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Land Bank ROI



Now in its eleventh year, the City of Dallas' land bank provides a solution to two of the City's most vexing problems: abandoned properties and encouraging new development of affordable homes in infill areas. Reviewing the annual performance reports makes clear that the land bank is one of the City's most effective tools to fight blight, revitalize neighborhoods, attract private investment into depopulating communities, and increase affordable homeownership opportunities. Its top priority should be to transform as many abandoned, tax-delinquent properties into productive, tax-generating properties as possible.

Taxes Earned On Homes Built on Land Bank Lots Cover Annual Operating Expenses

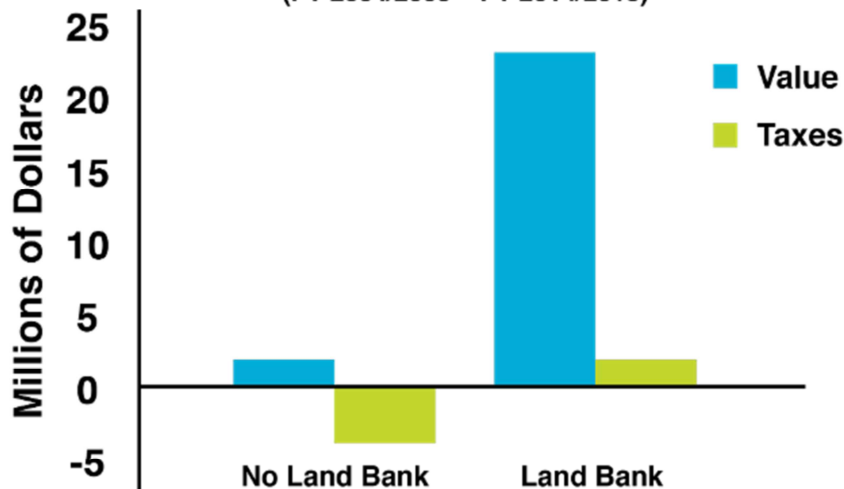
Each year, the land bank acquires tax-delinquent vacant lots, sells lots to developers (and adjacent neighbors), and tracks the production of homes built on land bank lots. During the period between FY 2004/2005 and FY2014/2015, Dallas' land bank was involved in the following activities:

	Count	Aggregate Value	Average Value Per Lot	Aggregate Taxes/Non-Tax Liens	Average Taxes/Non-Tax Liens Per Lot
Acquired Lots	1163	\$7,821,100	\$6,724	-\$18,995,096	-\$16,319
Sold Lots to Developers	466	\$1,705,420	\$4,485	\$86,210	\$185 per year
Homes Built	242	\$21,665,254	\$89,526	\$503,197 per year	\$2,080 per year

Absent municipal foreclosure, these lots would likely have continued to drain public resources to maintain them and reduced the value and desirability of surrounding properties.

Land Bank Comparison of 242 Lots Sold to Homeowners

(FY 2004/2005 – FY 2014/2015)



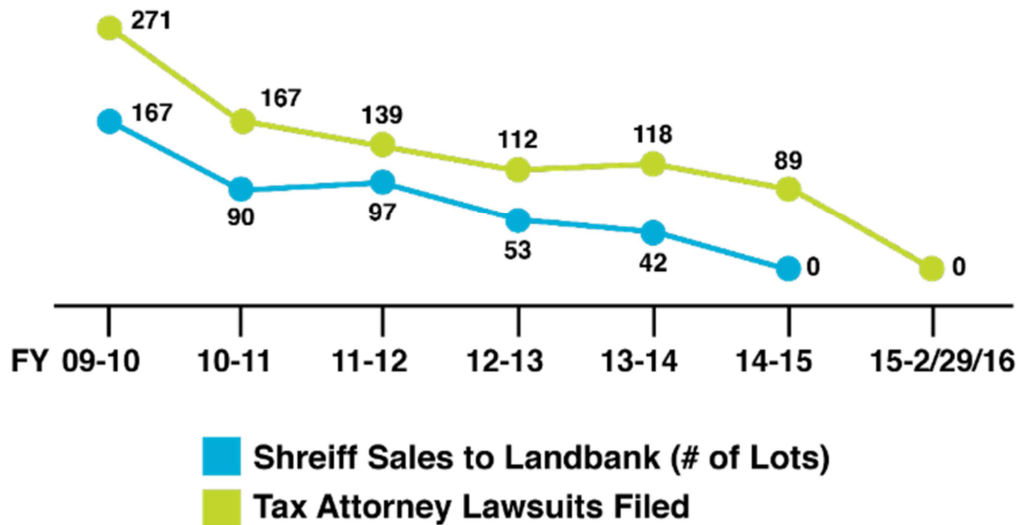
Had the land bank never acquired the 242 properties that were ultimately transformed into new homes, this vacant lot portfolio appraised at approximately \$1.6 million would likely continue to owe almost \$4 million in unpaid taxes and liens. Because of the land bank intervention, however, owner-occupied, affordable homes now stand where before there were only abandoned properties. These 242 affordable homes have an aggregate market value of over \$21.7 million (over a 13-fold increase from the value of the underlying lots), have collectively paid over \$1.8 million in taxes over the past eleven years, and will continue to pay an estimated \$503,197 in taxes each year going forward.

These estimated annual taxes on these homes more than cover the land bank's FY 2015-2016 projected operating expenses of approximately \$385,000.

The Land Bank Should Increase Its Activities

Given the proven return on the taxpayers' investment, the land bank should increase the number of properties that go through the program and price the lots so that they are attractive to the private market to redevelop.

Land Bank Lots Pipeline



We suggest the land bank:

- 1. Widely advertise the availability of the \$1.5 million in HOME funds to encourage more development on land bank lots.** Last October, the Dallas City Council approved \$1.5 million in HOME funds to be used to construct ten single-family homes on land bank lots. To date, over 36 developers have purchased lots from the land bank. This funding opportunity could encourage many more developers to acquire and develop land bank properties.
- 2. Offer the lots for free or for extremely reduced prices.** The taxes generated each year from the new homes, combined with the savings from not having to mow the lots, more than offset the land bank annual operating expenses. The land bank currently has over one million dollars in available funds, including funds on hand in the operating account (\$529,424) and city obligation bonds (\$529,303) as of 2/29/16. Why forego taxes and spend an estimated \$75,000 a year mowing lots that, if offered for free or at reduced pricing, might be acquired and built upon by a developer?

3. **Significantly increase the number of properties acquired.** The 2015-2016 land bank plan lists over 5000 parcels that may become eligible for sale to the land bank during the upcoming year.
4. **Analyze and Make Available Non-Tax Lien Data.** In order to fully understand the taxpayer benefits of operating the land bank, the City must provide the non-tax lien (i.e. mowing, boarding up properties) data in a comprehensive, user-friendly, geocoded property database so that the City can better understand the costs associated with allowing these properties to remain blighted.

The land bank's real return on investment comes from facilitating new development on formerly-abandoned properties. All of its policies, procedures, and pricing should aim to maximize this production.

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