

SF 10 – Land Redevelopment Trust  
Executive Summary – Updated 1/11/23

Introduction. The purpose of land redevelopment trusts is to put dilapidated, abandoned, blighted, and tax-delinquent properties back into productive use. There are some properties in which the private sector has not been able or willing to put into productive use. Land redevelopment trusts will provide a tool for municipalities where private sector solutions for these underutilized properties are inadequate.

1. Creation:
  - A. Land redevelopment trusts may be created by any single city, county, township through an ordinance or resolution.
  - B. Or by any combination of cities, counties, or townships through a 28E agreement.
2. Funding Sources:
  - A. Grants, loans, and other funds from municipalities, the state, federal government, and from other public and private sources.
  - B. Up to 75% of property taxes on property conveyed to subsequent owners for 5 years.
  - C. Municipalities that create the land redevelopment trust will determine the percentage.
  - D. Payments and fees for services rendered.
  - E. Lease payments.
  - F. Consideration for disposition of real and personal property acquired by the land redevelopment trust.
  - G. Proceeds of insurance coverage for losses incurred.
  - H. Investment Income.
3. Powers:
  - A. Generally, all powers needed to carry out the purposes of the act.
  - B. Specifically:
    - I. Borrow money (but cannot issue bonds). Debts of the land redevelopment trust are its own, and not of its constituent municipalities.
    - II. Contract with governmental and nongovernmental entities.
    - III. Purchase, receive, hold, manage, lease, lease-purchase, sell, convey, transfer, sublease, or otherwise dispose of real and personal property, but generally, such property must be in the land redevelopment trust's geographical jurisdiction.
    - IV. No power of eminent domain.
    - V. Acquire good will, rights, real and personal property, acquire interest of any person. An inventory of all property of the land redevelopment trust shall be kept and is public record.
    - VI. Acquire tax sale certificates.
    - VII. Sell or otherwise dispose of property.
4. Financing.
  - A. Land redevelopment trust has broad financing authority, and can accept donations.
  - B. Land redevelopment trust can receive payments for property and services, and income from investments.

- C. Land redevelopment trust can receive up to 75% of non-school property tax revenue on its properties.
  - D. Land redevelopment trust can extinguish delinquent non-school property tax on its properties, and can extinguish school property taxes unless the school district objects.
  - E. Land redevelopment trust income exempt from state and local income taxes.
5. Land redevelopment trust a public entity, subject to open meetings and open records laws.
- A. Must give an annual report to its constituent municipalities.
  - B. Land redevelopment trust subject to state audit.
6. Land redevelopment trust can be dissolved and assets distributed as noted in its founding documents.
- A. A municipality in a multi-municipality 28E land bank can withdraw and receive its share of the land redevelopment trust assets as determined by the 28E agreement.
7. Conflicts of Interests.
- A. Land redevelopment trust board members must disclose conflicts of interest of themselves or of family members, broadly defined.
  - B. Board members and their families cannot acquire an interest in land redevelopment trust property, or property to be acquired by it.
  - C. However, they may enter into contracts for services as long as the contracts are fair, fully disclosed, the member abstains from the discussion and voting, and they are approved by a majority of disinterested board members.
  - D. Land redevelopment trust board members and employees cannot use land redevelopment trust assets and facilities for personal use, and generally cannot receive payments for their actions from third parties.
  - E. Board members and employees are subject to all other laws relating to conflicts of interest.
8. Trump Bids on Tax Sales
- A. Land redevelopment trust can purchase tax sale properties for 100% of delinquent taxes and penalties, and effectively take these out of the normal tax sale bidding process.

**COMMENTS ON RELATIONSHIPS BETWEEN LAND  
REDEVELOPMENT TRUSTS AND PRIVATE INVESTORS AT TAX SALES**

**BY  
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Under SF 10, land redevelopment trusts are entitled to remove properties with delinquent taxes from normal bidding procedures at county treasurer's tax sales and to purchase tax sale certificates to those properties for 100% of delinquent taxes and interest. Exercise of this right would remove properties from the general pool of properties included in the tax sale, so as to deny private investors the right to bid on such removed property at the sale.

Questions have been raised as to whether the allocation of such properties to a land redevelopment trust would unfairly deprive private investors of the opportunity to profit from an investment in the tax sale certificates. The intent behind exclusive bidding rights to a land redevelopment trust is not to deny private investors the opportunity for a profitable investment. The focus of the bill is to provide for the creation of land redevelopment trusts as a mechanism to acquire nuisance and abandoned properties that are not suitable for private investors to redevelop.

Private investors are presumed to have the goal of investing in tax sale certificates to make a profit, either by receiving the interest on the certificate upon redemption or, if there is no redemption and the property goes to tax sale, by obtaining a tax sale deed and reselling the property at a profit. Cities have found over many years that there are many nuisance and abandoned properties that are in such bad condition that they cannot be profitably resold after a tax lien foreclosure. Tax sale investors often obtain tax sale deeds to these properties, but become frustrated with the unmarketability of the properties and then walk away from them so as to allow them to again be sold at a future tax sale.

A plan for exclusive land redevelopment trust tax sales would further the interests both of land redevelopment trusts and private investors. Private investors would not be exposed to purchase of tax sale certificates for nuisance and abandoned properties that would require so much rehabilitation expenditure as to make them unprofitable upon resale. Land redevelopment trusts would be entitled to purchase tax sale certificates to otherwise unmarketable nuisance and abandoned properties that could be rehabilitated for future sale and redevelopment through the assistance of public funds appropriated for redevelopment.