

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
PAY IT FORWARD POLICY

Issue:

The Buffalo Erie Niagara Land Improvement Corporation (BENLIC) is a land bank in Western New York established under the “Land Bank Act” and seeks to address the problems caused by vacant and abandoned properties throughout Erie County, which includes 25 towns, 16 villages, three cities, and a wide variety of taxing districts.

The Land Bank Act became law in NYS in July 2011 to confront the growing problem of vacant, abandoned, tax delinquent properties throughout the state. §1610 (c) of the Land Bank Act relates to the financing of land bank operations and states the following:

Upon the adoption of a local law, ordinance, or resolution by municipality, school district or any taxing district, fifty percent of the real property taxes collected on any specific parcel of real property identified by such municipality, school district or any taxing jurisdiction may be remitted to the land bank, in accordance with procedures established by regulations promulgated by the department of taxation and finance. Such allocation of real property tax revenues shall commence with the first taxable year following the date of the conveyance and shall continue for a period of five years.

The high costs associated with addressing county-wide vacancy and abandonment, and the complexity of BENLIC’s mission across multiple taxing jurisdictions, require the Corporation to establish clear circumstances under which a specific taxing jurisdiction shall remit 50% of the real property taxes collected on a specific parcel to the land bank for a period of five years as a precondition of BENLIC acquiring the parcel.

Definitions:

- Primary sale: The amount of money paid to BENLIC upon disposition of a parcel.
- Carrying costs: The costs borne by BENLIC during the time period which BENLIC holds title to the property. Such costs include (but are not limited to): closing costs incurred by BENLIC during the initial foreclosure transfer as well as during the primary sale from BENLIC to a new owner, insurance premiums, marketing costs, property tax payments, utility costs, capital improvements, BENLIC administrative fee, and any other miscellaneous costs incurred by BENLIC associated with holding the property.
- Net Proceeds: Primary sale minus carrying costs.
- Positive Net Proceeds: When net proceeds is a positive number, i.e. when the carrying costs are less than the primary sale.
- Negative Net Proceeds: When net proceeds is a negative number, i.e. when the carrying costs are greater than the primary sale.

Pay it Forward Policy:

BENLIC's already adopted Proceeds Distribution Formula requires that BENLIC carrying cost be subtracted from the primary sale to establish the net proceeds on each specific property in BENLIC's inventory.

It is the policy of BENLIC to require Erie County towns and villages to "pay it forward," i.e. to remit 50% of the real property tax collected by such municipality on a specific parcel to BENLIC for a period of five years going forward consistent with section 1610 (c) of the Land Bank Act and in accordance with any regulations promulgated by the NYS department of taxation and finance, *when, upon disposition of the parcel, net proceeds are negative.*

BENLIC will not require any taxing jurisdiction to "pay it forward" *when, upon completion of the primary sale, net proceeds are positive* because all BENLIC carrying costs have already been recovered.

Procedure for Implementation of Pay it Forward Policy:

As governed by BENLIC Rules and Procedures, BENLIC conducts an annual Request for Foreclosure (RFF) process. This is the process by which BENLIC invites all the municipalities and FGUs to submit applications to BENLIC for property acquisition. Included in all applications is a Standardized Inspector's Report (SIR) form and Maintenance Disposition and Reuse plan (MDR) for each parcel, as well as a resolution from the municipality formally requesting BENLIC acquire the parcels and placing the parcels in priority order.

To properly implement the Pay it Forward Policy, the resolution adopted by each Town or Village shall now also include the following:

RESOLVED, that _____ (Town or Village "X") hereby agrees to the terms and conditions of the BENLIC Pay it Forward Policy, adopted September 19, 2014 and will remit to BENLIC 50% of the real property taxes collected for a period of five years on all of the parcels identified herein for which, upon disposition of the parcel, net proceeds are negative.

Any resolution returned to BENLIC as part of a Town or Village's application that does not include the above language will not be considered by BENLIC.

Once BENLIC has disposed of a property and established that net proceeds is negative, BENLIC will invoice the specific municipality for 50% of the real property taxes collected on the parcel for a period of five years going forward in a manner consistent with regulations promulgated by the NYS department of taxation and finance.

Annual Review and Amendments of Policy

As adopted on September 19, 2014, the Policy is thereby in-effect on all parcels acquired through Erie County's 2015 In-Rem auction, In-Rem 163.

This policy is subject to modification and amendment at the discretion of the Board. This Policy shall be reviewed and approved annually by the Corporation.