

STRATEGY 101: LAND DONATION, ACQUISITION, AND BANKING

City Council has identified the creation of a land donation, land acquisition, or land banking program as one of the strategies that they would like to evaluate further as part of this process. We want your feedback on how you think this strategy would work in Centennial.

What is land banking? A land banking program is a tool used by local governments to buy, acquire, and hold land for later development as affordable housing. In a strong housing market, communities tend to make strategic acquisitions in areas that are redeveloping to hold room for future affordable housing development. In a softer housing market, communities tend to focus on purchase of vacant and abandoned properties for clean-up and beneficial reuse. Land banking programs work by:

1. Acquiring, possibly assembling, and holding land to be used for affordable housing. Acquisition can be through:
 - Tax foreclosure
 - Donation
 - Land bank purchase (funding from HUD Neighborhood Stabilization Program grants, developer's fees, revenue from land sales, rental income)
2. Reducing land ownership "holding costs" by holding the property tax free (and sometimes clearing title issues) before transferring the land to a project sponsor or developer when a project is ready to build
3. Maintaining the property owned by the land bank
4. Negotiating the sale or donation of the property

Is land banking a solution to the affordable housing gap in Centennial?

Land banking can help incentivize the creation of affordable housing but may only have limited impact on the distribution of that housing across the City. Strategic land banking may help encourage reinvestment in areas with naturally occurring affordable housing. Land banking is most effective where:

- The City can acquire and hold land to donate or sell at a reduced price to an affordable housing project
- The City can acquire or accept donated land to later sell at a higher price to help pay for affordable housing.
- A land trust could help pay for the rehabilitation of existing affordable housing.

The ability of a land bank to work over the long term may also provide affordable housing benefits that require a longer time horizon.



Do other Colorado communities use land banking?

Yes! The [Urban Land Conservancy](#) is an example of a land bank supporting a range of projects in Denver and along the Front Range. Fort Collins has a land bank that is described in the [Social Sustainability](#) section of the city's website.

What is affordable housing/affordable units?

Centennial will need to determine how to define “affordable” for the community. Typically, affordable housing is defined as residential units that are affordable to households making 80% or less of the average median income (AMI). The 80% AMI for a four-person household in Arapahoe County is about \$94,000. Additional AMI details are available [here](#).

Rental. A household at this income level can currently afford the average monthly rent for a three-bedroom unit, which is around \$2,500 in Centennial, but rent increases last year were between 10 and 20%, depending on location.

For Sale. The maximum affordable home price for a household at this income is between \$400,000 and \$500,000, depending on interest rates. The average sale price for a three-bedroom home in Centennial between 2020 and 2022 was \$510,000 and the average sale price for a four-bedroom home was \$620,610. Centennial does not currently have enough housing available in this price range to meet estimated resident demand at 80% AMI.

