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2019 Budget Request

5.2.19 Meeting Agenda

- **5.2.1** Approval of Past Meeting Minutes- **Action**
- **5.2.2** Approval of BLBA FY2019-2020 Budget Request- **Action**
- **5.2.3** Operations Update
- **5.2.4** Committee Reports

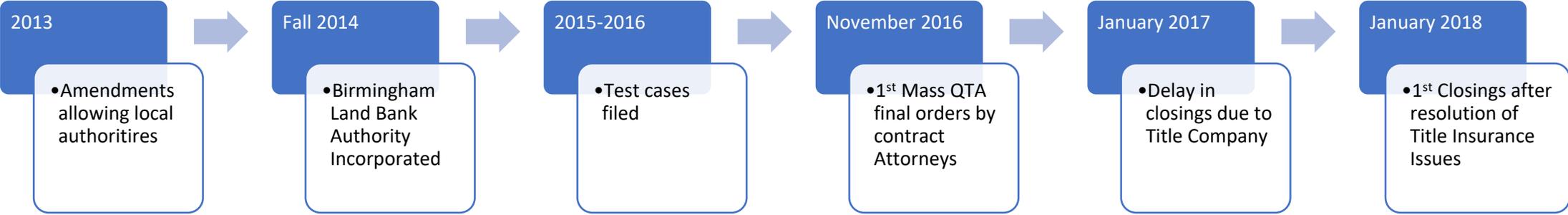
5.2.1

Approval of Past Meeting Minutes- **Action**

5.2.2

- Approval of BLBA FY2019-2020 Budget Request
- For the 2019-20 fiscal year, we have submitted a budget request that, if fulfilled, should allow for an improvement in operations, accessibility for our citizens and greater opportunities for catalytic development in our neighborhoods.
- An increase in administrative staff and resources is the most important need of the Authority.

Timeline



Challenges

- Title Insurance
- Legislation
 - 5 Year TDP
 - Tax Foreclosure System
- Staff and Resources
 - CURRENTLY 2 Staff members
- Sewer Liens
 - Around 35% of our properties that we have run title searches on.

Laying the Foundation upon which a Land Bank
can operate under Alabama Law.

Biggest Issues

- Staffing
 - Data/Applications/Records
 - Automation utilizing our property management software– In progress
 - Budget Analyzer
 - Service Provider self service module
 - New application format– In progress
 - Fieldwork
 - Utilization of employees already out in the field
 - Customer Service
 - Educational Videos and Modules required to submit application.
 - Online question form
- Quiet Title Resources
 - Escrow Account- in process
 - Utilization of redemption and sale proceeds

Budget

General Fixed Expenses			
Professional Services (General Counsel, Legislation)	1	75000	75000
Complex Quiet Title Actions	1	100000	100000
Property Management Software and Training	1	43488.76	43488.76
Conference/Professional Development/Memberships	1	25000	25000
Office Supplies	1	7000	7000
Independent Audit	1	10000	10000
Events/Marketing/Website/	1	10000	10000
Strategic Acquisitions/Site Assembly	300	5,500	1650000
General Request QTA	300	5,500	1650000
Neighborhood Subsidized QTA	200	5,500	1100000
<u>Property Costs</u>			
Board-ups/Securing of Property/prof fees other	200	500	100000
Surveyor Fees/Prof fees other	25	500	12500
Storm Water Fees/Property Taxes	600	9.98	5988
<u>Total Expenses</u>			4788976.76

Quiet Title Action Fees

- Because of the volume and specialized nature of legal work, the Birmingham Land Bank Authority must contract with outside attorneys at a flat rate for most quiet title actions.

	# of Actions	Rate	Total
Strategic Acquisitions/Site Assembly	300	\$ 5,500.00	\$ 1,650,000.00
General Request QTA	300	\$ 5,500.00	\$ 1,650,000.00
Neighborhood Subsidized QTA	200	\$ 5,500.00	\$ 1,100,000.00
Total	800	\$ 5,500.00	\$ 4,400,000.00

General Request

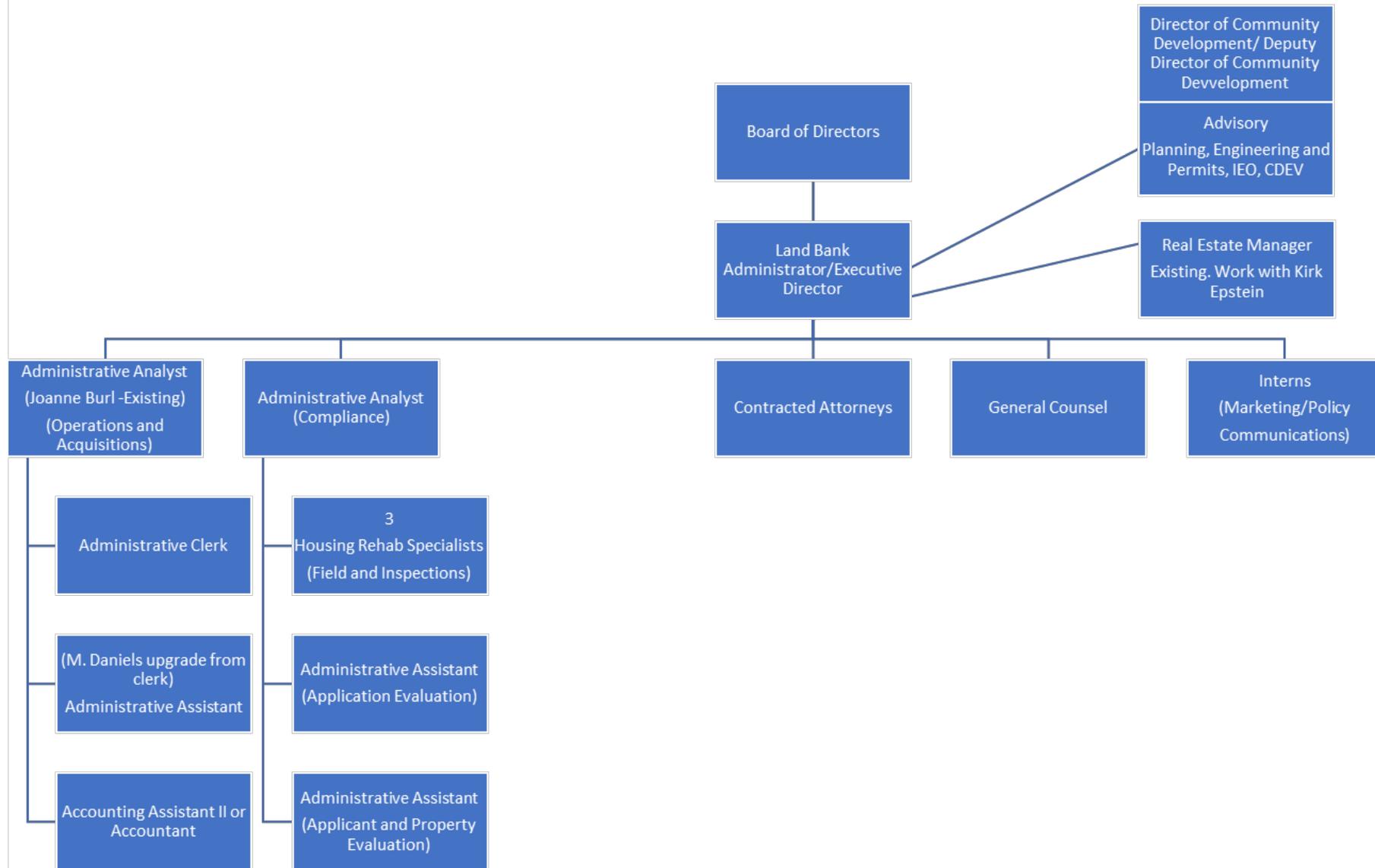
- This program is for properties with structures or for vacant lots a citizen or developer wants to build upon immediately, the BLBA created the General Request Program to clear title to the property as soon as possible so the house can be repaired or a new house can be built. The program was implemented so that Citizens, developers and non-profits can use the General Request Program to acquire properties through the BLBA for a flat fee of \$5,000.00, the lowest possible price to offer Birmingham citizens to move these abandoned properties back onto the tax rolls. Through a General Request, the BLBA will clear the title first before selling the property to you. This program is for properties that have structures or for which you have plans to build or develop the property.
- **300 Actions will cost \$1,650,000.00**

Strategic Acquisition

- Birmingham Land Bank Authority is working on multiple strategic acquisitions. These acquisitions will serve two purposes:
 - To have properties immediately available for development; and,
 - To generate revenue for the Authority and ultimately lessen the reliance of the BLBA on a budget allocation from the City of Birmingham.
- After acquisition by the BLBA, the sales price would be based at a minimum on the cost to acquire and clear so that the Authority can recoup the costs and continue acquisitions. Properties that command a higher sales price due to market value can be sold at a higher rate, thus generating additional revenue for the fund. When the properties are acquired as part of a strategic acquisition for a specific partner/developer, the property will be immediately transferred to the partner after title is cleared (ex: Woodlawn Foundation). If the property is not part of an identified development but is part of a strategic assemblage, then the property may not be transferred until sufficient mass occurs and/or a specific developer and development plan is in place.
- **300 Actions will cost \$1,650,000.00**

Neighborhood Subsidized

- If the City of Birmingham desires to make Land Bank properties with clear title more affordable, it will need to substantially increase its subsidy of the Land Bank to cover the costs to clear the title. “Mow to own/sweat equity” programs, for example, have been popular and successful in other places but making properties available for little or no cost means the Land Bank will require a substantial increase in funding.
- Funds allocated for this line item will go to subsidize the cost of acquisition for citizens that reside in neighborhoods and are trying to gain ownership of a parcel beside them that they have invested time and energy in maintaining.
- **200 Actions will cost \$1,100,000.00**



5.2.3 Operations Update

- Closings
 - Ongoing
 - Finance Department
 - Resolution of Wire Transfer Issue
 - Finance Committee/Property Management Software
 - Title Companies
- Finances
 - Project Cost Deposit
- Issues and Efforts
 - Legislation
 - Nonprofit

Update

- We have worked to redevelop our applications so that we analyze eligibility of applicants and process them in a more efficient manner. We also are developing some mandatory educational modules that applicants must view before being allowed to apply for our General Request Program.
- We hope to process between 75 to 163 closings on the conservative end in the next three months.
- We hope to have the modules and new applications live in the next 30-60 days.
- New Application Process in the works.
- Applications for Citizens on lots- May 1, 2019
- Open Applications for all- Anticipated August, 2019 (Depending on staff/funding allocation).
- 215 QT Final Orders

Numbers

- Side-Lot/Adopt-a-Lot Program
 - Quit Claims- 40 transferred to citizens following leases.
 - 290 Active leases
 - 90- Lease to own Quiet Title Actions
- General Request Program
 - 202 Properties sent to closing/sold
 - 60 percent individual Birmingham Citizens
 - 280 Assigned to Attorneys going through Quiet Title Action

Short-Term Goals

- Improve Communication with Stakeholders (City, Districts, Neighborhoods, Communities)
- Resolve Sewer Lien Issue with County
- Increase Capacity/Staffing (Administrative and Enforcement)
- Establish Foundation (Fundraising)
- Become less reliant on municipal allocations (Self-Funding, Staff, Location)
- Address Legislative Changes – Revenue Allocation and Tax Foreclosure System

More information about the BLBA

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 - 2019 Budget Request- Coming Soon

5.2.4 Committee Reports

Finance

Finance Committee Goals For 2019

- Establish an efficient process for collecting, segregating and accounting for Land Bank funds.
- Assist Land Bank staff with developing achievable goals given the limitations of the Land Bank budget and staffing.
 - How many properties can we actually process given the shortage of staff and funding?
 - Establish reporting process to track property disposition along with what improvements are being made and what impact the active properties are having on ad valorem tax collections for the City. (example: During FY 2018 the land bank put 100 properties back onto the tax rolls for the City and it created \$50,000 of incremental tax revenue).
- Create a process for Land Bank staff to provide monthly reports to the Board.
 - Create a model that shows current year budget with monthly breakdown of revenues and expenses to assist with tracking Land Bank progress and goals (also include YTD vs. Budget).
- Create pro-forma budget if we had additional funding from 5/50 revenue sharing arrangement. Use this budget to help Legislative Committee present additional funding mechanisms to the legislature to improve Land Bank funding.

Old Business

New Business

Adjournment



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What is it?

- Acquisitions
- Dispositions

What is it? Acquisitions

- Land bank authorities have ability to acquire tax deed to properties which have been tax delinquent for at least 5 years from the Alabama Department of Revenue for \$0
- The authority must create and maintain an inventory of properties
- Authority has power to manage, maintain, protect, rent, lease, repair, insure, alter, sell, trade, exchange, or otherwise dispose of any tax delinquent property on terms and conditions determined in its sole discretion

Dispositions

- Authority may manage, maintain, protect, rent, repair, insure, alter, convey, sell, transfer, exchange, lease as lessor, or otherwise dispose of property
- Transferee may be public or private
- Disposition may be on terms and conditions determined by authority and for an amount of consideration the authority considers proper, fair, and valuable, including for no monetary consideration

Why was it created?

- The Birmingham Land Bank Authority (BLBA) was established to acquire the tax-delinquent properties, surplus properties of the local governments, and other properties located within the City of Birmingham in order to foster the public purpose of returning land which is in a nonrevenue-generating, nontax-producing status to an effective utilization status in order to remove blight, provide housing, and stabilize neighborhoods for the citizens of the City.
- The authority also aims to interrupt the passive speculative market associated with tax delinquent properties which is detrimental to each of our 99 neighborhoods.

Why Create a Land Bank?

- Vacant/Abandoned Tax Delinquent Properties
 - Blight
 - Decreases property values, more crime, arson
 - Public nuisance – municipal resources
 - Less revenue from property taxes
 - Contributes to downward spiral of neighborhood
 - Bad title – heirs, old mortgages, Zombies
 - Liens > > value
 - Market forces will not intervene to correct problems

Alabama's Process For Clearing Title to Tax Delinquent Properties is Inefficient

- Tax sale process does not provide adequate due process = unable to get insurable title
- At least 6 years from tax sale to clear title
- 3 year statutory right of redemption
- 3 year adverse possession holding period after obtaining tax deed
- indefinite “judicial right of redemption” – now codified = uncertain title
- Quiet title cases are costly, time consuming, subject to time restraints

Quiet Title Actions

Strategic Acquisitions /Site Assembly	300	5,500	1650000
General Request QTA	300	5,500	1650000
Neighborhood Subsidized QTA	200	5,500	1100000
			\$4,400,000.00

Notice of Increased Purchase Price

Quiet Title Action Expenses	
Quiet Title Attorney Fee	\$ 4,000.00
Overage of Guardian ad litem fee	\$ 550.00
Overage of Publication fee	\$ 450.00
Signage Print/Placement	\$ Staff
TOTAL	\$ 5,000.00

Quiet Title Actions

- Because of the volume and specialized nature of legal work, the Birmingham Land Bank Authority must contract with outside attorneys at a flat rate for most quiet title actions.
- The negotiated rate for quiet title attorneys since program inception has been 3,500.00 dollars. This does not include the closing fees or signage and publication costs. We have had several firms request to negotiate higher rates. Fees for initial title reports have increased, along with publication fees. Guardian ad litem fees, \$1,200.00 of which come out of the contracted attorney's fees continue to rise in certain courts. Several firms noted that under the current rate at 3,500.00, it was not economically feasible for them to continue working on BLBA cases. The BLBA raised their fee to \$4,000.00 in 2018. Total costs for clearing title estimated to cost the BLBA from \$4,500.00 to \$6,000.00 per parcel.