

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 19-175**—sHB 7277

*Planning and Development Committee*

**AN ACT CONCERNING THE CREATION OF LAND BANK AUTHORITIES**

**SUMMARY:** This act establishes a framework for municipalities, either on their own or jointly with other municipalities, to create nonprofit land bank authorities (“authorities”) to acquire, maintain, and dispose of real property, except for brownfields (i.e., abandoned or underused sites where actual or potential pollution prevents redevelopment, reuse, or expansion). It requires each authority to be governed by a board of directors and gives the board broad powers to carry out the authority’s purposes, including the power to enter into contracts and borrow money. It also gives authorities specific powers to acquire and dispose of property.

The act exempts from state and local taxes (1) any real property and interest in real property (“real property”) that an authority holds and (2) the income the authority derives from it. For property conveyed by an authority, the act requires municipalities to remit to the authority 50% of the taxes they collect on the property in the following five years. It also allows authorities to issue revenue bonds backed by the revenue from their assets (i.e., property sales).

Lastly, the act establishes a process through which a land bank authority’s board of directors may dissolve the authority and specifies how it must distribute its assets if it dissolves.

**EFFECTIVE DATE:** Upon passage

**ESTABLISHING A LAND BANK AUTHORITY**

The act authorizes a municipality’s legislative body to establish by ordinance a land bank authority (i.e., a charitable nonstock corporation) to acquire, maintain, and dispose of real, non-brownfield property within the municipality. Two or more municipalities may establish a shared land bank authority by passing concurrent ordinances to enter into an intergovernmental cooperation agreement to do so. Under the act, “municipalities” include towns, cities, boroughs, consolidated towns and cities, and consolidated towns and boroughs.

The establishing ordinance or concurrent ordinances must name the land bank authority and establish parameters for its board of directors. Specifically, the ordinances must provide for the (1) number of board members (five, seven, nine, or 11), their manner of appointment, qualifications, and term lengths and (2) board’s initial members, which may include elected officials and municipal employees.

**BOARD OF DIRECTORS**

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### *Members, Officers, and Bylaws*

Under the act, the board must annually (1) select from among its members a chairperson, vice-chairperson, treasurer, and any other necessary officers and (2) adopt bylaws, which must, among other things, establish attendance and meeting participation provisions. The bylaws may authorize a majority of the board's total membership to vote to remove members for failing to comply with the bylaws. Once so removed, members may only be reappointed if the board votes unanimously in favor of it. Any such vacancy is effective at the start of the month following the vote and must be filled according to the authority's establishing ordinance.

Members serve without compensation but may be reimbursed for expenses incurred while performing their duties. They are not personally liable for the authority's bonds or other obligations, nor are they subject to creditors' rights, which apply only against the land bank.

### *Meetings and Voting*

The board must schedule and hold regular meetings and may hold special meetings on the call of the chairperson or a petition signed by a majority of the members. The board must keep and record minutes for each meeting.

A majority of members constitutes a quorum, and a majority of those present at any meeting with a quorum can act, except as described below. Members may not vote by proxy and may request a roll call vote on any action.

Under the act, a majority of all members is required to:

1. adopt bylaws;
2. hire or fire employees and contractors, unless the board delegated that authority to an officer;
3. incur debt;
4. adopt or amend the authority's annual budget; and
5. sell, lease, encumber, or alienate any real or personal property valued at more than \$50,000.

In addition, the act requires a two-thirds majority of the total membership to adopt a resolution to dissolve the land bank (see "Dissolving a Land Bank" below).

### *Conflicts of Interest*

The act prohibits board members and authority staff from having any interest in (1) real property the authority holds or acquires or (2) contracts or proposed contracts for services or materials the authority provides or uses. The board may adopt bylaws to address actual and potential conflicts of interest and ethical guidelines for board members and staff.

## GENERAL POWERS

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The act gives the boards broad contractual, financial, and development powers, excluding the power to take property by eminent domain. Under the act, a board may:

1. adopt, amend, and repeal its bylaws;
2. sue and be sued in its own name and plead and be impleaded in any civil action, including in any action to clear title to property;
3. adopt and alter a seal;
4. borrow money from private lenders, municipalities, the state, or the federal government to fund its operations;
5. issue negotiable revenue bonds and notes;
6. secure the payment of some or all of the authority's debts or losses by procuring insurance or state or federal guarantees and paying the necessary premiums;
7. enter into contracts or other instruments necessary, incidental, or convenient for carrying out the authority's purposes;
8. invest the authority's funds in securities, properties, or other financial instruments that it deems proper, and use any depository for the funds;
9. design, develop, construct, demolish, reconstruct, rehabilitate, renovate, and otherwise improve real property or any right in it;
10. set, charge, and collect rents, fees, or charges for using the authority's real property or any services the authority provides;
11. grant or acquire licenses, easements, leases, or options for the authority's real property; and
12. collaborate with public and private entities and other municipalities to own, manage, develop, and dispose of real property.

### *Staff*

The act also authorizes the board to (1) hire an executive director, legal counsel, and other staff it deems qualified and (2) contract with one or more municipalities or a municipal department or agency to staff the authority. The board may organize and reorganize the authority's executive, administrative, clerical, and other responsibilities. It may also specify the duties, powers, and compensation of its employees, agents, and consultants.

## PROPERTY ACQUISITION AND DISPOSITION POWERS

### *Acquiring, Holding, and Maintaining Property*

The act allows an authority, as permitted by its board of directors, to acquire real, non-brownfield property located in the municipality or municipalities that established the land bank. The authority may purchase property or receive it as a gift, inheritance, transfer, exchange, foreclosure, or through other means. It must hold property it acquires in its own name and make an inventory of the property it holds available for public inspection.

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The authority must maintain any property it acquires in accordance with the laws of the municipality or municipalities where the property is located. Although it may only hold property located in the municipality or municipalities that established it, the authority may enter into an intergovernmental cooperation agreement with any municipality to maintain property located there.

### *Disposing of Property*

An authority may convey any real property it holds through a conveyance, exchange, sale, transfer, lease, grant, release, demise, mortgage, or pledge of the property as collateral. Its board of directors may delegate to its staff the power to contract with a legal entity to do so.

Under the act, the authority's ordinance (or concurrent ordinances) may (1) establish an order of priorities for using real property that it conveys and (2) set different requirements for the board's approval of property dispositions in certain locations or by certain means.

The authority's board must establish in its bylaws the terms and conditions for any consideration received in exchange for property conveyances, provided the consideration's form is in the authority's best interest.

### FUNDING SOURCES

The act allows an authority to receive funding from the following sources:

1. grants and loans from municipal, state, federal, public, and private sources;
2. payments for services rendered, rent, insurance proceeds, investment income, and any other assets or activities; and
3. consideration for personal or real property it conveyed.

### LOCAL TAXES ON LAND BANK PROPERTIES

Under the act, for any interest in real property an authority conveys, the municipality in which the property is located must annually remit to the authority 50% of the taxes it collects on such interest for five years. This requirement applies beginning on October 1 immediately following the property's conveyance.

### BONDING AUTHORITY

The act allows an authority, by a resolution of its board of directors, to issue limited obligation bonds (i.e., revenue bonds) to carry out its purposes. The board's resolution must establish (1) the bonds' form and denomination, (2) the manner of the bonds' sale and delivery, (3) the bonds' interest rate and maturity date, (4) the execution of such bonds by one or more board members, and (5) the board's option to redeem (if any) and the manner of doing so. The board must publish the resolution in a newspaper having general circulation in the municipality or municipalities that established the authority, as applicable.

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The authority must pay the bonds' principal, interest, and issuance costs from the revenue it derives from (1) the disposition of its assets or (2) any refunding bonds issued. The bonds may be secured by a mortgage on the authority's property or a pledge of its revenue, including state or federal grants or contributions. The act provides that the authority bonds are negotiable instruments under state law and law merchant (i.e., commercial law).

The bonds are not a debt of the state or municipality and must contain a statement to that effect; similarly, any refunding bonds are not a debt or pledge of the municipality's credit and must contain a statement to that effect. But the act authorizes a municipality that establishes an authority to guarantee, insure, or otherwise take on the authority's debt (primarily or secondarily) unless prohibited by another statutory provision.

Existing law exempts from state income tax the federally taxable interest on Connecticut state and local bonds or obligations (CGS § 12-701(a)(20)).

### DISSOLVING A LAND BANK

To dissolve a land bank under the act, its board must adopt a resolution to do so. At least 60 days before considering such a resolution, the board must:

1. publish notice of its intent to dissolve in a newspaper of general circulation in the municipality or municipalities that established the authority,
2. provide written notice to the municipality or municipalities, and
3. send notice by certified mail to the trustees of any outstanding bonds.

Two-thirds of the board's full membership must approve the resolution, which takes effect 60 days after its approval. Once dissolved, the authority's assets, including real and personal property, transfer to the municipality or municipalities that established it.

If two or more municipalities established the authority and one municipality withdraws, the authority is not dissolved unless (1) the concurrent ordinances that established the authority require it or (2) no remaining municipality wishes to continue the authority.