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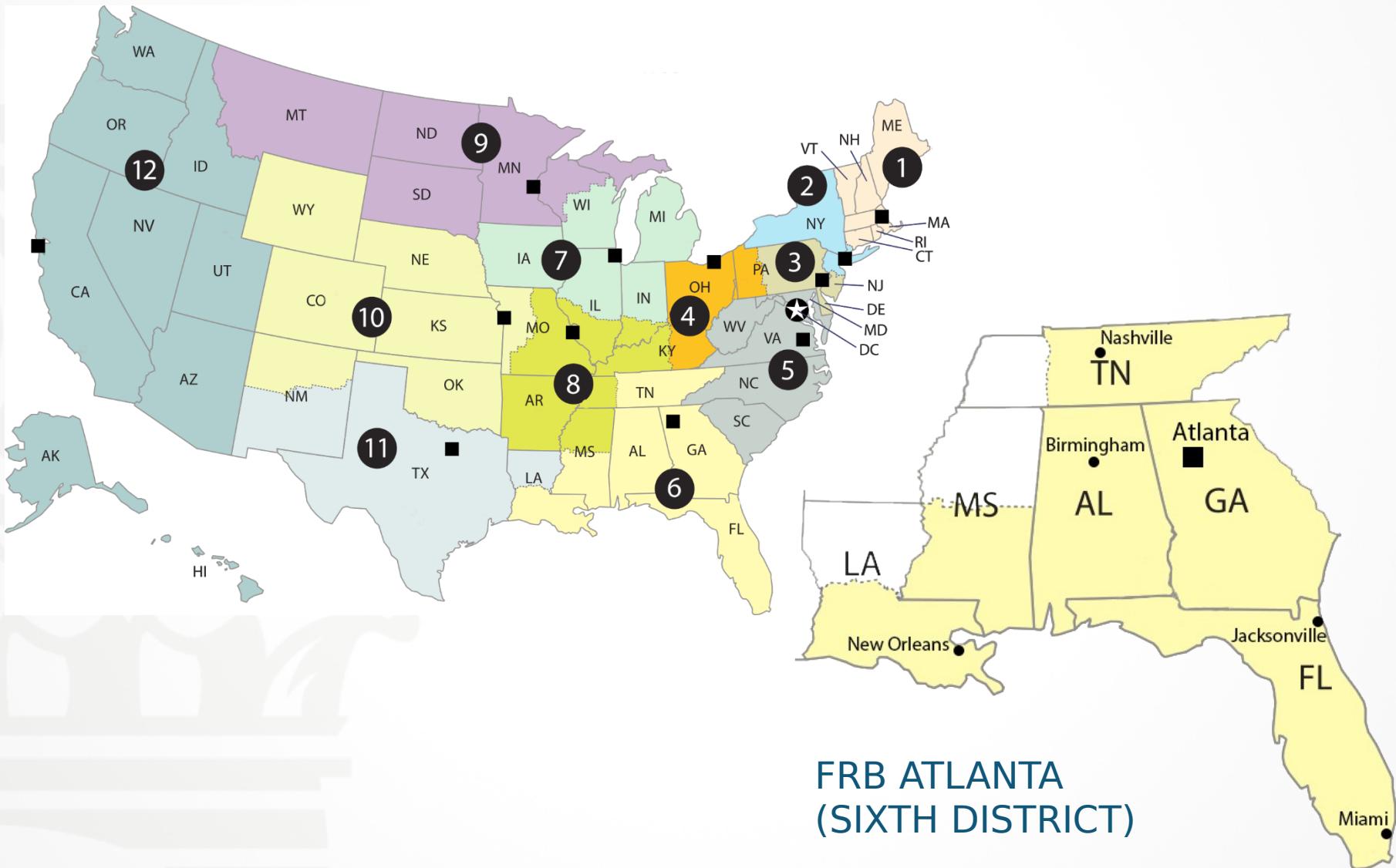
HEIRS' PROPERTY: Fostering stable ownership to prevent land loss and abandonment

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The comments in this presentation are those of the presenter alone and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.

FEDERAL RESERVE BANK OF ATLANTA



FRB ATLANTA
(SIXTH DISTRICT)

MISSION

To activate financial, human, and social capital to foster the conditions that support economic growth in the southeast, especially in disinvested communities.



HOUSING & NEIGHBORHOOD REVITALIZATION:

Foster equitable housing opportunities for low- and moderate-income households and the revitalization of distressed neighborhoods



WORKFORCE AND HUMAN CAPITAL DEVELOPMENT:

Define and support the long and short term human capital interventions that encourage local economic growth and mobility



COMMUNITY DEVELOPMENT FINANCE:

Build the scale and scope of the investment opportunity to improve economically distressed communities



SMALL BUSINESS AND ENTREPRENEUR- SHIP:

Compare credit appetite and access for district small businesses to other parts of the country, identify solutions to gaps



HEIRS' PROPERTY IN THE SOUTH
FOSTERING STABLE OWNERSHIP TO
PREVENT LAND LOSS AND ABANDONMENT



WHAT IS HEIRS' PROPERTY?

- Inherited intestate (without a will)
- Heirs are joint owners with undivided interest
- No clear, marketable title
- Vulnerable to disputes and predatory land deals

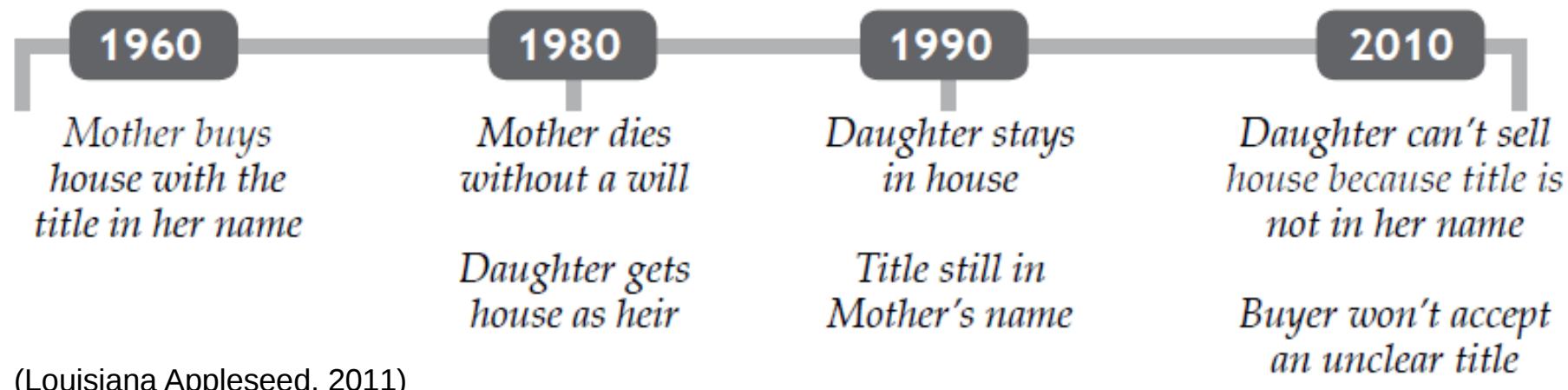
WHY IS IT IMPORTANT?

- Heirs cannot access grants or loans for property improvements
- May lead to blight, health and safety concerns, loss of tax revenue, and lower property values
- Disproportionately high among racial and ethnic minority groups and low-income households

HEIRS' PROPERTY EXAMPLE



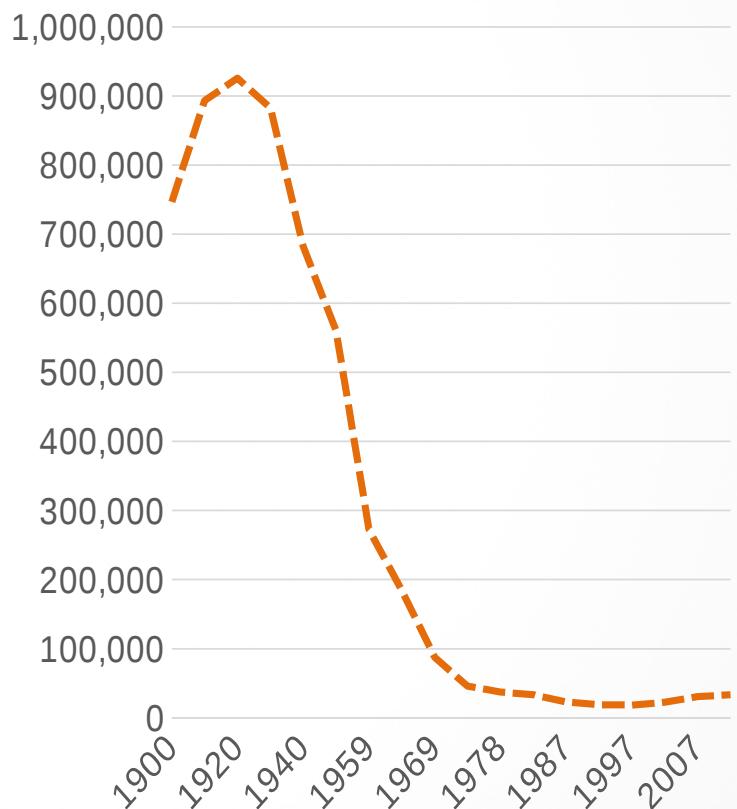
- Anna lives with kids in mother's house
- Mother dies without will
- Anna continues to live in heirs' property without clear title
- Anna can't sell home for market value



BLACK-OWNED LAND LOST

- 80% of black-owned land lost since 1910 is due to heirs' property
- Heirs' property estimates vary widely
 - As high as 30% of all rural land
 - Highest in rural areas, also found in small towns and urban areas
 - Probably in range of 10-15% of all properties in the southeast
- 72% of black adults do not have a will in place

Black Farm Operators in the U.S., 1900 to 2012

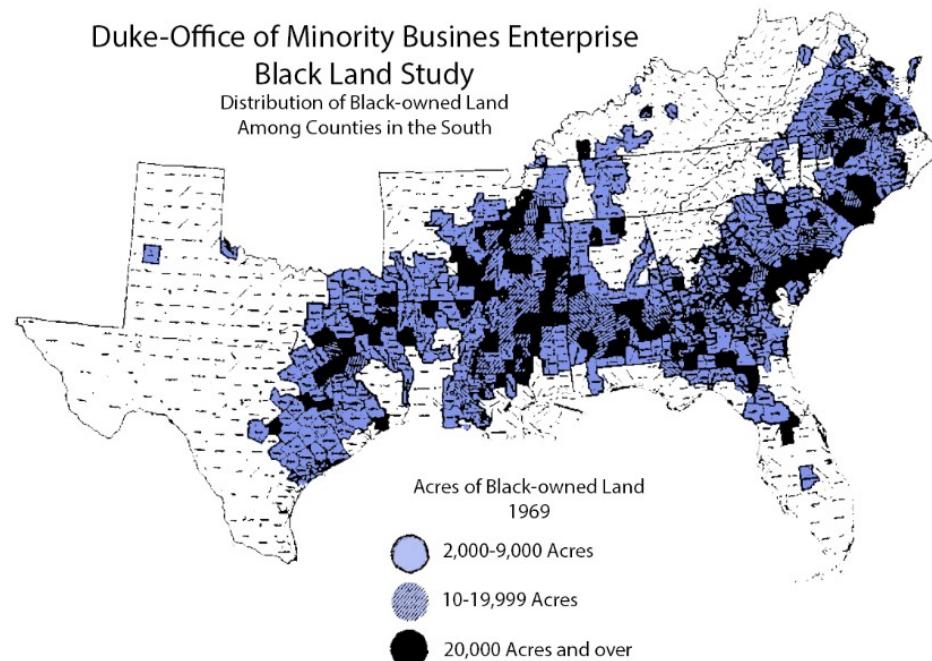


(U.S. Census of Agriculture)

EARLY DATA

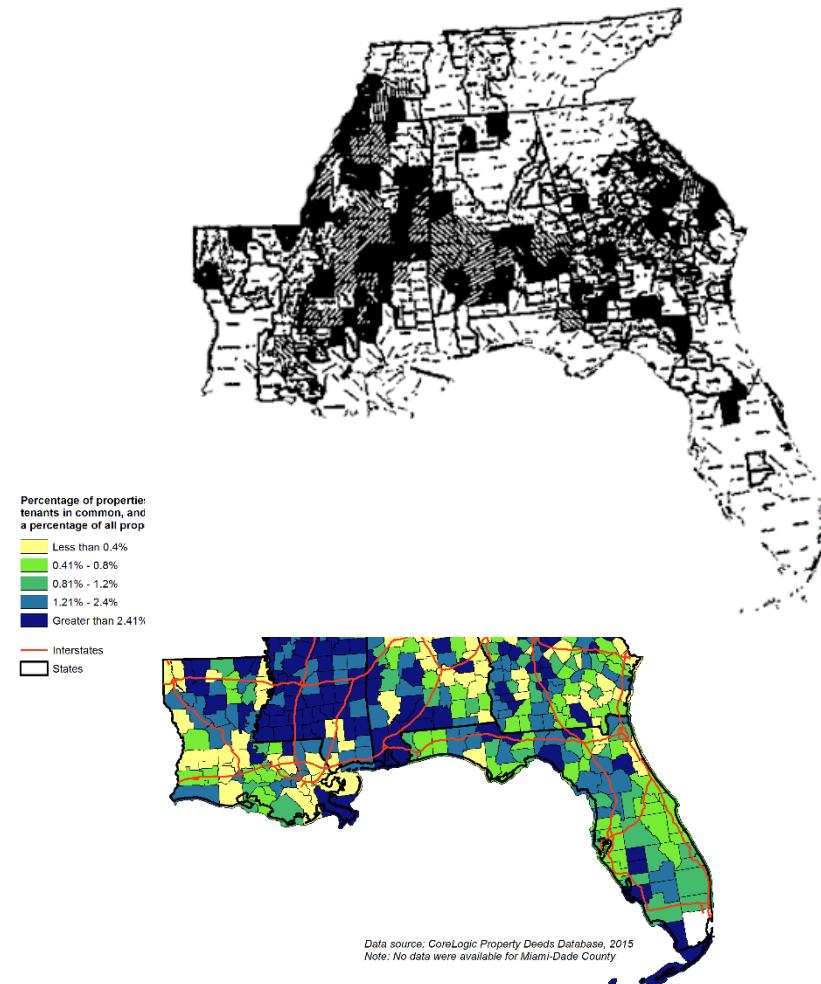
Salamon et al, 1976

- 1976 data collection on black-owned land uncovered issues with intestate estates, heirs' properties, and partition sales that lead to land loss
- 15 million acres acquired by black land owners from 1865-1910
- Reduced to 5.5 million acres by 1969



RECENT REGIONAL DATA

- From CoreLogic residential real estate data, the range of ***known*** heirs' properties is as high as 11.4% of residential land in some rural areas in the Atlanta Fed's district
- Roughly tracks with previous map of black-owned land

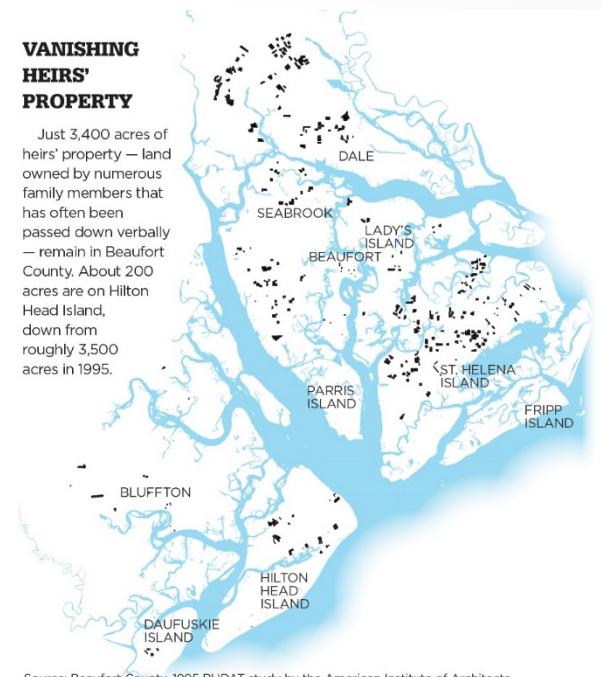


- Heirs' property ownership trends follow black-owned property trends
 - Loss of black-owned land and wealth accumulation
 - Associated out-migration
- Joint owners may be unable to access equity to obtain loans or mortgages
- Lack of clear title required to sell the land or apply for local, state, federal aid
- Higher likelihood of tax default
- Higher likelihood of forced partition actions

- Need to preserve sensitive land, prevent sprawl
- Absentee ownership often leads to blighted conditions, health and safety issues, loss of tax revenue, and depletion of property values
- Land owners tend to be more independent, likely to vote and run for office, generally to participate in civic and public life
- Complicates disaster recovery and redevelopment
- *Difficult to track and gauge the scope of the issue*

EXAMPLE: COASTAL HERITAGE LAND AT RISK

- Disappearing ancestral Gullah-Geechee Nation land
- Large tax increases on coastal land, such as 540% increase on Sapelo Island in 2012 (NYT)
- In Beaufort County, SC, 40 heirs' properties were included in an October 2015 delinquent tax sale (The Island Packet)
- 19% of properties in McIntosh County are potential heirs' properties with a value of \$173M



Source: Beaufort County, 1995 RUDAT study by the American Institute of Architects

EXAMPLE: BLIGHT IN ATLANTA

- Westside neighborhoods near the new football stadium
- Blighted area with high absentee ownership, heirs' properties
- Cost of blight to City of Atlanta: up to \$6 million per year on police, fire, code enforcement, and clean-up



- Legal services to resolve title issues
- Education on estate planning and use of wills
- Land protection and sustainable utilization
- Probate court reform
- Quiet title action
- Data collection

PARTITION OF HEIRS PROPERTY ACT

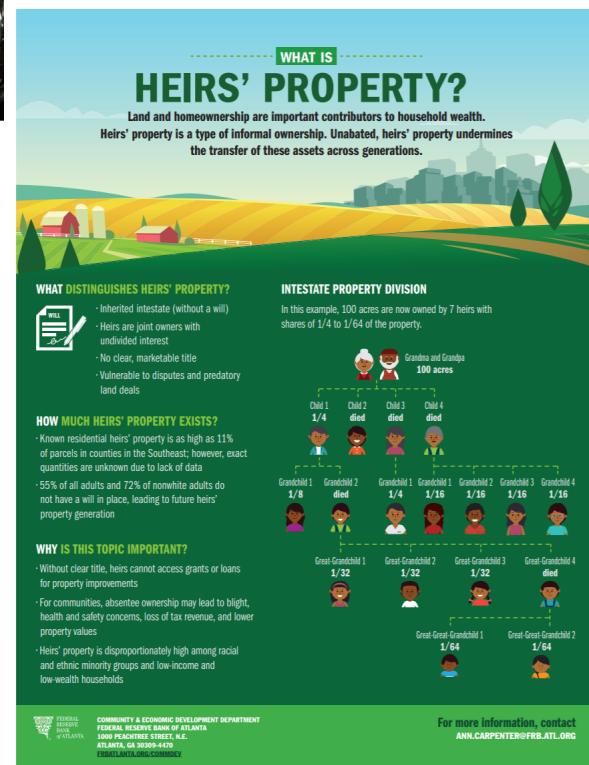
- Meant to prevent forced partition actions, ensure fair market value, and preserve the family property



ATLANTA FED HEIRS' PROPERTY RESOURCES



- Infographic
- Podcast
- Articles
- Conference proceedings forthcoming



**WHAT IS
HEIRS' PROPERTY?**
Land and homeownership are important contributors to household wealth. Heirs' property is a type of informal ownership. Unabated, heirs' property undermines the transfer of these assets across generations.

WHAT DISTINGUISHES HEIRS' PROPERTY?

- Inherited intestate (without a will)
- Heirs are joint owners with undivided interest
- No clear, marketable title
- Vulnerable to disputes and predatory land deals

HOW MUCH HEIRS' PROPERTY EXISTS?

- Known residential heirs' property is as high as 11% of parcels in counties in the Southeast; however, exact quantities are unknown due to lack of data
- 55% of all adults and 72% of nonwhite adults do not have a will in place, leading to future heirs' property generation

WHY IS THIS TOPIC IMPORTANT?

- Without clear title, heirs cannot access grants or loans for property improvements
- For communities, absentee ownership may lead to blight, health and safety concerns, loss of tax revenue, and lower property values
- Heirs' property is disproportionately high among racial and ethnic minority groups and low-income and low-wealth households

TESTATE PROPERTY DIVISION

In this example, 100 acres are now owned by 7 heirs with shares of 1/4 to 1/64 of the property.



The diagram illustrates the division of 100 acres of land among seven heirs through three generations of inheritance. The process starts with a total of 100 acres, which is divided into four equal shares (1/4 acre each) for four children. Two of these children die, leaving their shares to their respective grandchildren (Child 1's share goes to Grandchild 1, Child 2's share goes to Grandchild 2). This results in 1/8 acre for Grandchild 1 and 1/32 acre for Grandchild 2. The remaining two children also die, leaving their shares to great-grandchildren (Child 3's share goes to Great-Grandchild 1, Child 4's share goes to Great-Grandchild 2). This results in 1/16 acre for Great-Grandchild 1 and 1/32 acre for Great-Grandchild 2. Finally, Great-Grandchild 2 dies, leaving their share to a great-great-grandchild (Great-Great-Grandchild 1), resulting in 1/64 acre for Great-Great-Grandchild 1.

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Thanks!

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