

# Land Banks

## Frequently Asked Questions and Background Information

### **Why is legislation necessary?**

- There are thousands of vacant properties in municipalities throughout Illinois that no one wants. They have a negative value for banks, they are too risky for non-profits to own and manage, and they are a drain on municipal budgets. They are properties for which there is no market—no one wants them.
- Many of these properties have been vacant for years, which threaten public safety and lower property values.
- Land banks exist for the sole purpose of taking in these vacant properties, ensuring that they are maintained and secured, and working to return them to productive use.

### **How do land banks return vacant properties to productive use?**

- Land banks employ a variety of creative strategies to turn blighted, troubled properties into community assets.
- They clean title, demolish unsafe structures, perform necessary maintenance, assemble smaller parcels, and work to return properties to the private market.
- Land banks turn vacant property into commercial development, market-rate and affordable housing, and open space.
- In some cases, land banks take over a vacant property, demolish the existing unsafe structure blighting the neighborhood, and turn the deed over to a next door neighbor for a dollar, so the family now has a beautiful side yard that they love, maintain, and pay taxes on.

### **Who can create a land bank?**

- Land banks can only be created by municipalities.

### **Who controls land banks?**

- Land banks are quasi-governmental entities. They are formed by municipalities, and their governing board is composed of municipal officials. Municipalities create and control land banks for the sole purpose of dealing with deeply troubled vacant properties.
- Land banks remain accountable to the municipalities that created and control them.

### **Won't land banks take over the private real estate market? This isn't the proper place for government.**

- Land banks only hold properties for which there is no market, where the market has failed. Land banks help stabilize the real estate market by removing blighted, no-value properties from the marketplace, rehabilitating them, and returning them to the private market.
- They stabilize property values and increase the volume of real estate transactions.

### **Don't land banks have far too much power, as governmental agencies that acquire and develop properties? Are there limits?**

- Land banks function for a very limited purpose in a very limited geography. Under proposed legislation in Illinois, land banks could only acquire the most troubled properties, properties for which there is no market.
- Land banks can only acquire property within the geographic boundaries of the municipalities that created the land bank.

### **How do land banks get their property?**

- Land banks usually get their property in two ways.
  - Many municipalities already have an inventory of vacant properties that they do not want. They do not have the resources or expertise to deal with large numbers of vacant properties. They give the properties to land banks to return to productive use. Many banks also have large numbers of property that they value at \$0 or less than \$0, properties they would be happy to turn over to the land bank.
  - Land banks can also get properties through the tax sale process. When property owners do not pay their taxes, these unpaid taxes are auctioned off, backed by the deed to the property itself. Land banks can participate in these tax auctions to acquire properties that have been abandoned by their owner—a power that municipalities already have.

### **How do land banks get the money to operate?**

- Land banks usually have two ways to get the money they need to operate effectively.
  - First, because the properties that land banks take on are so deeply troubled, banks will often pay the land bank to take the property. For example, Bank of America recently agreed to turn over up to 150 properties to the City of Chicago, plus thousands of dollars for maintenance expenses for every property.
  - Land banks also get their money through tax remittances. When a land bank takes over a property, that property is generating no tax revenues whatsoever, because it has no value. Legislation would permit the land bank to capture a portion of any tax revenue generated in the five years after the land bank is able to return that property to the tax rolls.
- The written authorization of the County is required for the land bank to capture any portion of new tax revenue.

### **Where are land banks currently operating?**

- Land banks have been created in a broad range of communities across the United States, including Atlanta, Georgia (and Fulton County); Cleveland, Ohio (and Cuyahoga County); Flint, Michigan (and Genesee County); Indianapolis, Indiana; Louisville, Kentucky; Overland Park, Kansas; Richmond, California; and St. Louis, Missouri.