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Land banking

Regional economic development tool could bring funding to local properties

May 22, 2016

By JASON SUBIK , Leader Herald

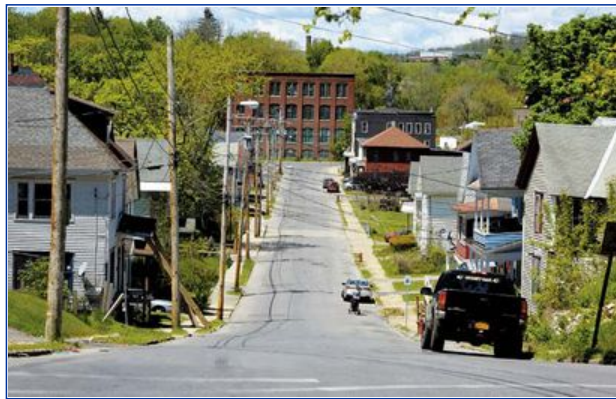
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GLOVERSVILLE - Imagine a foreclosed home, with a bad roof. Its previous owners, whether a private individual or a bank, have stopped paying the taxes on it and given it up to a foreclosure entity.

The house is then sold at tax auction for a low price, but, unfortunately, the story is often far from over.

"The new owner may not have the resources, enough money, lets say \$40,000, to put into fixing the roof, so you may just end up with the new owner demolishing it, and you end up with an empty lot and then they sell that and it really doesn't do much for the community," Mohawk Valley Economic Development District Executive Director Sean Jordan said.

Article Photos



The Leader-Herald/Bill Trojan

Jordan's organization is applying to Empire State Development, New York state's economic development entity, to get certification to create a "regional land bank." Jordan said.

A 2011 New York state law allowed for the creation of approximately 17 land banks made up of governments with the power to foreclose on property. He said the state has slots available for the creation of three more, and he'd like a Mohawk Valley Regional Land Bank encompassing the six counties of the Mohawk Valley, -Fulton County, Montgomery County, Otsego County, Oneida County, Schoharie County, Herkimer County - to be one of them.

A land bank is a nonprofit entity that can gain access to funding for the rehabilitation or redevelopment of foreclosed property. Jordan said a land bank could help solve the difficult scenario described at the beginning of this story.

"A land bank can come in with a very similar property and say, before you think about going down that route, why don't you consider allowing the land bank to use some of its monetary

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resources to spend \$40,000 to fix that roof on that possibly historic or significant building and then resell it," he said. "So, the new owner doesn't have to worry about sinking as much money into it and the roof is fixed and the building is back on the tax rolls; it's not an empty lot, and it's a better situation for all."

The Mohawk Valley Economic Development District's regional land bank concept would also include cities that have the power to foreclose on property, which in the case of the six-county region would include the city of Johnstown, Utica and Rome.

"Altogether we would have nine foreclosing governmental units involved in this regional land bank. And population wise, once this particular regional land bank is formed, it will be the third largest land bank in New York state according to population and it would have the most foreclosing governmental units collected under one roof," Jordan said.

So far, seven of the nine foreclosing units have passed resolutions supporting the land bank, with Oneida and Fulton counties the only hold outs so far.

"Oneida County, we believe is coming, with Fulton County we have a little bit more work to do," he said.

The cities of Johnstown and Gloversville have both passed resolutions supporting the creation of the land bank . Gloversville does not have foreclosing powers, however, because it allows Fulton County to handle foreclosures for it.

Gloversville 3rd Ward Councilman Vincent DeSantis has been one of the most vocal supporters of the land bank concept. At a recent Fulton County Board of Supervisors meeting he asked the board to consider bringing the issue up for a vote at its next meeting.

"The theory of the state is that these regional land banks would be much more effective than a land bank for an individual community," DeSantis said. "Each foreclosing governmental unit would get one vote on the board of directors of this regional land bank. Gloversville is not a foreclosing unit, but Fulton County is, so Fulton County would have two votes, Fulton County and the city of Johnstown."

Jordan said if all nine foreclosing units in his proposal agree to support the regional land bank, Oneida County would effectively have three votes on the board of directors of the bank -the county itself, Utica and Rome -, Fulton County would have two votes, and two additional "floating" votes would be allocated to two of the other four counties, changing periodically so every county would get two votes at some point.

DeSantis said he believes the current approach to handling foreclosures in Fulton County is not as effective as a regional land bank could be.

"When a foreclosing unit ends up with a piece of property, they have a choice, they could put it on the auction block and auction it off to the highest bidder and quite often, in my opinion, that's counter productive, because it's usually sold at much lower than the market rate. Quite often somebody buys it just for the purposes of speculation or to try to milk it for whatever they can get out of it. Then it recycles back into foreclosure and it has to be taken by the foreclosing unit again," DeSantis said. "A land bank is a place where they can take a property with some potential, improve the property and sell it or do something productive with it so it becomes a credit to the community."

Jordan said, based on the potential population of the Mohawk Valley Regional Land Bank, he believes the land bank would be able to obtain approximately \$3 million from settlement money New York state has received from the big banks involved in the 2008 mortgage crisis.

DeSantis said that funding could help rehabilitate foreclosed land in Fulton County.

"Once the foreclosing government turns the land over to the regional land bank, the regional land bank's board of directors will decide what to do with the property, and I think that's what some of the

pushback is from the Board of Supervisors," DeSantis said. "We would have a voice, we'd get two votes. In my view, we still decide whether or not to turn property over to the regional land bank - we don't have to do it. They aren't controlling us or asking for any money. It's a tool that can be used and we're in the drivers seat. We'd have a seat on the board and we could ask 'what would you do with this land, if we turned it over to you.'"

Jordan said the state requires land banks to have a tax sharing formula for what happens to foreclosed properties once the land bank has rehabilitated them and put them back on the private sector tax rolls. He said properties acquired by the Mohawk Regional Land Bank would split future property tax revenues from the property with the foreclosing government 50/50 for five years and then the local taxing jurisdictions would go back to get all of the tax revenue.

Jordan said he expects to have the application for the Mohawk Valley Regional Land Bank into the state soon and the state will likely decide on whether to authorize it within the next two months.

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