

Land Banks in New Jersey

A Tool for Addressing Problem Properties to Serve Community Goals

Across the country, over 300 land banks are mitigating the harms of vacant, abandoned, and deteriorated (VAD) properties on neighbors and neighborhoods, and advancing equitable, inclusive, and resilient communities. Land banks have profound positive impact in the communities they serve including stabilizing neighborhoods and property values of neighboring homes,¹ addressing safety concerns,² leveraging economic investment,³ furthering racial equity and social justice,⁴ and creating lasting affordability.⁵ New Jersey municipalities can form land banks pursuant to the 2019 New Jersey Land Bank Law.⁶

When is a Land Bank the Right Tool?

Communities must first understand the scale and scope of their VAD property challenges to determine if a land bank would be useful and effective at addressing them. New Jersey communities could consider forming a land bank if they experience the following:

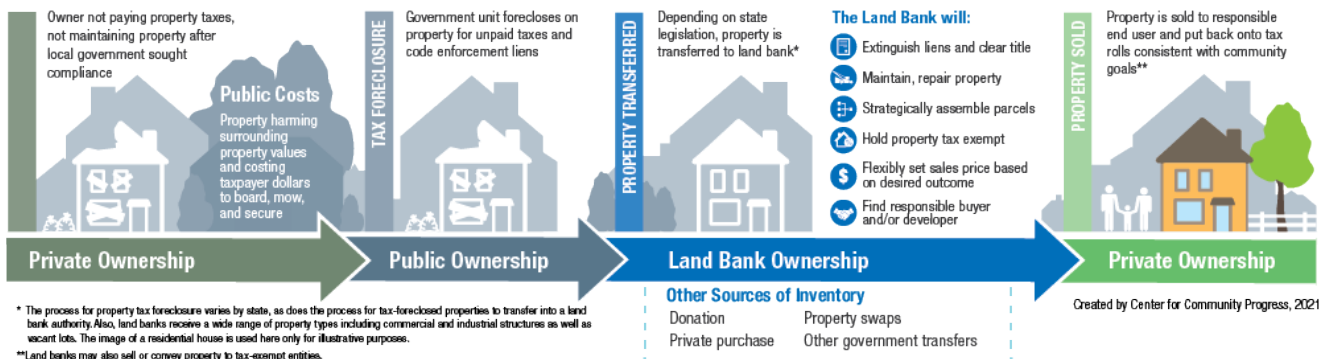
- Vacant and abandoned properties that bear delinquent property tax or other public debt that exceeds market value
- Publicly owned properties the local government is struggling to maintain or dispose of in an equitable fashion

- Inflexible public policies dictating the sale of public property, limiting the ability to be strategic and nimble
- A public disposition process that lacks transparency, is highly politicized, and is vulnerable to mismanagement

In New Jersey, land banks may exercise only those powers already enjoyed by and explicitly granted to the land bank by the municipality. Therefore, after determining the scope and scale of problem properties, it is important to assess whether an external entity like a land bank is needed to increase capacity and reach community goals, or if a municipality should look toward internal policy and practice changes.

What is a Land Bank?

A **land bank** is a public or nonprofit entity with a unique purpose to put vacant, abandoned, and deteriorated properties back to productive use according to community goals. A land bank's primary purpose is to acquire properties that some call "**blighted**" and temporarily hold and take care of them until they can be transferred to new, responsible owners. State laws give land banks their unique powers.



* The process for property tax foreclosure varies by state, as does the process for tax-foreclosed properties to transfer into a land bank authority. Also, land banks receive a wide range of property types including commercial and industrial structures as well as vacant lots. The image of a residential house is used here only for illustrative purposes.
 **Land banks may also sell or convey property to tax-exempt entities.

Created by Center for Community Progress, 2021

Because land banks receive most of their inventory from the tax enforcement system, their utility and impact diminish as real estate values increase and the pipeline of properties coming through the tax enforcement process dries up.

New Jersey communities have access to several legal tools to address VAD properties, including an Abandoned Properties List, Special Tax Sales for abandoned properties, Spot Blight Eminent Domain, and Vacant Property Receivership. If your community does not have a large inventory of problem properties but does have a handful of properties causing significant harm, these other tools might be worth exploring.

Establishing a Land Bank

Communities interested in forming a land bank will need to designate an entity to serve as the land bank. They must also adopt a “Land Bank Agreement” between the municipality and the land bank detailing the responsibilities of the land bank and the conditions

Case Study: Newark Land Bank

The Newark Land Bank (NLB) was established in 2019 and was the first land bank in New Jersey. The City of Newark designated Invest Newark, an economic and community development nonprofit organization, to launch, implement, and manage its land bank activities. The Newark Land Bank’s programming and activities are aligned with the City’s goals of increasing homeownership and addressing the racial wealth gap in Newark.^A NLB manages the Section 8 Homeownership Conversion Program, a nationally recognized and first-of-its kind land bank program. Through this program, NLB and its partners provide homeownership opportunities for low-income residents that have and use Housing Choice Vouchers from HUD’s Section 8 program.^B

^A Leadership in the City of Newark recognized the important role publicly owned properties could play in creating affordable homeownership opportunities for Newark residents and pushing back against the exclusionary market dynamics. The City passed an ordinance requiring deed restrictions on sales of up to 50 percent of City-owned properties, requiring them to remain affordable for 30 years. <https://www.newarknj.gov/news/mayor-baraka-announces-passage-of-ordinance-to-require-deed-restrictions-to-ensure-that-formerly-city-owned-properties-remain-affordable>.

^B To learn more about the Newark Land Bank and the Section 8 Homeownership Conversion Program, visit <https://landbank.investnewark.org/>.

under which the land bank may acquire, maintain, and dispose of real property on behalf of the municipality. The Land Bank Agreement will need to be adopted by ordinance of the municipal governing body, and by resolution of the governing body of the land bank entity.⁷

Entities eligible to serve as a land bank include:

- Municipal redevelopment agencies
- County improvement authorities
- Nonprofit organizations

When considering which entity would be most appropriate to serve as the land bank, municipalities should consider expertise in real estate transactions and housing development, staffing capacity, relationships with local elected leadership, and existing trust with community members.

The municipality expressly grants certain powers to the land banks through the Land Bank Agreement. This agreement dictates:

- How properties are acquired
- How properties are disposed
- If properties are held tax exempt
- How sale proceeds are handled
- Other key operational functions

Ideally, the Land Bank Agreement provides a systematic process for the land bank to acquire properties and outlines key operational functions that enable the land bank’s activities to reach community goals. Key functions that should be considered for inclusion in the Land Bank Agreement include:

- A systematic and cost-effective process for properties to be transferred to the land bank regularly and over time (e.g., properties that the municipality forecloses on are automatically transferred to the land bank at nominal cost or the land bank is given right of first refusal for properties the municipality intends to sell)
- Flexibility to dispose of the property to a responsible buyer or developer, driven not by the highest price but by the outcome that most closely aligns with community goals

- Approval for property sales given to the land bank board, and not subject to municipal approval
- Ability to hold properties tax exempt
- Retention of sale proceeds to invest in other land bank projects

Getting Inventory

Nationally, land banks acquire most of their vacant and deteriorated properties from the local enforcement of delinquent property taxes.

In New Jersey, when property taxes become delinquent, local governments must offer the tax certificate for sale to private investors. If that tax certificate does not sell, it is transferred to the local governments, who can initiate a foreclosure of the property after a six-month redemption period.⁸ The Land Bank Agreement can and should define a systematized process for the local government to transfer such properties to the land bank at nominal costs and subject to local government approval. Property tax foreclosure moratoriums stemming from recent Supreme Court jurisprudence,⁹ coupled with recent amendments to the delinquent property tax enforcement process in New Jersey, underscore the critical importance of seeking the advice and guidance of local legal counsel in designing systems for land bank acquisition of property tax liens—whether at public sale or through transfer from the local government where no third party seeks to acquire the lien.

Being Responsive to Community Needs

The most successful land banks engage residents who are most impacted by vacancy. In New Jersey, land banks are uniquely required to form a Community Advisory Board (CAB) within six months of the land bank’s formation. The law requires the CAB be comprised of representatives of recognized community associations and nonprofit organizations operating within the municipality, and especially within the neighborhoods where the land bank operates. The land bank is required to give the CAB the ability to provide input into the policies and procedures that direct the decisions of the land bank. While the CAB is not granted explicit decision-making authority in the state-enabling legislation, it can be a powerful

A Snapshot from the National Field of Land Banks and Land Banking

There are over 300 land banks and land banking programs across the country that range from intervening on discrete properties to driving transformational change at the neighborhood and city level. Below is an overview of key operational functions of these land banks:

Acquisition: Nearly 70% of properties held by land banks were acquired via the local property tax enforcement and foreclosure process.

Inventory: Almost 86% of land bank inventory is vacant land with no structures.

Programming: Many land banks develop innovative programming to address a range of VAD properties, including rehabilitation, vacant land reclamation, brownfield clean up, and many more.

Community and Resident Engagement: The most successful land banks engage those residents most impacted by vacancy.

Funding: Most common sources of funding are from government grants and appropriations (37%) and property sales (33%).

Source: Community Progress, State of Land Banking Results of the 2023 State of Land Banking Survey, <https://communityprogress.org/publications/2023-state-of-land-banking/>.

tool to ensure that community input and priorities guide and inform land bank decisions. It also ensures land bank activities and decisions are communicated to residents. In keeping with its purpose to protect and promote transparency and integrity in land bank operations, the CAB is required to report annually on the “accuracy, integrity, accessibility, and comprehensiveness” of the property databases the land bank is required to create and maintain.¹⁰

Funding the Work

For a land bank to be a responsible steward, it needs funding proportionate to the scale of properties it is expected to address. Nearly all land banks require some level of public subsidy because they focus on vacant and tax delinquent properties that have effectively been rejected by the private market.

In New Jersey land banks can be funded by:

Direct Appropriations from Local Government:

Most land banks rely on some form of public funding to support their operations. This can come in various forms, such as an annual allocation from the local government's general fund budget and support through existing grant programs like Community Development Block Grant (CDBG).

In-kind Services: Importantly, municipalities in New Jersey should consider transferring properties to the land banks at no-cost. Other in-kind services may include shared staffing with an existing governmental department or nonprofit, or maintaining properties on behalf of the land bank.

Tax Recapture: In New Jersey, if authorized by the governing body of the municipality, a land bank can receive up to 50 percent of taxes collected on certain properties sold by the land bank for up to ten years. This would mean that after the land bank sells a property and it is in a taxable status, 50 percent of the taxes would be remitted to the land bank and 50 percent of the taxes would be distributed among the other taxing bodies for ten years. After this period, 100 percent of the taxes would be sent to the respective taxing bodies.

Grants and Loans from Philanthropy and Private Funders:

Many land banks are funded by philanthropic foundations and private entities, such as banks and CDFIs, to support start up, ongoing programming, and/pr larger scale repair and rehabilitation.

The Land Bank Agreement should specify these revenue-generating opportunities, and ideally stipulate a financial commitment from the local government to the land bank through either direct appropriations or in-kind services.



Notes

- ¹ In Detroit, Michigan, the median sales price grew an additional 11.5 percent per year in the Land Bank's Rehabbed & Ready neighborhoods during the three-year treatment period than they would have without the intervention. Paul Fontaine, and Chris Mueller, *Good Deeds: Community - minded intervention to strengthen the Detroit housing market is working, according to U-M analysis* (University of Michigan, 2021), <https://www.rocketcompanies.com/wp-content/uploads/2021/04/Good-Deeds-An-Analysis-of-the-Rehabbed-Ready-Program.pdf>.
- ² Analyzing PHS' greening program impact on health and safety from 1999-2008, researchers found a significant reduction (29 percent) in gun assaults citywide in areas with PHS-greened vacant lots. Additionally, in many of these areas, residents also reported less stress and increased exercise. Charles C. Branas, et al., "A Difference-In-Difference Analysis of Health, Safety, and Greening Vacant Urban Space", *American Journal of Epidemiology* 174, no. 11, (40878): 1296-1306, <https://academic.oup.com/aje/article/174/11/1296/111352>.
- ³ In 10 years, New York State land banks were able to secure \$180 million in local, state and federal funding, and \$300 million in private investments. Center for Community Progress, *A Decade of Progress: Celebrating 10 Years of Land Banks in New York* (New York Land Bank Association, 2023), https://syracuselandbank.org/wp-content/uploads/2023/02/NYLBA-publication-2022_FINAL-1.pdf.
- ⁴ The Lucas County Land Bank in Toledo, Ohio has established a \$1.5 million Neighborhood Justice Fund to support land bank investments that will grow wealth and foster health in Black and Brown communities. <https://lucascountylandbank.org/>.
- ⁵ Across the country, land banks and community land trusts are partnering to create and preserve affordable housing. Kim Graziani, *Land Banks and Community Land Trusts Partnering to Provide Equitable Housing Opportunities Now and for Future Generations* (Center for Community Progress, 2023), <https://communityprogress.org/publications/land-banks-and-community-land-trusts/>.
- ⁶ 2023 New Jersey Revised Statutes, Title 40A - Municipalities and Counties, Section 40A:12A-78 - Responsibilities of land bank entity. As of 2024, only one city (Newark) has leveraged this new community development tool to help address problem properties. This primer is part of a series of educational resources and activities, co-developed by the Center for Community Progress and the Housing and Community Development Network of New Jersey, to encourage greater use of land banks in New Jersey.
- ⁷ NJSA 40A: 12A-78.
- ⁸ If the certificate is purchased by a private investor, there is a two-year redemption period before the investor can initiate a foreclosure.
- ⁹ "Policy Brief: Tyler v. Hennepin County in 2024, Updated Analysis and Policy Reform Options", (Center for Community Progress, 2024), <https://communityprogress.org/publications/2024-tyler-hennepin-policy-brief/>.
- ¹⁰ NJSA 40A: 12:A-84.

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