Land Assembly and Redevelopment

What is it?
Land is location, and location is the most valuable asset in successful real estate development. The right land transaction is crucial to each of the twin objectives of mixed-income housing: increasing the supply of affordable housing, and increasing the supply of housing near employment. Acquiring well-located land and then reducing the cost of land per housing unit is fundamental to successfully offering a proportion of the housing units at below market rates for rent or sale to low and moderate income households. The public sector may play a role in reducing land costs to developers as much as possible. This can happen through a number of strategies:

- Land can be acquired by donation or grants from foundations.
- Past due taxes on land can be reduced or eliminated.
- Local governments can donate tax-foreclosed property for mixed-income developments.
- Land cost can be reduced with federal or state redevelopment programs that use low-interest bonds to acquire land and write-down its costs before resale to a developer.
- Land can be acquired through non-profit partners like housing authorities, downtown development authorities, land banks or land trusts.

Land assembly involves joining contiguous lots to make one larger parcel of developable land. Contiguous parcels in an urban area are often too small to build anything more than one house. Putting land together one piece at a time can be very expensive for a developer, especially if there are pollution or title problems. As a result, new developments tend to be built on the fringe of a developed area where large tracts of undeveloped land are available, ignoring vacant urban parcels. You can assemble needed urban parcels through public and private means.

How to do it

1. Meet with stakeholders. You’ll want to include developers, real estate professionals, lenders, housing authority representatives, and all affected governmental agencies. This group will work together in all steps of the process from identifying potential sites to executing agreements for land purchase.

2. Inventory available public property within the site area. Include publicly-held property, tax-foreclosures, and donated property.

3. Determine the privately-held parcels that are necessary to assemble enough land for the site. Available public parcels may not be large enough
or contiguously arranged, in which case it will be necessary to add privately-held parcels to complete the site.

4. **Create a redevelopment plan** governing the sale of properties that are deposited or withdrawn from the land bank that includes mixed-income housing. The bank will be obligated to sell or transfer land from the bank only if its development is consistent with this plan. Offer sites to developers consistent with this plan.

5. **Form a land bank.** Land banks buy properties usually for environmental preservation or future development. You can create a land bank in order to turn over abandoned or tax delinquent properties to nonprofit organizations that can develop them. Some local governments manage their land banks directly, while other land banks are governed by a non-profit entity or land trust.

6. **Buy the land.** Bring together the various landowners to sign a contract agreeing to pool their land. Joint venture or limited partnerships, land trusts, neighborhood or community cooperatives or corporations provide ways to structure these private land assembly agreements.

7. **Market your land bank and redevelopment plans.** Include property owners and developers in your marketing efforts.

**Things to consider before using this tool**

- The Georgia Redevelopment Law, O.C.G.A. 8-4-2, is an important tool in your land assembly process. Although not mandatory, using the procedures of the Redevelopment Law in writing your Redevelopment Plan allows you to use eminent domain procedures to assemble parcels of land for redevelopment.

- You need a legal agreement between landowners of the contiguous parcels to make the site’s potential more attractive to developers.

- Land assembly can work to the advantage of both a developer and property owners. Property owners benefit from increased property values, and developers get a large enough parcel to build on for today’s markets.

- Consider creating a Community Land Trust (CLT) on your own or through a non-profit organization, citizens group, or community development corporation. A CLT is a private, non-profit corporation that buys land to prevent land prices from escalating so high that housing prices become prohibitive. The land trust controls and owns the land underneath the houses, but leases it to homeowners. The CLT controls the resale of land and keeps it out of the speculative real estate market. This keeps land prices from
soaring out of an affordable range. The Athens Land Trust (ALT) in Athens, Georgia is a good example of a CLT.

- You must have at least a preliminary plan for your mixed-income development from the start. Otherwise, you won’t have a clear idea of how much land is needed or what types of public services will be required to serve potential residents.

- Eminent domain proceedings take time, and can be costly if drawn out for too long.

- Always test soil or perform Phase I Environmental Assessments on urban property that has been acquired after demolition of unknown previous uses.

- Gain regulatory approvals and development incentives that provide increased density in return for providing a proportion of affordable units.

- Use innovative design and development techniques that increase the number of housing units that can be built on a given site.

- Become familiar with methods for increasing the efficient use of land and reducing the cost of land in the development process.

- Develop a strategic plan for land acquisition and stick to it. Following up on too many small, scattered parcels can distract from identified goals, such as redevelopment in a particular neighborhood, or assemblage of land in a certain area.
Additional Information on Mixed-Income Housing

**Background**

- Do people in your community find themselves driving long distances to work because there is no housing they can afford near their jobs?
- Is it impossible to find an affordable apartment nearby for an elderly parent, yet your zoning prohibits building an accessible in-law suite in an existing home?
- Are companies in upscale areas of your community having trouble attracting and retaining support personnel because they can’t afford to live near work?
- Are there unemployed or underemployed individuals in your region willing and able to fill job vacancies in your community, if they could only afford to live there?
- Are the only affordable housing units in your community heavily concentrated in large complexes?
- Is it difficult for young families to find a home they can afford to buy in the area in which they grew up?

These are examples of the issues faced in communities where housing choice is limited or not responsive to the needs of citizens, businesses and newcomers. Do any of these scenarios sound familiar in your community? One set of approaches to resolve these concerns is mixed-income housing.

Mixed-income housing provides housing for people with a broad range of incomes, at all stages of life, within the same development or neighborhood. Mixed-income housing bridges a gap in the current housing market and spreads affordable units throughout community neighborhoods, providing more housing choices. Including a variety of housing and unit types in your community addresses many housing and lifecycle needs. Your community goals might be various housing opportunities for young adults, middle age and senior housing – single family and multi-family, for rent and for sale.

**Benefits of Mixed-Income Housing**

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<tr>
<th>Placing mixed-income housing closer to employment and activity centers (definition of activity center):</th>
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<tbody>
<tr>
<td>1. Helps workers find housing near jobs</td>
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<td>2. Helps employers find a closely available pool of labor</td>
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<td>3. Reduces commuting time</td>
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<td>4. Provides affordable housing options in communities without identifying certain homes or households as “low income”</td>
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<tr>
<td>5. Promotes neighborhood diversity and stability, so people can remain in a community through changes in their lifestyles, ages, families and incomes</td>
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### Barriers to Mixed-Income Housing

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<tr>
<th>Barrier</th>
<th>Strategy</th>
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<tr>
<td>Conventional zoning ordinances with many residential districts that set rigid standards for lot size and house size</td>
<td>Inclusive zoning ordinances that permit a mixture of housing styles and density</td>
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<td>Financial institutions that turn down housing developers unless they produce conventional “products”</td>
<td>Support from private foundations, state and local housing agencies, federal agencies like Fannie Mae, and other private sector organizations that will underwrite financing and provide successful financing examples from other parts of the country</td>
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<td>Neighborhood associations and civic groups that oppose re-zonings for developments that are priced at levels that are not equal to, or superior to their own homes</td>
<td>Public education about smart growth and the benefits of mixed-income housing close to employment; examples showing that mixed-income housing does not reduce property values</td>
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<td>Local government officials that believe that development impacts increase with density and are unfamiliar with the advantages of mixed-income housing</td>
<td>Public education to show that building at appropriate density reduces development impacts; enlisting community-based organizations to convince local officials of the need for affordable housing for public employees, such as police, firefighters and teachers, as well as private sector employees, like bank tellers and retail service workers.</td>
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### Successful Partnerships for Mixed-Income Housing

Forming and maintaining effective partnerships
Partnerships of various community stakeholders to develop mixed-income and affordable housing should include as many, or as few, members as needed to get the job done. Each partner should have a clearly defined role in contributing to the project and receive rewards for successful efforts.

### Roles and Rewards for Successful Partnerships for Mixed-Income Housing

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<tr>
<th>Player</th>
<th>Role in Project</th>
<th>Reward for Success</th>
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<tr>
<td>Home builder</td>
<td>• Innovative design and construction methods&lt;br&gt; • Cost-effective product</td>
<td>• Expanded market opportunities&lt;br&gt; • Professional reputation enhanced</td>
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</tbody>
</table>
| **Non-profit developer** | • Bringing development and financing team together  
• Local commitment and familiarity with stakeholders  
• Construction management  
• Negotiates with government for approval | • Providing homes for families in the community  
• Building a stronger organization  
• Community influence |
| --- | --- | --- |
| **For-profit developer** | • Bringing development and financing team together  
• Familiarity with process  
• Construction management  
• Negotiates with government for approval | • Expanded market opportunities  
• Building a profitable organization  
• Community prestige |
| **City / County government** | • Adopts affordable housing goals and zoning and land use policies in comprehensive plan  
• Streamlines development process  
• Gives incentives for affordable housing  
• Assists in identifying appropriate sites and land acquisition | • Increasing housing choice  
• Meeting housing goals  
• Improving satisfaction of electorate  
• Improved relations with funding agencies |
| **Local financial institution** | • Provides construction and permanent financing | • CRA credit  
• Opportunity to make loans |
| **Federal, state, and local housing agencies** | • Provide loans, tax credits, loan guarantees and other credit enhancements  
• Subsidized interest rates, rental assistance and grants may be available  
• Coordinates home buyer education | • Meeting national, state and local goals to increase affordable housing |
| **Community-based Non-profit organization** | • Advocates for support of neighborhoods and local government approval  
• Provides homebuyer education | • Fulfills charter for serving housing needs of constituents in local community |

**Financing supporting mixed-income housing**
Creative financing up front reduces the development cost of a mixed-income housing development. Other forms of financial assistance can offer additional financial incentive to income-qualified buyers and renters. Financing assistance
is available from a variety of federal, state, and local sources, foundations and non-profit organizations offered as grants, low-interest loans, loan guarantees, tax credits and, in some areas, tax abatements. Experienced developers use a combination of these sources to leverage their investments. Some of the more popular financing programs include:

- **Community Development Block Grant** (CDBG)
- **HOME** Investment Partnership Program block grants to states and local governments
- **CHIP** program for local governments, part of HOME program
- **HOPE VI** Urban Revitalization Demonstration for revitalizing distressed public housing
- Enterprise Communities and Empowerment Zones
- **Low-Income Housing Tax Credit** for construction of rental or lease-purchase units
- USDA/Rural Housing Service Section 502
- Brownfield Redevelopment Initiative for remediating sites that were formerly polluted by industries
- **Rental Housing Production: Tax Credits/HOME Rental Housing Loan Program, and the Rural Rental Housing Development Fund administered by DCA**

### Homebuyer and Renter Assistance

Assistance to low-income individuals is available through a variety of programs on the State and Federal levels. These programs can help mix the income levels in neighborhoods.

Federal and State programs help homebuyers receive affordable mortgage financing:

- Federal Housing Administration (FHA), VA, and USDA mortgage insurance programs
- Fannie Mae loans and services
- State and local Mortgage Revenue Bonds mortgages for first-time homebuyers

**DCA administered programs:**

**Homebuying**
- OwnHOME down payment loans
- HomeBuyer low interest mortgage loans

**Rental Assistance**

HUD Section 8 rent subsidies provide direct rental assistance to low-income tenants in qualified rental housing that may be a component of mixed-income housing developments.

Review the schedule of availability, processing time, approvals, and income restrictions that accompany most government affordable housing programs early
in the development cycle. These factors can significantly affect the timing, marketing, and financial structure of the entire development of a mixed-income project.