HUD NSP Problem Solving Clinics

In early 2010, HUD offered a series of locally-based Neighborhood Stabilization Program (NSP) Problem Solving Clinics on implementing the NSP program. The clinics were targeted to the needs of individual housing markets and thus were open to grantees and their nonprofit, developer and financial institution/ lender partners from each local market area.

The NSP Problem Solving Clinic provided grantee, non-profit staff, and other stakeholders access to technical experts and HUD staff that were able to field program design and implementation questions, provide clarifications on regulations, and suggest alternative approaches to address hurdles and roadblocks.

Both one-on-one sessions between specific grantees and experts, as well as more general workshop sessions were offered. Below is the transcript from one of the workshops.

Workshop: Establishing and Operating Landbanks
Presenter: Dan Kildee, Genessee County, MI/LISC

PRESENTER: Thank you all. I'm going to talk to you a bit about land banks, and in part discuss how it relates directly to NSP, but also have a little bit of a more general conversation about what land banks do and how they work. And there may be some ways to apply some of these lessons that go beyond simply the immediate use of NSP, thinking about this as a way to add value to all of your community development efforts back home.

My name is Dan Kildee. Says here I'm with LISC [gestures toward nametag], but I'm actually just working for LISC on this project. I'm actually the county treasurer in Genesee County, Michigan. So if you're not familiar with Genesee County, you might be familiar with Flint. And if you're familiar with Flint, it might be from Michael Moore's films depicting what happens to a city when its industry walks away. So the images of Flint, unfortunately are quite accurate. So what I want to do is a couple things: One, remind you that if you have questions, first of all, interrupt me. This presentation really should suit your needs, so if you have questions that come up, or if you want to go in a different direction, stop me, interrupt me, but wait a minute so that we can get a microphone in front of you. This is being recorded; we want to make sure to get your questions on the audio. Also, before we're done, just as a reminder, to complete the evaluation. Obviously this is all a work-in-progress and the results of those evaluations are going to go a long way in helping make these trainings more meaningful over time. Quickly, just to start off — and let me just say one thing: I am not an expert on the regulatory aspects of this. I'm not a regulator. I know we got people in this room that know a whole lot more about that, so some of the slides that I have right at the outset have been provided to me to help frame how NSP supports land banking. But I can talk to you more about how these things actually work than the regulatory aspects of it, I can certainly answer some questions on that, but that's not my area of expertise and I don't want to imply that it is.

Typically a land bank is an individual or separate public authority. There's land banks and there's land banking. And I think for much of the discussion around NSP, particularly for the work that's being done right now, the notion of creating a separate authority might not be something that you're able to do in the timeframe that NSP would allow. But I do think this kind of work may be a first step in creating something that is a more permanent part of your community development infrastructure at home. But for the sake of this discussion, while typically I advocate for single-purpose entities — organizations that are formed specifically to deal with this class of property, that may not be the context of this discussion. So you might hear us talking about land banks and land banking as if they are interchangeable — well typically I wouldn't take that position.

Land banking is an eligible use under NSP to establish and operate land banks for homes and residential properties that have been foreclosed upon. The specific language, of course, was modified initially allowing to establish land banks for homes that have been foreclosed upon and interpreted now to establish and operate land banks for homes and residential properties that have been foreclosed upon. Again, in this context what we're talking about is land banking — the process of gaining title to property through acquisition without having a specific reuse available at the time, but essentially, for whatever reason, to pull that property out of its current ownership, hold it until either the market or adequate resources are available to put that property into its ultimate use. So land banking, under this context, would relate to that sort of activity.

Now in this particular context, it is limited to foreclosed residential properties — homes and residential properties that have been foreclosed upon — that definition, not abandoned homes, et cetera. For long-term land banking, that's not an eligible use. Land banks, and I run into this all the time, are often confused with land trusts. Land banking and a land trust are often used interchangeably — they're different things. Typically, they relate to different ends of the market. Land trust is generally used as a financing mechanism primarily to strip away land costs and preserve affordability, and a land bank typically in the normal use is in a really weak market condition. In this particular context, it has to do with land banking being the acquisition of property for some future use, and land trust essentially being that mechanism to strip away some of the high land costs from residential development in order to preserve long-term affordability but still create ownership. NSP-1 funds can be used for land trust activities, and again I just described what that is. But again, that's a distinct application from land banking. There was a question — I actually sat in a bit on the last discussion — there was a question that has to do with relocation. And essentially, without getting into the weeds on this, the way I understand it is the acquisition for the purpose of land banking does not trigger relocation if at some other point later the recipient allows, or leases, or allows somebody to move into the property and rent, that doesn't trigger a relocation question unless some Federal funds are used later on that would require the tenant to be relocated. Again, that's not my area of expertise, but I do understand that to be the guidance, and here's a more specific, detailed recitation of that. [Refers to slide presentation] I think it's fairly clear. The acquisition for land banking purposes would not, in and of itself, qualify a tenant that later comes into the property for relocation unless some other future funding triggered that.

[Refers to slide] This is one that I sent in but still didn't get in, and it's just a fairly simple slide that I think describes what I think, what we think, are the essential elements of an effective land bank. They're pretty critical. This has more to do with the creation of a land bank program or a land bank authority to support NSP and other activity, but it's really I think, some critical questions: One, where possible, it's important to connect land banking operations with the tax collection and foreclosure property. And this will be more the case in really weak-market communities, where you have a high volume of properties coming through tax foreclosure. Just to give you an example, I'm from Flint — Flint, Michigan — the largest one-syllable city in the United States, just so you know, in case anybody's wondering, at least we are right now. I'm the county treasurer, I do tax collection and tax foreclosures — that's what led me to create my Genesee County land bank about seven years ago. In 2008, of the 1,200 properties that I acquired by default through judicial foreclosure on taxes, about 300 of them — this was in March of '08 — about 300 of them had mortgages on them. There's a— as you all know, there's a sector of the market where lenders will still play, but won't play all the way to the end of the game. This last year, my number was over 600. So I've got all sorts of foreclosed properties that had mortgages upon them for which the lender saw so little interest that they didn't even protect their mortgage by paying the relatively modest real estate taxes that my community imposed upon them. These were walkaways. So sometimes there's an impression that tax-foreclosed property and mortgage-foreclosed property are two separate categories, when in really weak-market situations, there's some crossover. So we're actually dealing in part with similar inventory. The reason I point them out is that if a community that develops a land bank operation can somehow connect the tax-collection process to that land banking operation, as we have, the process of acquisition is pretty simple. I go to court once a year, I do a bulk petition of foreclosure and we gain title to all these properties. So in our case, in many of these communities that are working the way we are, the process of acquisition, the acquisition side of this question is simplified, in that we're dealing primarily on the NSP acquisitions with functioning market areas of our communities and not having to deal so much with the upside-down properties.

So that's Number One. Second — this is, I think, a very important point — if possible, to scale the operation of the land bank at a regional level or at the most diverse geography that you can possibly get political consensus around. The reason being that the— I know within NSP there are limitations, pretty strict limitations, in terms of the use of proceeds from NSP sales, but even in that environment, the ability to create some economies of scale around a land bank operation that works not only in weak-market portions of the community but also has a footprint into the stronger market area creates an economic viability for a land bank that you don't get if it's concentrated in the areas of really significant decline, which in many cases is what ends up happening. That's not really the direction that typically we're wanting to see NSP go, but it does yet connect the weak and strong market communities, the weak and strong market areas of a community, which I think in the long term is really critical.

Third, and probably as important as any of these, is to make sure that if there's a land banking program, Number One, you most certainly would adhere to all of the Federal policy and regulatory restrictions that you have, but you also as a community still need to have policies that will govern the disposition — certainly govern acquisition, but also govern disposition. Whenever you have a public department, which in most cases I think we're probably talking about departments of government functioning or operating land banks, or separate public authorities. The process of disposition must be clear and transparent in order to maintain integrity in the system. Dealing with— as you all know, dealing with and selling real estate is different than selling widgets. It affects all sorts of individuals' interests. The people whose values are affected go well beyond the individuals involved in the transaction — people in surrounding areas have a real stake in what happens in these transactions. So having very clear, publicly adopted, really articulate disposition policies that govern the transactions that the land bank executes is an absolutely critical part of the process.

And then fourth, having a level of community participation and engagement I found to be really critical. You know, I'm a public official — at least I am until the end of the month. I actually resigned — 33 years in elective office, and I'm going to be a human being starting January 1. The public's going to find a way to get us public input, so our attitude has been, we might as well go knocking on their door to get it. So we hold all sorts of public meetings; thousands of people participate in these. And we found that even though they don't always agree with the decisions that we make, the whole tone of the disagreement, or of the public dialogue, is different when it's actually engaged purposefully — rather than the way a lot of public officials or elected officials get it, and that is at the grocery store or at 11 o'clock at night on a Friday.

To give you just a few minutes, and I really hope that you have some questions, because I'm going to describe how our land bank is operated just as a bit of a quick case study, because we've been doing this now since 2002. And some of the lessons that we've learned, most of the lessons that we've learned, we learned the way most people learn stuff. We call it continuous improvement; some people call it trial and error — heavy emphasis on error. Three essential legislative initiatives, which are mirrored in states all around the country, I mean ours were specific to the creation of land banks. But there are tax foreclosure systems, mechanisms that allow communities to gain control of those properties that are really below the water line. There are acts that allow for acquisition and holding of property — whether it's a department of government that's specifically authorized to do so by local ordinance, or redevelopment authorities that typically have held land, or specific land bank statutes, like for example in Ohio now we have a specific statute that's moving through the Legislature to expand the use of land banks. The same is true in Baltimore, other places, Philadelphia has an act, or, or Pennsylvania has legislation pending. But then there are also redevelopment financing tools that are specific in each state. And in our case it's the Brownfield Redevelopment Financing Act, which is an act in Michigan we simply highjacked in order to create a financing mechanism for this class of property. We know they're not brownfields, but it was the best financing mechanism we could come up with to treat this really difficult class of property in a way that gets it back to productive use.

[Refers to slide] I don't need to tell you all this but these are the problems we were trying to get at in our community, and in a lot of ways the older, weak-market cities have been experiencing this chronic decline, and chronic abandonment, in a way that's not exactly the same but has some important lessons for the communities now that are dealing with this acute crisis brought on by the mortgage issue. So even though there's a couple less zeroes behind the properties it's essentially the same basic challenge: we've got this oversupply of property coming at us, inadequate capacity to deal with it, a dysfunctional market, and a need to try to rationalize supply, demand and the quality in the community — same kind of thing. In our case it started in the early 1970s when General Motors started to, you know, sort of wander away. In some communities it really hit for the first time when the bottom dropped out of the mortgage market.

Again, the first thing we did was fix the process — and the only reason I have this slide up here is that, essentially the old act and system we had for tax foreclosure and the new one was essentially a liquidation model under the old system, and an investment model under the new system — same kind of questions that we're all dealing with on REO right now: liquidation into an already-compromised market, or a more careful acquisition-disposition strategy that attempts to rationalize the properties going into this market.

So this is what we've done, just to kind of give you an idea. I mentioned brownfield financing. The reason that we did this was we got hit with a lot of property. In the first two years— in the very first year I took 1,339 properties, and we get about twelve- to fifteen-hundred properties a year right now. This is one way, even with NSP acquisitions to come up with a way to cross-collateralize these properties. I know you can't do it typically under NSP, at least in terms of the sale proceeds. But because Tax Increment Financing and those public mechanisms that live below the regulations that come to us on the acquisition-disposition pricing — on the transactional part of this — allow us to create some internal subsidy. And again, this is a way for us to take NSP and essentially add significant value.

And this is what we've been able to do: Took 3,600 of our properties in 17 municipalities. And setting aside the internal subsidies derived from higher-value properties creating profit, in this case we were able to generate an additional 12— it's actually almost $13 million, by taking these dead assets, financing significant public improvements — title clearance, infrastructure improvements associated with development, demolition, site preparation, and actually under Michigan law, acquisition of some property — to create a scattered-site, multi-jurisdictional, cross-collateralized, tax-increment financing plan. You know, it really creates this regional redistribution of value, and we can do this redistribution. Even in Flint — think about the challenged market that we're working in — this has allowed us to borrow against future taxes that higher-value, more functional properties will generate, and use much of the surplus that those properties generate in taxes — taxes that were never expected because they're properties that were dead assets — and convey those proceeds to support the redevelopment of the upside-down property, for which we don't have enough subsidy even with NSP, or any of the other typical sources. Some of these really weak markets are almost impossible to get to. So this has allowed us to put investment into the ground in areas where otherwise we wouldn't really be able to touch, using more functional areas. Yeah?

Can someone tell me how we're doing on time? I really don't have a clue. The sound of my voice is just like music to me.

PERSON IN AUDIENCE: [Inaudible]

PRESENTER: OK.

WOMAN IN AUDIENCE: When you have the TIF financing, when do you start to get tax income in order to pay the— to make the TIF financing work? The land is, in a land bank it's a non-income-producing asset.

PRESENTER: Right. So you have to have properties that are moving to the market right away. Now this is one of these lessons where you do it wrong the first time, you never do it that way again. When we did it the first time, it was a $5 million financing. And we were simply believing our own — I won't use the term — but believing our own press clippings, that we could get enough of these properties moved to the market that would cover the debt service. The way it evolved — and I'll show you one of the properties — we've created anchor development projects that are the trigger for the debt being issued. So I'll have a greater certainty by making sure I've got big-deal development projects in the ground that do rely on fairly strong subsidy from all the sources. I've got one of them with 19 sources of financing, but it's in my TIF plan — and so that thing generates a lot of taxes, some of which support that development project but a lot of which gets distributed around. Good question.

I've got one that's using almost five million dollars of the twelve, but it's a homerun project that's going to generate a lot of taxes. Initially, it's a recipient; in the long term it will feed a lot of eligible costs. Again, these are not costs that relate directly to the way NSP supports development; these are additional sources that come in and support demolition, site preparation, title clearance — anything other than the actual improvements that go into the property that can then be supported more effectively by stripping away some of those soft or otherwise-difficult-to-finance development costs and allows the NSP subsidy to go even further.

WOMAN IN AUDIENCE: Can I ask a follow-up on the TIF?

PRESENTER: Yes.

WOMAN IN AUDIENCE: Did you get a commercial or investment bank to underwrite the TIF?

PRESENTER: I did. I issue the debt with the full faith and credit of the county government. So we go to market with really cheap financing. The thing I like about this a lot is that, not only do we do this through our land bank authority, but I also happen to be the county treasurer who's the tax collector, so I have a super-priority lien on every property that we develop. So, I'm a golfer — anybody know the term 'dormie?' We can only win; we can't lose. As long as the total cost of our public financing is secure against the total development costs, the only way that my financing isn't guaranteed is a condition that leads to me taking title to the property and wiping out all other interests through judicial foreclosure. So it creates a mechanism that really empowers the community to drive some development activity — not as a third-party regulator of somebody else's property, but actually catalyze the kind of development that we want to see through supporting direct public investment. And, you know, I admit that is a role that often government is reluctant to play. I mean, look what's going on out there right now. This is, I think, for places like Flint, especially, not something we want to avoid.

I mentioned the land bank-brownfield legislation. The Land Bank Act essentially loads up development tools; the Brownfield Act expanded upon those. I won't spend a whole lot of time explaining those. I think the one critical piece of this — and this relates directly to land banks, whether they're internal land banks supported almost exclusively by NSP or become a hybrid or ultimately NSP-funded land banking activity might lead to longer-term approach — it really allows for explicit public policy to determine the disposition strategy, and takes away what has been the problem with this class of property, and that is the speculator market. We get to put our interests, our policies, ahead of those speculator interests. And if you think about tax foreclosure in particular, there's a whole cottage industry that has evolved around tax delinquency and tax foreclosure — whether it's the sale of tax liens or tax auctions, all you have to do is watch one of those goofy infomercials and then go buy the tapes, CDs, and learn how to become a tax lien investor. You really want to find out what we did? Basically, we bought those tapes. And we decided that if that's a good investment, which it is — it makes millions; otherwise you wouldn't have that couple on the beach being interviewed by the guy with the bad haircut — it makes millions. That money we now divert into this public authority. This thing that I do back in Flint is entirely self-financed. I mean, NSP is the first thing to come along that actually adds value to what we've been doing. It's great. But we've been making it on our own simply by taking the economics of the tax system, the equity in those properties, the fees that used to go to speculators — diverting them to a public authority. I finance all my back-taxes by issuing short-term tax notes. So I pay all the governments 100 percent of their anticipated taxes in exchange for control of the land. Again, if it works in Flint, I mean, we're the Peoria of urban land — if it plays in Flint, I believe it could work almost anywhere.

Michigan requires before-and-after photos on every PowerPoint. [Referring to slide] But you know, this — and you've seen enough of those; that's our primary method of rehab — this is what we've done: We've taken a little over 9,000 properties — this is without even getting into mortgage foreclosures. A lot of them had mortgages on them, but they're tax foreclosures. That's about 12 percent of the land mass in the city was really off the books, in non-productive property, and so now the ability to gain control of that and using all these tools, and especially now with NSP allowing us to work to create value in some of the markets that are really struggling to hold their own. I mean that's really where I think all of you and most of us are pushing NSP — is into those areas for which the recovering market will not help recover, and not into those really weak, beat-up neighborhoods where it's going to be difficult to create value in the first place. But there's all sorts of neighborhoods in these cities that are on that tipping point. If we can get a lot of public support that we generate into those weak market areas to try to clean up and re-green that, but being able to secure that investment with investment into those tipping-point neighborhoods helps to create a more, I think, complete strategy.

[Refers to slide] A lot of demolition. In our case, and this is one of those areas where we're looking at NSP, and particularly the next iteration of NSP, as being quite helpful to use demolition as a primary means of creating value. In my community we demolish a lot more than we rehabilitate. Demolition is fairly cheap and the houses don't grow back after you tear them down, so it's like a permanent intervention, right? So it's a way for us to affect our market conditions. My community has lost almost 50 percent of its population in 30 years, so we can't catch up with the supply-demand disequilibrium — we just can't catch up with it. We need to get more property out of the market and simultaneously reduce supply and increase quality. So it's a great lesson, I think, for more thorough NSP planning, to look at how this whole thing can actually help us create some equilibrium. A lot of abandonment, a lot of demolition and a lot of junk that we're just hauling away.

We do commercial — this is an example of how we can anchor a lot of those redevelopment projects — this is a tax foreclosure in Flint that we got for $30,000, almost 30,000-square-foot building, which we redeveloped. It's now— I just sold the first-floor unit. Again, it's not an NSP acquisition, but it can work with it. I just sold that first-floor unit for $475,000 — I bought the building for 30. Now, we got a lot of investment in it, but I got straight A's in math at St. Luke's — I mean, that was a pretty good deal. And it's got a long— it's the gift that keeps on giving. Because it's in my brownfield redevelopment plan, so the projected long-term tax revenue I can use to finance work in neighborhoods that would otherwise never be touched. And the other advantage is, you know, TIF financing — do we have any local government folks here in the room? — TIF financing, if you're familiar with Tax Increment Financing, a lot of folks in local government think it's a four-letter word because basically it feels like we're taking taxes away from their intended purpose and diverting them to support some developer. So local governments sometimes feel like, we don't want to do it but we're going to do it because we want to see this thing happen, but we don't like it. In this case, these are properties that are not producing tax revenue, and for which the intervention immediately improve the adjacent properties, and it has had a significant effect. Michigan State University — this is an important lesson, I think, even for NSP — Michigan State University, which according to my wife is an actual accredited college, but it's not the University of Michigan — they did a study, their Land Policy Institute looked at 400 of our interventions — 400 properties that we financed the cleanup through this brownfield financing, and looked not at the effect of value on those properties — because honestly we erased the value of those properties, we demolished them all — and looked at the surrounding and adjacent property values over a two-year period. This is in Flint, again, keep in mind. That $3.5 million or so in demolition on 400 abandoned houses theoretically — taking them off the tax rolls actually increased the adjacent property values in the aggregate by $112 million. That's— forget about what that does to local government in terms of creating new tax revenues. Just set that aside for a minute — I mean the effect that it has on private ownership, equity and property — even in a place like Flint — has social and community benefits, family benefits that go way beyond what the public revenues are derived from.

That's really, that's just some additional resources. Again, I know this was not a core NSP land banking, but a lot of the same lessons apply, a lot of the same rules apply. It's a method of acquisition and holding property until we can take them to market. And my only point would be examining— encouraging communities not just to comply with NSP, but examining all of the local tools that are available so that we're not just thinking of land banking as an issue of title, but actually as a pathway for these properties that use NSP. But all the other tools that most communities thoroughly underutilize to get those properties more permanently into the hands of responsible ownership. Yeah?

MAN IN AUDIENCE: I was just going to ask if there are any other tricks of the trade or rules of thumb, like for example, in terms of new development patterns, whether you replat, consolidate properties, and—.

PRESENTER: Yes, good question. And I skipped over a lot of that. We do. In fact, the ability to take title gives us a chance to sort of take a deep breath and not simply respond to speculator interests. But in Flint, for example, and a lot of the communities where we're creating land banks, we have found that the best long-term use in a particular area is to re-green that area — to actually create a new intentional environment, so that what we don't have is scattered abandonment. But we use the momentum of abandonment, if there is such a thing, to help create more intentional green space and more rationally distribute the built environment. It's hard to do. I took a lot of water last summer for — not implying, but outright suggesting that we use this mechanism to shrink our city. Now, the *S* word is supposed to be off the table, but the truth of the matter is, it's Flint. I mean, we've lost half our population, we lost 3,000 last year. So we're still on this downward population track. We can't have a condition in America's cities that requires growth as a prerequisite to quality, because if we do that we will consign 65 or 70 American cities to failure. And there isn't anything that I think necessarily equates population with quality. If you're familiar with Michigan, if that were the case, nobody would want to live in Ann Arbor; everyone would want to live in Detroit because Detroit's got more people. Well that's not the way it works. It's creating this rational use of land with the population. Rush Limbaugh didn't appreciate it when I said all that, but that validated everything I've ever done in my whole life, when he went after me last summer. Other questions? I'm not sure how we're doing on time.

MAN IN AUDIENCE: [Inaudible]

PRESENTER: Oh yeah. The question is, I'll just— he mentioned that I should tell you about the $900,000 house. The fallacy of tax foreclosure is that it's all junk property. There was a house in an outer-ring suburb of Flint that was mortgaged well beyond its value — it had about $1.2 million of mortgages on it, a couple that was divorcing, there was about $60,000 in back taxes owed on that property. The lenders walked. They all had different pieces of it — nobody went all the way and took the property. We foreclosed on it. That property is in my cross-financed redevelopment plan. I didn't sell it for 900 because the market isn't exactly what it was. It sold for about half a million or so. But the proceeds from that property are one thing, but the fact that it is now contributing to — with tax collections — to redevelopment of neighborhoods in the city of Flint, 20 miles away, is I think where we've got to go in terms of creating enough value in these really weak markets. The only way we get there — I'm glad you raised the question — the only way I believe we get there is connecting the strong and weak markets. Regions now, metros, it's how the economy works. We don't have these self-contained cities the way we had in the first half of the 20th century. The wealth in most metros lives outside the city that grew the wealth in the first place. And so this is one of those mechanisms, without having to do it explicitly as regional tax base sharing, under sort of the Myron Orfield concept of regional tax based sharing, this is a way to do it on individual properties but in a way that's pretty substantial and gets right to the root of the problem that many of these older cities are facing. One minute? Got it.

WOMAN IN AUDIENCE: I was just wondering about the liability and maintenance cost for these properties while you're holding them and waiting to do something with them?

PRESENTER: Good question, and I'll answer it two ways. First, just answer straight-up: The liability issues are manageable in that particularly if we use the tax-foreclosure process as a mechanism to get at these properties — tax foreclosure is an involuntary transfer, so governmental immunity generally applies pretty well in those conditions. The maintenance we use the proceeds — the sale proceeds form the $900,000 house that we sold for half a million, to fund community-based organizations to go out and do the basic maintenance. We still have to fund contractors to do the heavier, risky stuff. But we have a program that we call Clean and Green where we employ neighborhood associations — we do require them to work under an existing nonprofit for insurance purposes — but we put folks to work cleaning those properties up.

Now, the other way I'll answer the question is that we still don't manage the properties as if it was my own backyard, because we just don't have the resources to do that. So it's certainly important in going this direction — and this is certainly the case for any NSP-funded land banking programs — to create realistic public expectations as to what you can deliver. The way to do that is to help communities understand that there is not a choice between the kind of support and maintenance that we can provide, and a community full of gingerbread houses. The choice is a different path, and it's a path that we've already seen hard lessons in describing. It's a path of continual sort of devolution in the use of these properties. For the public officials who resist moving in this direction because they don't want the liability — which is what a lot of the push-back will be for any land banking program — I just always ask the city councilmember, when someone calls you at 10 o'clock at night because the house across the street is an abandoned house, and you tell them, "I don't own that — the city doesn't own it; it's owned by this company in Santa Barbara, here's their number." The person on the other end of the phone never says, "Ohmigosh, I'm sorry councilman, I called the wrong place." We own the problem. The local government — we own this problem whether we like it or not. So our view, my view, which I think supports land banking or land bank authorities, is that if you own the problem, you may as well maximize your ability to address it by owning the property.

HUD STAFFER: Yeah, let's— can I just follow up on that because we had a lot of questions about this exact thing. While you were going to fund our maintenance and disposition program for the first four years and we might have these properties for 10 years, what happens after Year 4? Well this is exactly what has to happen. You have to have confidence enough that you can move enough of these properties or do other things to generate income to pay for this maintenance because the grant funds just aren't going to be there. Now you may have some program income, there may be some other sources of funds through NSP, but it won't be another grant, so that needs to be part of your planning process, and that's an important question.

MAIN PRESENTER: And I think in terms of future support, and this is really more of a technical assistance approach, we've been funded by MOT and Ford and others to go in precisely to look at the economic, the financial mechanisms that are available to communities to help reengineer those so that we're not talking about just a one-time infusion. There's this sort of transactional approach, which NSP obviously is intended to support, but then we also have to look at the systemic and regulatory approach. And I think if we go down that path simultaneously, particularly with the technical help that states and communities need, I would suggest a strong focus on reengineering those systems that have been exporting value out of communities, and try to reengineer that to bring that value in and sustain the long term. Because I think it's the only way to argue effectively to a community to get in this game is to help them understand that it's not going to be over in four years — that there actually may be a way to sustain some of this effort over the long term.

Yes, the last thing, again, please make sure to fill out these evaluation forms. It is the way that the staff within HUD and within the providers are going to be able to fine-tune this training. And it's really critical that you fill it out, and for those of you that don't have time, I'd be happy to fill yours out before you leave.

Thank you all very much.