to invest just over \$2.6 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 668 properties and approximately 44 more sales are pending closing. **Cumulatively, properties sold by the Land Bank to date are generating approximately \$1 million per year in local property taxes and have leveraged over \$21.4 million in renovations.**

Since the City started issuing foreclosure notices to the ‘backlog’ of 4,000 seizable properties in 2012, they have collected \$14.4 million more of overdue receivables (delinquent taxes), and assuming a proportionate increase, the County should have received \$9.6 million from City properties above historic collection levels.

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 668 properties sold to date, only five have defaulted on their enforcement mortgage and been taken back by the Land Bank. One of these has already been re-sold and another is under contract. **The enforcement mortgage mechanism works and guarantees more predictable, better quality results than an auction.**

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

Year	2013	2014	2015	2016	2017	2018	total
Properties Sold	0	76	169	150	146	118	659
Properties Acquired	131	336	442	358	170	261	1698
% of that year's acquisitions sold	0	22.62%	38.24%	41.90%	85.88%	45.21%	38.8%

At this point, about 57% of the structures in our inventory are demo candidates and the rest 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 251 properties on that list in worse condition. We are looking at other strategies to move these properties back to productive use. One option we are considering is 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 \$9 million from the NY OAG's Community Revitalization Initiative (CRI) program. The first two grant rounds totaling nearly \$5 million funded 38 demolitions and 68 renovations, 58 of which were in the City of Syracuse. The last of these projects were completed in 2017.

Round 3 CRI funding provided us with \$2 million and funded 56 demolitions (all of which were completed in 2017) and 8 substantial rehab/new construction projects. All of those renovation/new construction projects are located in the City's Neighborhood Revitalization Strategy Area (NRSA). Half of these renovations were completed in 2018 and the remainder will be completed in Q2 2019 in partnership with Home HeadQuarters. They 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 was awarded a fourth round of CRI funds in the amount of \$2 million. This will fund an additional 56 demolitions in 2019, but we have **no secured source of demolition funds for 2020**. It will also fund the renovation of eight homes, all in the City's NRSA. These are also being renovated in partnership with Home HeadQuarters:

- | | |
|----------------|------------------|
| 1. 308 Craig | 5. 711 Tully |
| 2. 203 Landon | 6. 116 Dearborn |
| 3. 256 Girard | 7. 147 W Kennedy |
| 4. 106 Elmwood | 8. 607 Gifford |

Our goal is to complete all of these Round 4 projects in 2019, which will enable us to apply for additional funding for 2020, but at this point it has not been disclosed how much additional funding might be available and 25 land banks across NYS are competing for it.

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: over \$21 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 only 35 demolitions in 2018 and has completed 272 demolitions to date:

	Demos Completed
2014	30
2015	61
2016	76
2017	67
2018	35
2019 to date	3

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	\$1,400,000
2018-19 City funds	\$ 500,000
Total grant funds for demo expended to date	\$5,198,260

In addition to the restricted funds listed above, in 2016 the Land Bank spent over \$1 million in unrestricted cash on demolitions. Having demolished 272 structures to date, this averages just under \$23,000 per demolition (keeping in mind that some of these 272 were large commercial structures). The Land Bank currently owns over 251 demolition candidates. At this average rate, the Land Bank would need \$5.7 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. There is **no source of demolition funds secured for the 2020 construction season.**

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. We currently have two ~half-acre sites on South Ave available for development (one out to bid and one going out to bid soon) and a third in the works; one ~half acre site at Seymour and Geddes that's been on the market available for commercial infill, and other similar commercial sites in the works. On the residential side, we are working with the City and Home Headquarters to select and assemble prime infill sites that will enable our partners to apply for state and federal funding for infill construction.

(2) Monies expended in 2018

Our 2018 Profit & Loss Statement and Balance Sheet as of 12/31/18 are attached. These statements are prepared on an accrual basis. I have also attached a version that makes a few adjustments to better show our expenditures on a cash basis. Typically, we book income and expense for restricted grant funds simultaneously, and I have adjusted our City grant income to match that standard. Without including demolition and renovation expenses, the cost of operating the Land Bank in 2018 was approx. \$2.5 million (Total COGS + Total Expense). Sale of property, rents, fees charged by the Land Bank, and donations brought in approx. \$1.3 million – creating a cash operating deficit of \$1.13 million. You’ll see the financial statements only show a deficit of \$800,000 on an accrual basis.

Our annual operating deficit has been growing in recent years, as we expected. We anticipate this annual deficit will grow until the City finishes catching up in their backlog of tax-delinquent properties, at which point our inventory (and accompanying maintenance expenses) will begin to shrink. We have made significant strides on cutting costs over the past 3-4 years. Bringing sales in-house in 2016 cut over \$100,000 in annual expense. 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. Our state elected officials have worked with us to pass multiple amendments to the Land Bank Act, which have reduced our operating expenses. We have become exempt from deed/document recording charges, which resulted in a savings of \$5,000 – 9,000/month. Land banks are now exempt from special assessments, which saves \$200,000 - 300,000 annually. We will continue to work on these cost-savings strategies, but also are looking at ways to list more properties an increase sales revenue.

Our balance sheet estimates the value of properties held at \$1.24 million, but this does not reflect long-term liabilities associated with maintaining these properties (~\$2.5 mill/year to operate) or the looming cost of demolitions. In addition, for the 251 demolition candidates currently on the books we estimate that cost to be \$5.7 million. For this, we must continue to seek local and state financial support. Our program generates a wide array of benefits: delinquent taxes collected, properties returned to the rolls paying on-time taxes, private renovation investment leveraged, grant funds leveraged, quality of life improvements of people living next to land bank homes that are either sold and renovated or demolished – but all of those benefits are external to our organization. All we can capture is sales revenue and so all these externalities aren’t being captured and used to keep this service going. That’s where we need assistance from local and state government.

Subtracting liabilities and restricted funds from total cash on hand and receivables, the Land Bank at the end of 2018 held a \$2.6 million fund balance – down 1/3 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 five 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 getting ready to advertise for consultant services in this area. We want to require buyers who haven't renovated a home before to meet with a renovation mentor before they take title. This person will be an on-call resource available to them over the course of the project who can give advice on the best way to hire contractors, pull permits, cut costs, etc.

For over a year we have added 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. Occasionally they will still run into cost overruns during the course of the renovation. We have worked closely with Home Headquarters to help these buyers secure additional financing when possible, but more importantly we're working with them to ensure that buyers are over financed on the front end so that they don't run out of funds mid-project.

We are planning to advertise soon for a part-time community engagement specialist who will be focused on attending neighborhood meetings and being a communication conduit between the land bank and the larger community. This should help us be more responsive to neighborhood concerns in general and to tailor our planning objectives and targeted revitalization work where the community wants it most.

Lastly, we are planning to advertise for part-time help showing homes so that we can get more properties listed.

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 over 100 resubdivisions to date.

The City provides a recommended outcome for all the properties they convey to the Land Bank and we work with the Department of Neighborhood & Business Development to develop targeted revitalization plans and coordinate with affordable housing developers and neighborhood economic development plans. We have assembled quite a bit of property on South Ave and are soliciting Requests for Proposals for redevelopment that is consistent with their South Ave Economic Development Corridor Study. In the Towns & Villages we work with their Codes staff and elected officials to determine what outcome they want to see when we sell properties in their area.

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 construction is just wrapping up on this \$16+ million project that will bring over 50 units of new affordable housing to the Northside. Those units should come online in 2019.

Housing Visions also invested about \$7.8 million in the renovation of 664 W. Onondaga Street, which they purchased from the Land Bank, and which is now known as the Ethel T. Chamberlain house. This facility just opened and is operated by the Salvation Army.

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. They took title to these properties in late-2018 and renovations in some are underway. New construction will begin in early 2019. Two of these renovations will also be assisted with our 2019 round of CRI grant funds. We've really hit our stride working with HHQ to each maximize our strengths and layer in funding from both agencies to make projects successful.

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 have a half-acre site at Geddes & Seymour listed for sale and numerous other sites being assembled and/or bid out.

C. Board of Directors

All Board of Directors meetings are open to the public. The Board of Directors met frequently in 2018 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 16 – Annual Board Meeting
- March 1 – Special Board Meeting
- March 28 – Audit Committee Meeting
- March 28 – Regular Board Meeting

