

Saving Illinois Communities

Illinois Housing Development Authority

Special Achievement: SA

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Introduction

By now, everyone in the affordable housing community understands that vacant homes are more than eyesores. These properties sit at length, often for years, deteriorating as they are passed over by the private market due to legal and financial barriers, draining local tax dollars and leaving the surrounding community to pay the price. Research from the Federal Reserve found that a home that is simply foreclosed, but not vacant, lowers neighboring property values by up to 3.9 percent. However, if a home is foreclosed, tax delinquent and vacant, it can lower neighboring property values by nearly two and a half times that amount. At the same time, abandoned properties diminish the odds of future investment and create significant direct costs for the local governments tasked with securing, maintaining or demolishing the structures.

Land Banks are the Answer

More than a decade after the housing crisis began, local planners and municipal governments are still looking for strategies to attract reinvestment and redevelopment to the regions hit hardest by abandonment and blight. And while they are relatively new in Illinois, land banks have been gaining traction as an effective solution. Land banks use existing tools effectively to rebuild the tax base and reduce tax expenditures from local governments. If there is no known owner, and no one overseeing the property, municipality can step in. This helps preserve housing/commercial values and reduce municipal costs by intervening to save properties before they deteriorate and require demolition.

A few active land banks have been established in the Chicago Metropolitan Area in recent years, but even with their proven success, they have been slow to appear elsewhere in the state. Despite an acute need for investment and a high rate of housing vacancies in many downstate communities, the initial startup costs and lack of operational experience was preventing many smaller municipalities from realizing the benefits of this tool. Recognizing this unmet need, the Illinois Housing Development Authority (IHDA) launched the Land Bank Capacity Program (LBCP) in 2017 to provide start-up funding and technical assistance to create land banks throughout downstate Illinois to help address this challenge.

Land Bank Capacity Program and Technical Assistance Network

Land banks are created through Intergovernmental Agreements (IGA) between units of local government that allow the land banks to pursue strategies based on local plans, priorities, and public input. As such, IHDA created the LBCP to be led and implemented by consortia of local governments. For example, the Northern Illinois Land Bank Authority (NILBA), formed in 2019 with LBCP funding, serves the cities of Rockford, South Beloit, Loves Park, Belvidere, Freeport, the Village of Machesney Park, and Winnebago and Boone Counties. The Central Illinois Land Bank Authority (formerly called the Vermilion County Land Bank Authority) was recently expanded to include Champaign County, the City of Champaign, the City of Decatur and several smaller communities. The Southwestern Illinois Development Authority (SWIDA) is exploring a land bank for the Metro East area and the City of Moline is looking at a countywide approach across Rock Island County.

Designed to increase planning and land banking capacity in underserved areas of the state, the program serves communities outside the Chicago Metropolitan Area, with an emphasis on downstate and

southern Illinois communities. Rather than prescribe narrow solutions, LBCP provides flexible resources that can be tailored to each land bank and its members. Funded through an award from the national mortgage foreclosure settlement, the LBCP grant funds can be used to offset the costs of creating, expanding and operating land banks, including costs related to the startup, legal expenses, staffing and initial acquisitions of new land banks. For existing land banks, funds may also be used towards ongoing acquisitions, demolition, redevelopment and/or rehabilitation of acquired or donated parcels.

Notably, the LBCP funds two Technical Assistance providers which deliver individualized planning, real estate and other guidance for program grantees. This includes the development of feasibility studies, draft IGAs, and assistance navigating startup and governance issues. Through this joint effort, IHDA aims to build capacity and foster the successful creation and operation of land banks throughout Illinois.

Social Impact

The land banks that are created as a result of LBCP are tools that can implement plans developed with public participation by local governments. In many of these cases, the areas most affected are low-income communities in which private housing markets are in deep distress. Land banks help stabilize the markets and provide new opportunities for low- and moderate-income residents as well as persons of color and other minorities that could be assisted through implementation of the program. Examples include:

- The **City of Freeport** joined the Northern Illinois Land Bank Authority in part to bring restitution to an African American community that was pushed out of town decades ago onto the floodway of the Pecatonica River. The City surveyed the mostly low-income residents who have been unable to sell their homes and found that over 90% wanted to sell. This effort will bring needed funds to buy their homes, allowing them to relocate to more stable and secure housing on higher ground.
- The **Northern Illinois Land Bank Authority** is also working with the City of Rockford and Rockford schools to encourage teachers to buy homes, both assisting the teachers with obtaining affordable homes they can own and helping to revive the housing market.
- The **City of Kankakee** is creating a land bank with Kankakee County to further local plans to address abandonment and tax foreclosures. It has targeted properties adjacent to the downtown and riverfront areas that have been prioritized for redevelopment based on local planning and outreach efforts.
- The **Southwestern Illinois Development Authority (SWIDA)** is targeting low-income areas of East Alton that need assistance in buying and redeveloping vacant homes as well as other areas that have been planned for reinvestment in the Metro East area.

Proven Results

The Illinois property tax system has created a cycle of disinvestment in many communities. Tax certificates are bought primarily for the interest that can be charged back to the property owners. With interest rates as high as 18% every six months that “tax buyers” can charge, many owners walk away

from their properties and the tax buyers move on to the next property. For example, in Kankakee County, over the past 10 years, over 17,000 tax certificates were sold at auction. 24% of these tax certificates were sold three or more times. In Freeport, 11,094 tax certificates were sold with 22% sold multiple times.

Land banks can intervene to stop this cycle. They can work on behalf of local governments to go to court to acquire abandoned properties. They can intervene early in the tax sale system to flag properties for acquisition. They can market properties owned by counties and municipalities to find new owners. Because land banks can eliminate back taxes and liens, properties that were not viable in the private market previously can now be sold at an affordable price to new owners that can renovate homes, build new homes, or use the property for a side yard or stormwater management. This then starts the clock again on property taxes, thus providing a growing source of revenue to support municipalities, schools and other units of local government.

For example, the Northern Illinois Land Bank Authority (NILBA) was created in 2019 with LBCP funding and has started the abandonment process on nearly 20 properties in Boone, Stephenson and Winnebago Counties. These abandoned parcels have exceptionally high tax liens, often nearing \$100,000, due to several sales-in-errors granted to tax buyers. Targeted properties by NILBA have no private sector solution, due to the tax liens. However, there are buyers willing to rehab the property, if the taxes are cleared. Without the Land Bank's intervention, the properties could sit in the current taxpayers' hands for several more years and ultimately deteriorating to the point of necessary demolition because there is little to no incentive to maintain the property.

Beyond the financial benefits, land banks also benefit the communities they serve by turning blighted lots with no clear ownership into open space assets for the surrounding community. One of the most common methods of land banks is to clear back taxes and liens and sell the properties at agreeable prices to nearby homeowners who agree to take care of the lots and pay taxes going forward. These yards are often used for green infrastructure and stormwater management.

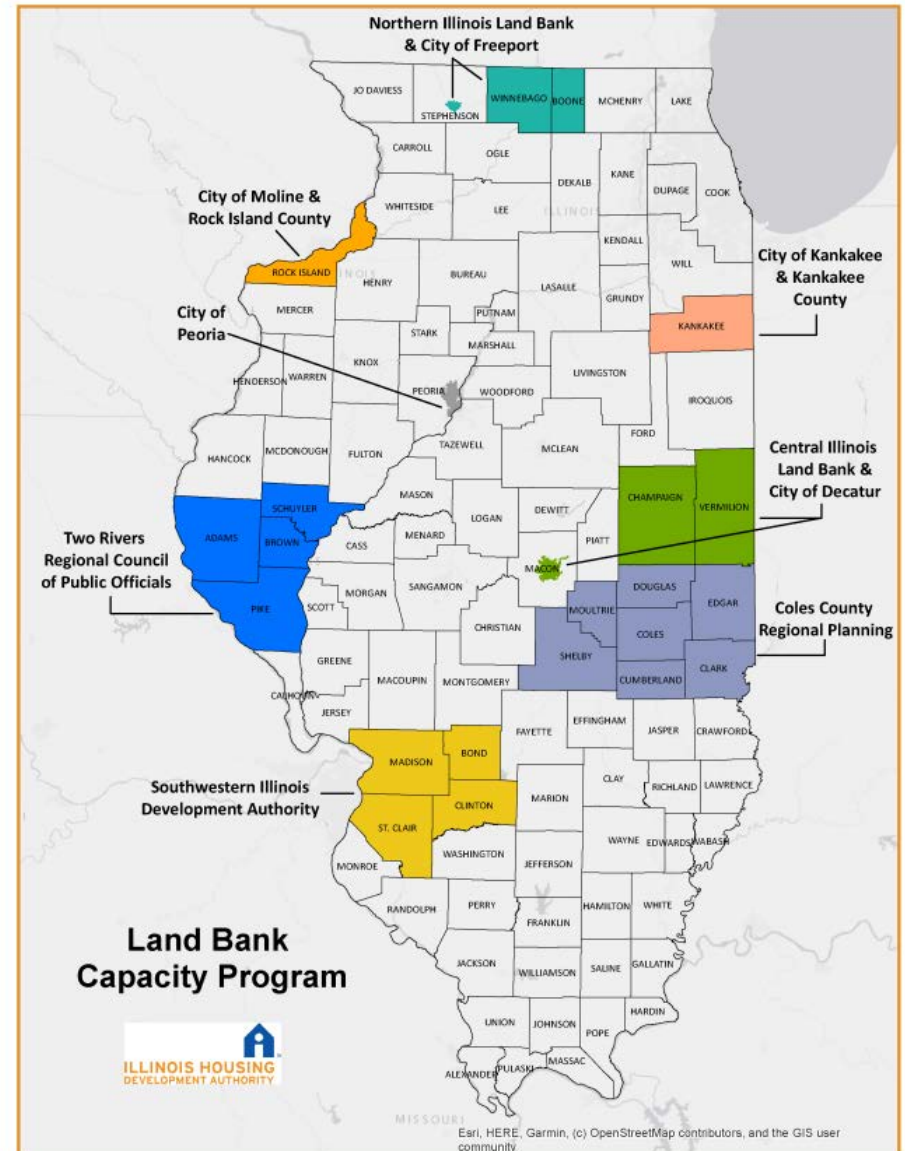
Conclusion

The LCBP has made significant progress since it was launched in 2017. Two land banks have been formed serving communities in Northern and Central Illinois, and additional grantees including Peoria, Kankakee, Rantoul, the Coles County Regional Planning Commission and Two Rivers Regional Planning Council have completed LCBP-funded studies indicating land banks are feasible and are in various stages of development. The program has also proven to effectively leverage local and private resources, including a \$1.2 million grant from the Howard G. Buffet Foundation to assist with land banking activities in Decatur.

The Land Bank Capacity Program is taking a holistic approach to helping lay the foundation for brighter and better days for households and communities across the state that have not yet recovered from the Great Recession. We have seen the results in real-time and the Governor has already dedicated a portion of the recently passed Rebuild Illinois capital bill plan to continue funding local governments and land banks across Illinois. We at IHDA are very excited to have created and implemented the Land Bank Capacity Program to help spread community revitalization to communities across Illinois, especially those without the funding or technical assistance to reinvest in their downtowns and neighborhoods.



The LBCP is designed to increase planning and land banking capacity in underserved communities outside the Chicago Metropolitan Area.





Land banks help communities repair housing markets by working to stop the cycles of disinvestment and disrepair that lead to deteriorated homes otherwise unviable in the market.