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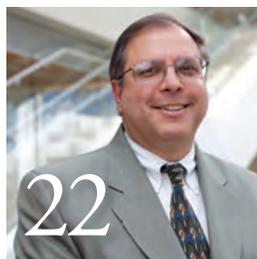
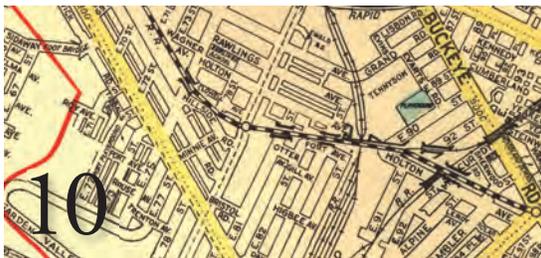
New Ideas on Economic Policy from the FEDERAL RESERVE BANK
of CLEVELAND

A Proposal: Using the CRA to Fight Vacancy and Abandonment

INSIDE:
Credit for
Small Businesses
Systemic Risk
Q&A with
Economist
Anil Kashyap

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Land Bank Notches First-Year Win

In its first year, the Land Bank of Cuyahoga County, Ohio, took strides toward becoming the model approach to the vacancy and abandonment problem that state lawmakers hoped it would be. No,



Thomas J. Fitzpatrick IV

the Land Bank has not magically transformed Cleveland's most blighted neighborhoods into thriving beacons of hope, but small victories in 2009 and early 2010 have formed the beginnings of a long-term solution.

Frank Alexander, a professor at Emory Law School and a leading authority on land banking, describes Ohio's legislation as a "national model" for others to follow. Encouraged by the Cuyahoga County Land Bank's success in just one year, state lawmakers recently expanded to 41 the number of counties that can create land banks.

Ohio's Land Bank legislation seeks to modernize land banking in ways never before attempted. Legal transactional forms had to be created from scratch. Multiple government agencies had to be coordinated, posing additional challenges. The Land Bank's goal is to help acquire and amass vacant and abandoned tax-foreclosed properties, and then demolish, rehabilitate, or repurpose them in keeping with long-term plans for neighborhood stability.

One of the Land Bank's first accomplishments was to help the city of South Euclid, an inner-ring suburb of Cleveland, acquire some vacant property as part of a redevelopment plan. What's the big deal? For years, South Euclid had been trying to acquire a particular vacant house that had been in and out of foreclosure. To complicate matters, the property also had a clouded title because the lender had walked away from the process.

The Land Bank provided technical assistance to South Euclid's leaders, who are now working with the County Treasurer's office to acquire the property, which is in tax foreclosure. The Land Bank has also helped South Euclid acquire several vacant lots that will be turned into community gardens this spring. These small but deliberate steps demonstrate the efficiency the Land Bank brings to the process of acquiring vacant and abandoned property at the municipal level.

Land Bank leaders have also been heavy hitters in raising external funds. For example, the Land Bank took the lead in creating a regional application for the second round of Neighborhood Stabilization Program funds, which were competitively awarded federal grants to use in addressing issues such as vacancy and abandonment. The target area encompassed 2,500 housing units in 20 neighborhoods, touching at least eight different municipalities.

The Neighborhood Stabilization award to the consortium totaled almost \$41 million, by far the largest grant in Ohio.

Another win was the Land Bank's work with the Federal National Mortgage Association, or Fannie Mae, which held a large number of mortgage loans that went into foreclosure. When those houses did not sell to other parties at foreclosure auctions, Fannie Mae ended up owning many of them. Sixty Cuyahoga County municipalities and townships were interested in buying some of them.

The problem? Fannie Mae wanted to sell these properties in large bundles, but the Cuyahoga County municipalities were interested in purchasing only a few houses at a time or a few houses in total. The solution? The Land Bank negotiated collectively for all of Fannie's vacant properties in Cuyahoga County. In the end, Fannie Mae agreed not only to sell the Land Bank its foreclosed properties for \$1 each, but to contribute an additional \$3,500 toward demolition of each property that could not be rehabilitated.

—Thomas J. Fitzpatrick IV, economist