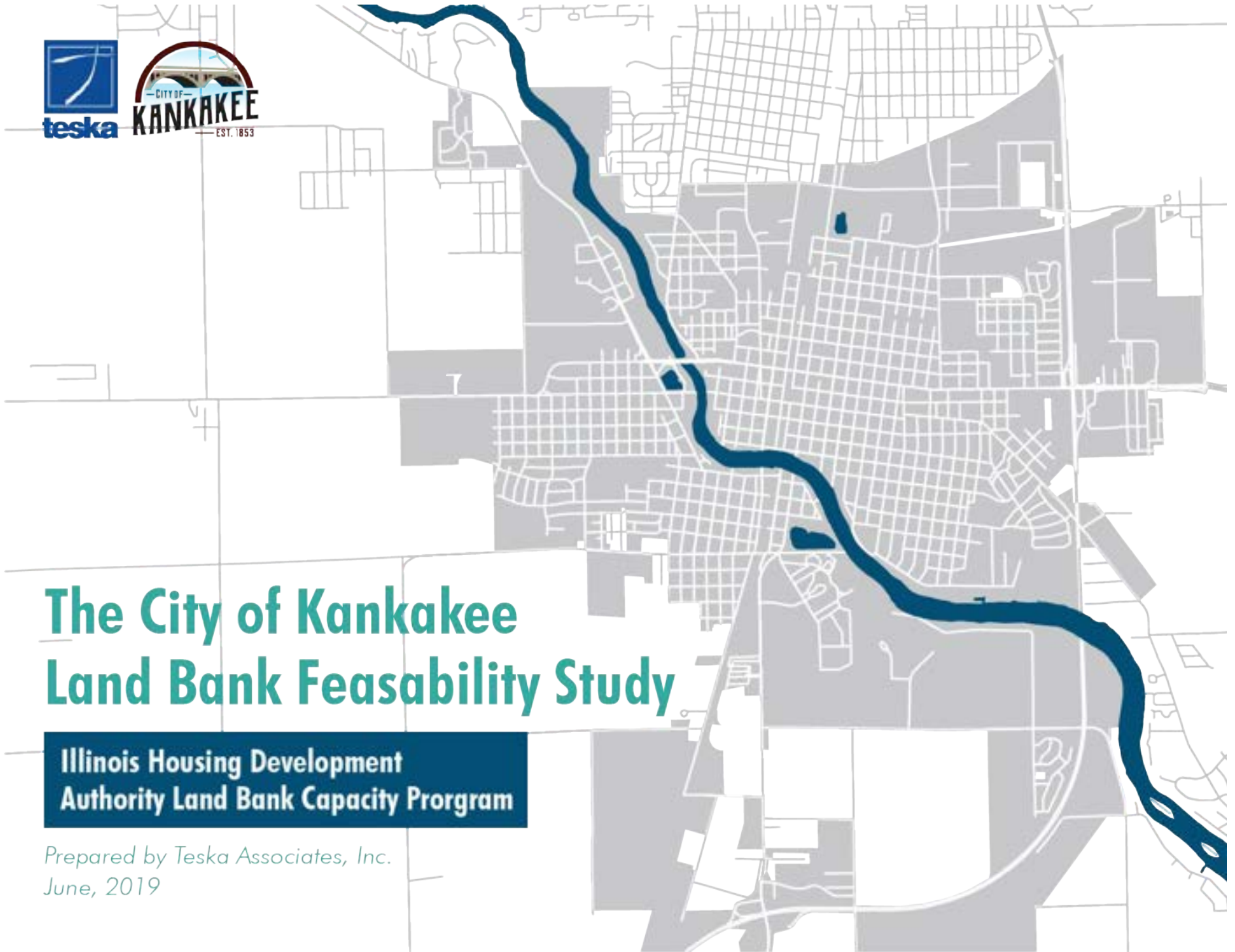




The City of Kankakee Land Bank Feasibility Study

**Illinois Housing Development
Authority Land Bank Capacity Program**

*Prepared by Teska Associates, Inc.
June, 2019*



Acknowledgements

City of Kankakee

The City of Kankakee has been committed to community revitalization through a number of reinvestment programs. The City applied to the Illinois Housing Development Authority in 2018 to determine the feasibility of creating a land bank to provide a tool for redevelopment and reinvestment that would enhance housing stability and support economic and community development efforts. Special thanks to Mayor Chasity Wells-Armstrong and the City's Capital Team for laying out the City's redevelopment objectives, providing a wealth of data, and prioritizing strategies.

Illinois Housing Development Authority (IHDA) Land Bank Capacity Program

This project was supported through a grant provided by the Land Bank Capacity Program (LBCP) of the Illinois Housing and Development Authority (IHDA). The LBCP was created in 2017 by IHDA to help empower local and regional revitalization efforts by increasing planning and land banking capacity statewide outside the Chicago Primary Metropolitan Statistical Area (Cook, DuPage, Grundy, Kane, Kendall, Lake, McHenry and Will Counties). More information is at www.ihda.org/my-community/revitalization-programs/ and www.lbcpta.org

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1. Introduction

The City of Kankakee has undertaken a targeted series of efforts to revitalize its housing market, improve its economic competitiveness and quality-of-life. The City has realized that vacant land and buildings harm neighboring properties and increase expenses in municipal services. The City has spent hundreds of thousands of dollars per year on maintenance and demolition of abandoned buildings.

Similarly, efforts in Kankakee County and neighboring communities such as the Village of Bourbonnais and Village of Bradley, have been working on economic development efforts and stabilizing the housing market.

In January 2018, the City of Kankakee applied to the Illinois Housing Development Authority's Land Bank Capacity Program to request funds to undertake a land bank feasibility analysis. Land banks provide a means to strategically acquire properties and return them to productive use, reduce blight and support community goals.

IHDA awarded \$150,000 in funds to the City of Kankakee to undertake this feasibility analysis and fund start-up activities of the land bank if a land bank is created. This feasibility study addresses the current conditions in Kankakee, analyzes the opportunities, and proposes financially viable acquisition strategies to assess the feasibility of the City of Kankakee creating a land bank.

The Study assesses current housing and vacancy conditions, determines the potential availability of properties for acquisition in the City of Kankakee, Metro Area (City of Kankakee, Village of Bourbonnais and Village of Bradley), and across Kankakee County.

The study also includes a framework for the start-up of a land bank that can serve the City of Kankakee and other units of government in Kankakee County. The study also includes a financial model for the first five years of operation.

2. The Opportunity

The Kankakee area has faced severe challenges with vacant and abandoned properties over the past several years, including:

- Scattered vacant, abandoned and distressed properties throughout older neighborhoods.
- A tax sale system that works in general to ensure property taxes are paid but allows for investors to cycle through properties that can lead to greater vacancy, abandonment and instability in neighborhoods throughout the City.
- A need to focus on an integrated economic development and housing stabilization approach that can take advantage of local assets and focus on making an impact on jobs, housing values and community amenities.

This feasibility study investigates whether and how a Land Bank serving the Kankakee area could be feasible to address these issues, including:

- Developing a common set of criteria to identify, acquire, hold and dispose of property.
- Strategically intervening to acquire and stabilize properties to forestall the cycle of property deterioration.
- Developing the capacity for homeowners, local contractors and small developers to rehab and build new housing that brings properties back into productive, taxpaying uses.
- Creating an opportunity for pursuing an economic development agenda through the reuse of properties in strategic locations such as along the Kankakee River.
- Developing new productive permanent uses that are well maintained such as stormwater, open space and natural resources through partnerships with public, private and nonprofit landholders.

The study addresses the City of Kankakee, the Metro Area of Kankakee, Bourbonnais and Bradley, as well as Kankakee County. There are 106,605 residents in Kankakee County including 59,980 residents within the Metro Area of the City of Kankakee (26,216), Village of Bourbonnais (18,420), and Village of Bradley (15,344), as well as 49,625 throughout the rest of the County

Kankakee County - 106,605			
Metro Area – 59,980			Other
City of Kankakee	Village of Bourbonnais	Village of Bradley	
26,216	18,420	15,344	49,625

Source: Esri Business Analyst 2018, American Community Survey, US Census

3. Housing and Market Characteristics

a) Demographics

The population of the City of Kankakee has declined by 6.2% since 2000, whereas the population of Kankakee County has increased by 6.7%. The median home value in the City is approximately \$98,000, \$50,000 lower than the County. The median household income for the City is approximately \$33,500, approximately \$20,000 less than the County. About half of all occupied housing units are owner-occupied and approximately 16% of all housing units in the City are vacant.

Table 1: Demographics

	Kankakee County	Metro Area	City of Kankakee
2000 Population	103,833	56,770	27,903
2010 Population	113,449	61,972	27,537
2018 Population	110,804	60,287	26,173

Median Household Income	\$53,360	\$47,485	\$33,434
Median Home Value	\$150,024	\$139,177	\$98,043
Median Age	37.9	34.6	34.2
2018 Housing Units	45,246	23,759	10,868
Owner-Occupied Housing Units	28,692	13,055	4,877
Renter-Occupied Housing Units	12,125	8,266	4,263
Vacant Housing Units	4,429	2,438	1,728

Source: Esri Business Analyst 2018, American Community Survey, US Census

Figure 1: Household Income

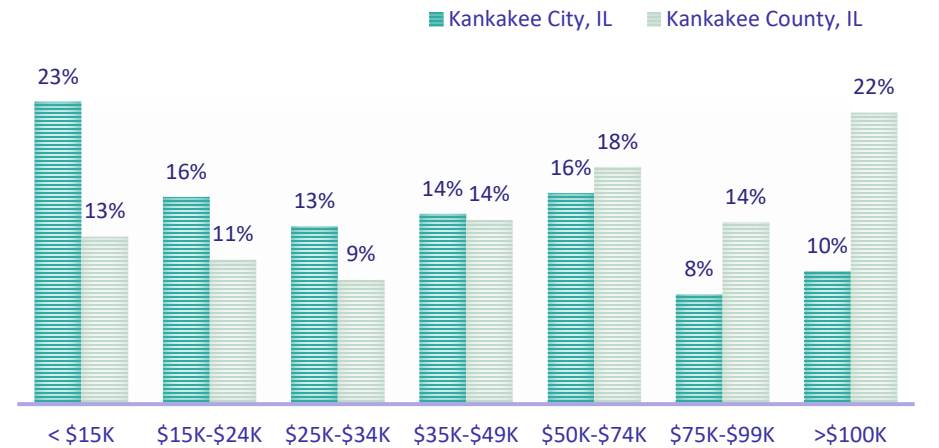
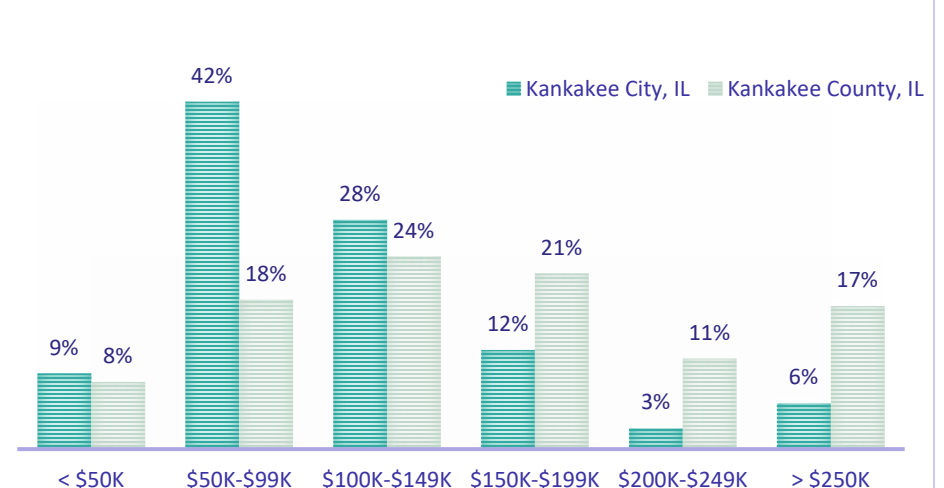


Figure 2: Home Value

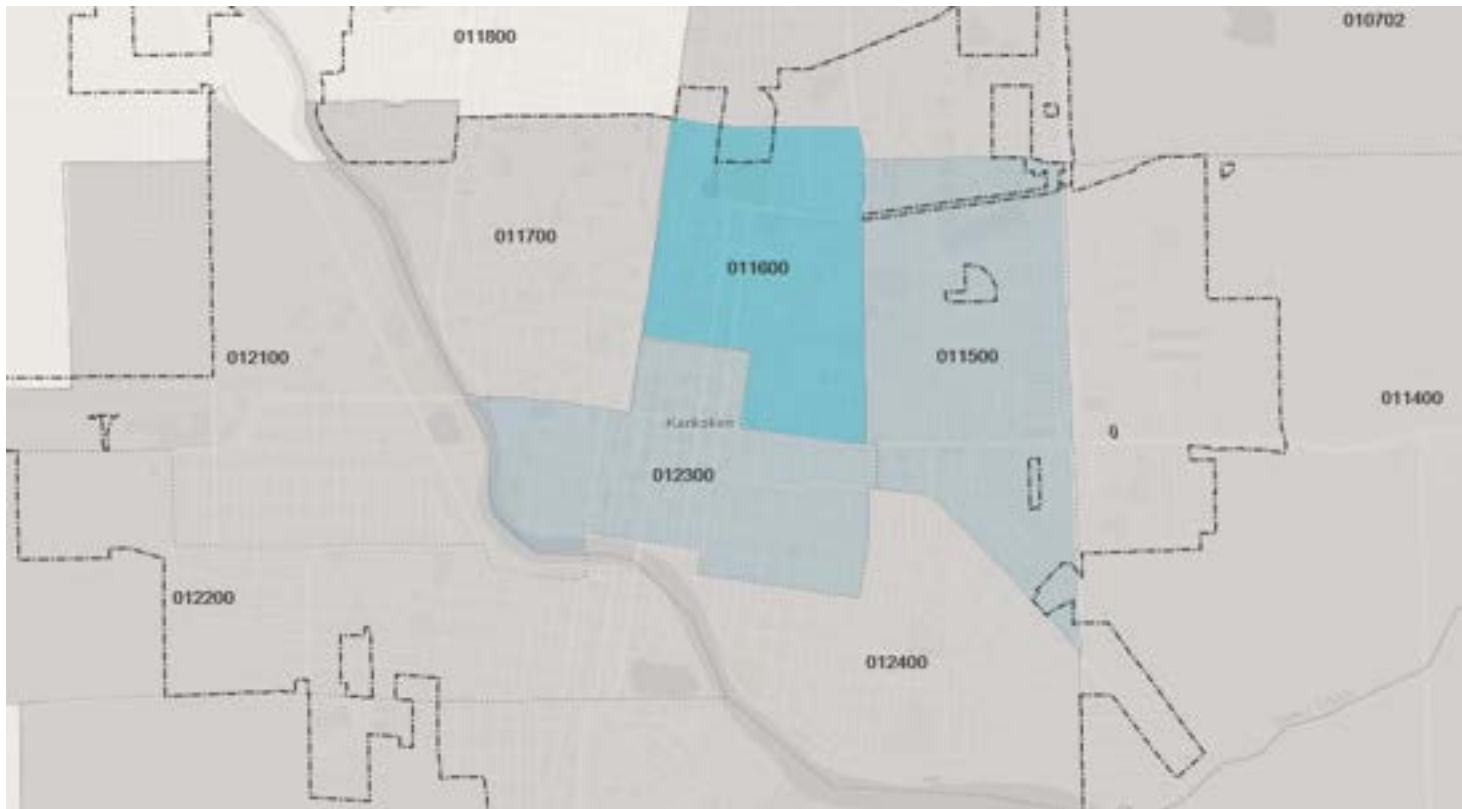


b) Vacant Housing Units

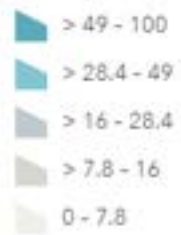
Vacant housing units are a significant determinant of the health of a neighborhood and its housing market. Figure 3 shows the percent of housing units that are vacant (vacancy rate) by Census tract in the City of Kankakee and Kankakee County. Note that this does not include vacant land. Most of the Census Tracts in and around the City of Kankakee have vacancy rates between 5-15%. Census Tract 115 and Census Tract 123 have vacancy rates of approximately 22%. Census Tract 123 has the highest vacancy rate at around 38%. Census Tract 123 includes areas west of the Canadian National Railway and North Chicago Avenue, east of Hobbie Avenue, north of Locust Street and Court Street, and south of Brookmont Boulevard.

Figure 3: Housing Vacancy by Census Tract, City of Kankakee¹

¹ U.S. Census American Community Survey, 3-year estimates, 2014-2016



Percent of Housing Units that are Vacant
(Vacancy Rate)



c) Demolitions + Condemnations

Table 3: Ordered, Pending and Demolitions

	#	Acres	%
Total Ordered for Demolition	99	18.96	64%
<i>Open Deed, Available for purchase</i>	10	1.08	4%
Total Pending Demolition	42	6.27	21%
<i>Open Deed, Available for purchase</i>	3	0.41	1%
Total Demolished, 2009-18	28	4.37	15%
<i>Open Deed, Available for purchase</i>	7	1.03	3%
Total Properties On Demolition List With Tax Sale(s), 2009-18	169	29.60	-
Source: City of Kankakee, Kankakee County Clerk			

The City has been working to address vacant and blighted units, targeting deteriorated and dilapidated structures. Since 2009, the City has demolished 28 structures and planned to demolish another 141 (169 total).

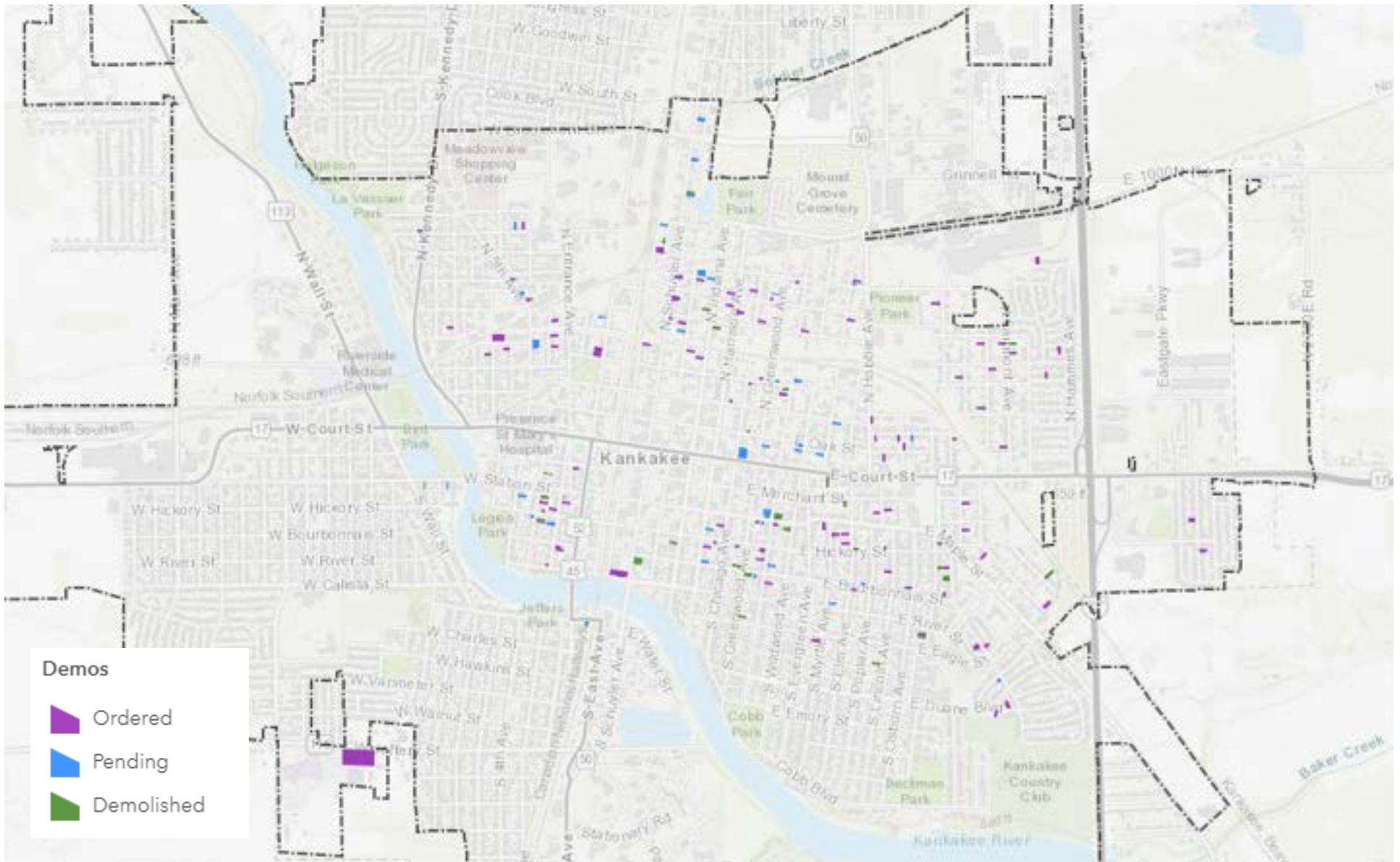
Properties that are pending or ordered for demolition are in poor condition and are often vacant. Therefore, these properties, especially those with open deeds, are candidates for a land bank to consider acquiring to return back to productive use.

Many of the demolished properties have reverted to ownership by the Kankakee County Trustee due to unpaid property taxes. Those with an "Open Deed" have completed the redemption period and are available for purchase.

If a Land Bank were to be formed, these properties could be put back to productive use. As can be shown in Table 3, 169 properties that have been on the Demolition List have gone through a Tax Sale during the past ten years. This means that the property owner did not pay their taxes and the County auctioned off their taxes. Seven of demolished properties currently have an open deed from the County Trustee (meaning that the County owns the property and they are available for disposition). Three of those pending demolition and ten of those ordered for demolition also have an open deed.

As will be discussed later in the study, this often creates a cycle of decline that could be addressed through a Land Bank. In many cases, this could mean intervening earlier in the process before the property is deteriorated to the extent that it needs to be demolished.

Figure 4: Demolitions and Condemnations, City of Kankakee



Source: Teska map of City of Kankakee data

4. Property Tax Sales

Tax Sale Process

Table 4: Tax Sale Transactions from 2009-18

# of Tax Sales, 2009-18	County	Metro	City
Total	17,239	9,649	7,258
1 Tax Sale	4,301	1,993	1,311
2 Tax Sales	2,042	1,105	799
3 Tax Sales	1,260	752	530
4 Tax Sales	588	377	336
5 Tax Sales	273	180	153
6 Tax Sales	119	71	60
7 Tax Sale	51	25	23
8 Tax Sales	21	9	6
9 Tax Sales	12	11	9
10 Tax Sales	1	1	-
<i>* Metro refers to the three city region of Kankakee, Bradley, & Bourbonnais</i> Source: Kankakee County Clerk			

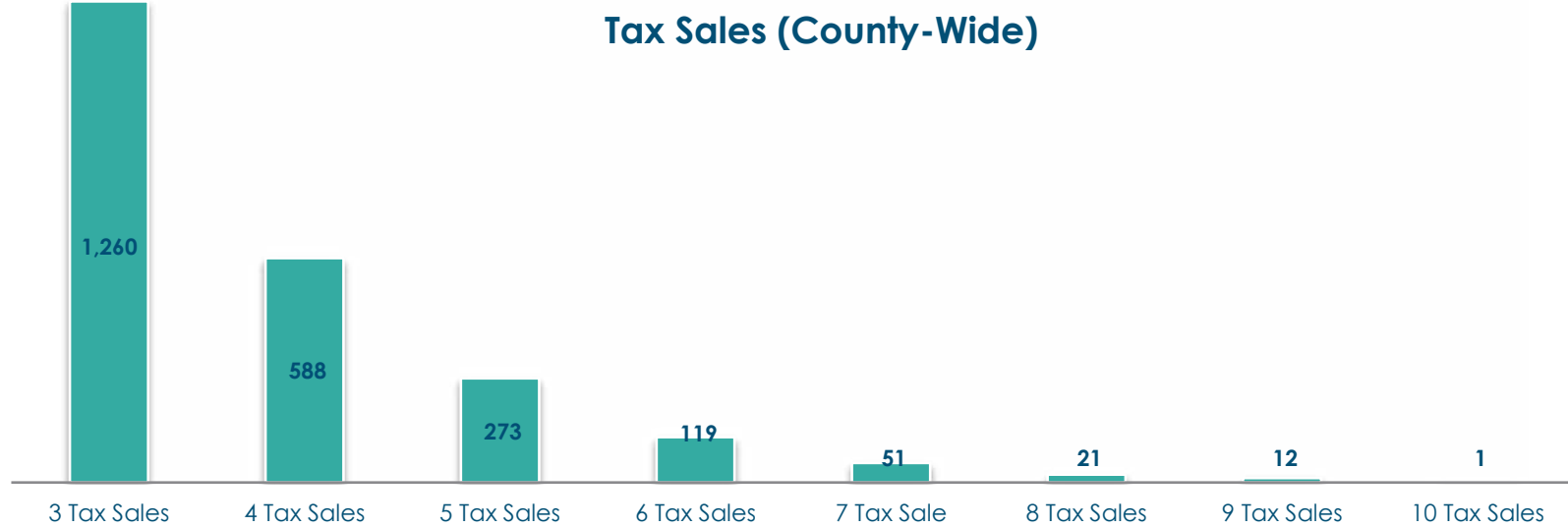
Kankakee County administers an Annual Tax Sale of all unpaid property taxes in November of each year following Illinois State Statute (35ILCS200). At the sale, a property tax buyer may pay the property tax balance on behalf of the property owner. The County distributes the money from the sale to each of the taxing bodies to make them whole. The property owner then owes the taxes to the tax buyer during the redemption period. If the taxes for properties are not redeemed in 2 years, the owner could lose the property to the tax buyer. The Tax Sale is generally an effective means of collecting taxes and insures that the vast majority of property owners pay their taxes on time.

The concern of the Tax Sale is two-fold: those properties that are cycled through the system multiple times that tend to deteriorate and those properties in which the taxes are not sold are held in either Tax Liens or are acquired in Deed by the Kankakee County Trustee.

An analysis was conducted of ten years of Kankakee County Tax Sale data from 2009-2018. During this period, there were 17,239 transactions on 8,668 PINs (Parcel Identification Numbers correspond to individual

properties).

As shown in Table 4 and Figures 7 and 8, a total of 2,121 PINs were sold three to five times, representing 24.5% of all PINs, and 203 were sold six or more, representing 2.3% of all PINs that went through tax sale during this period.



This pattern of repeat tax sales provides evidence for the need for intervention to end the cycle of properties going in and out of tax sales. During this period, properties often decline, and as shown in the previous section, often end up in such a poor condition that they need to be demolished. A land bank will be able to stop this repetitive cycle that deteriorates not only the subject properties, but neighboring properties as well.

period and tax buyer returns the tax lien to the County), and 0.8% of sales have been cancelled and surrendered. (See Appendix 1 for Glossary of Terms).

Table 5: Disposition of Tax Sales 2009-2018

REASON	TRANSACTIONS (COUNTY)	PERCENT	TRANSACTIONS (METRO)	PERCENT	TRANSACTIONS (CITY)	PERCENT
Redeemed	11,613	67.4%	6,434	66.7%	4,365	60.1%
Open Tax Lien	2,519	14.6%	1,471	15.2%	1,224	16.9%
Tax Deed	1,791	10.4%	726	7.5%	689	9.5%
Sale in Error	1,175	6.8%	948	9.8%	920	12.7%
Surrendered	141	0.8%	70	0.7%	60	0.8%
TOTAL	17,239	100%	9,649	100%	7,258	100%

Source: Kankakee County Clerk

For those properties that were not redeemed, the question is whether there are opportunities for the Land Bank to acquire these properties, thereby preventing the recycling of properties through the tax sale process multiple times. The goal is to bring more of these properties back into productive use quickly. This can be done through three primary methods:

- a) Reviewing those properties that the County Trustee owns, both improved properties with structures, and unimproved vacant land, to see if there is a reuse option.
- b) Review the lists of properties on the tax lien list, sales in error, cancelled and surrendered and tax lien expired to determine if they are vacant and abandoned properties. If they have been vacant and abandoned and have either not paid their taxes or water bill for the past two years, the municipality (or in this case, a future Land Bank) can go to court to acquire the properties.
- c) Consider bidding on properties at the Tax Sale Auction to purchase vacant, abandoned or distressed properties that have been identified by municipal members of the Land Bank. In these cases, the Land Bank would need to hold the properties during the Redemption period while it simultaneously pursues a disposition strategy if the property owner does not redeem the property.

5. Tax Liens + Deeds

Properties which have outstanding tax bills are described by their *lien status* and *deed status*. As a result of the initial tax sale, a tax lien may be placed on the property if the outstanding tax bill is not redeemed by the property owner, surrendered by the property owner, or deemed a sale in error. Outstanding property taxes are offered first at auction for purchase. Outstanding taxes for residential properties that are sold at this auction are owed by the property owner to the tax buyer within three (3) years. During this time, the tax buyer holds a tax lien on the property and the property owner is expected to make payments twice annually to satisfy the outstanding tax bill.

However, often due to the condition or location of the property, some outstanding tax bills are not purchased at auction. In this case, the County Trustee holds the tax lien, referred to as an open lien, and the taxes are owed to the Trustee. There are currently 338 PINs within the City of Kankakee that have an open lien, totaling 59.7 acres of land (Table 6 and Figure 8).

If after three years the property owner has not paid the outstanding tax bill, the Kankakee County Trustee then takes ownership of the property and can obtain the deed. The property deed is then considered an *open deed*, indicating that it is available for purchase from the County Trustee with the intention of putting the property back to productive use by which property taxes will be generated and paid. There are currently 158 open tax deeds in the City of Kankakee, accounting for approximately 24 acres of land (Table 6 and Figure 9). These open tax deeds in the City of Kankakee make up 49% of the open deeds in the County.

Table 6: Tax Sale Status

	KANKAKEE CO. PARCELS	KANKAKEE CO. ACRES	METRO AREA PARCELS	METRO AREA ACRES	CITY OF KANKAKEE PARCELS	CITY OF KANKAKEE ACRES
Open Lien, in 3 year holding period	696	789	351	63	338	60
Open Deed, Available for purchase	324	80	163	24	158	24

Source: Kankakee County Clerk

Figure 7: Properties with an Open Tax Lien & Open Tax Deed, City of Kankakee

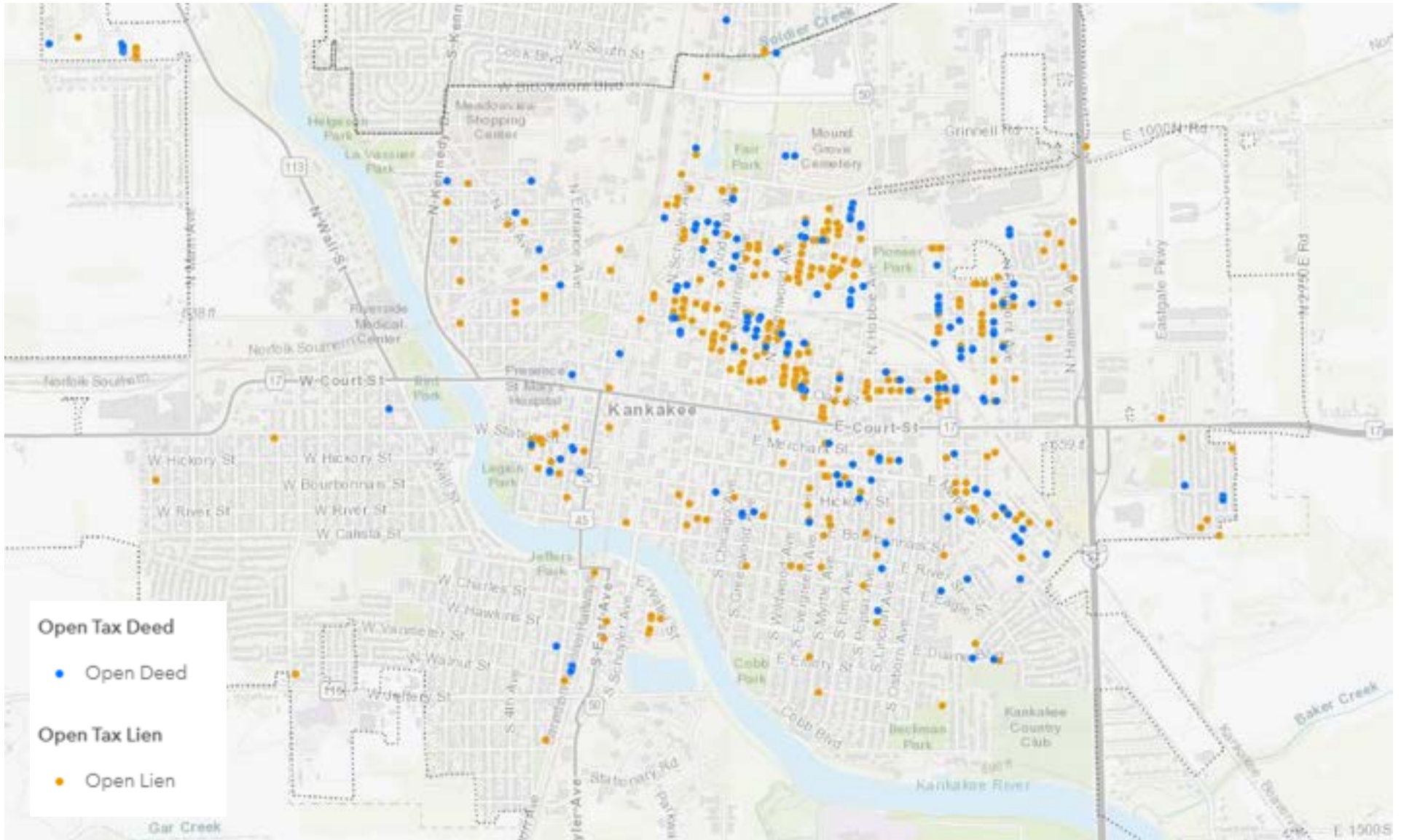
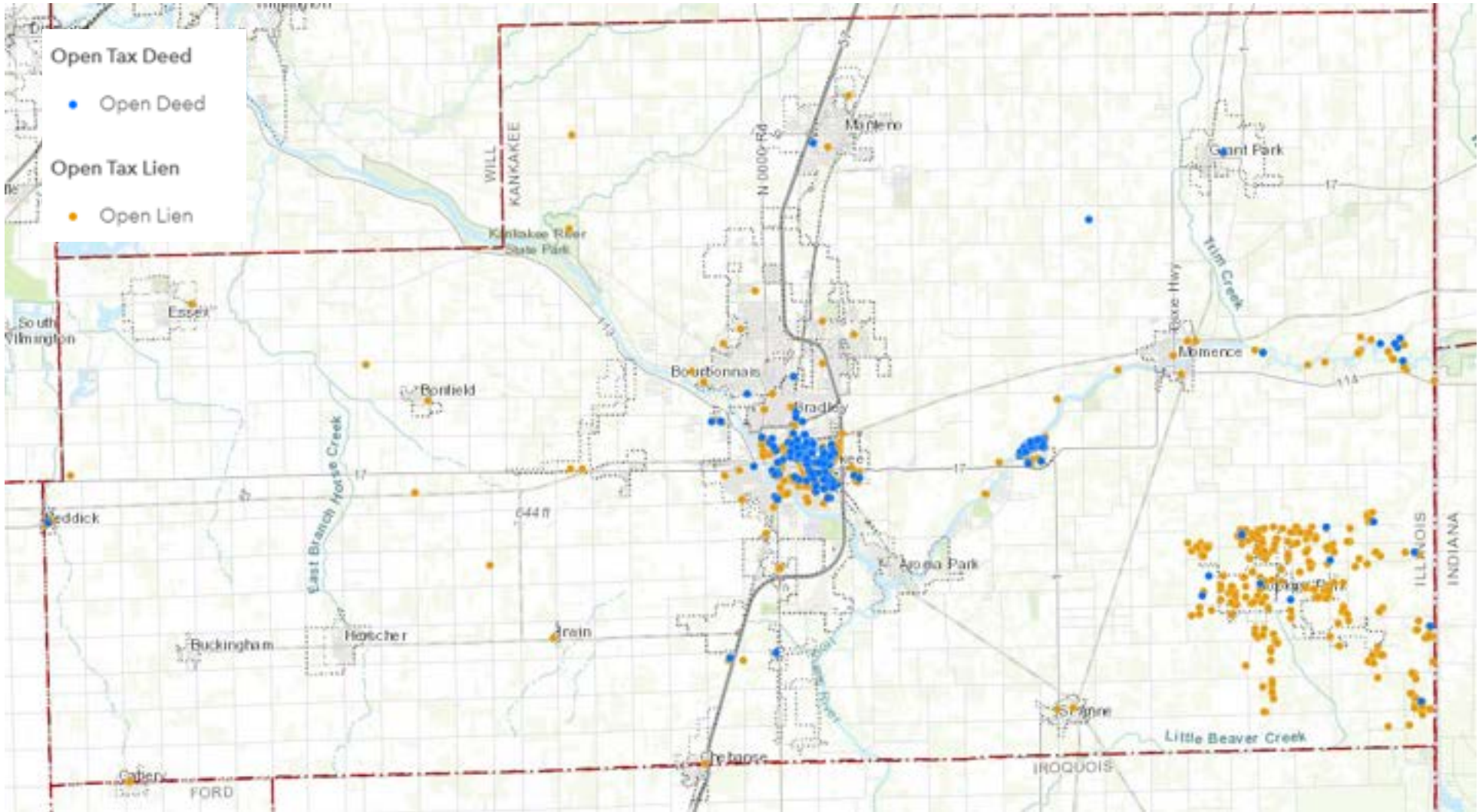


Figure 8: Properties with an Open Tax Lien & Open Tax Deed, Kankakee County



6. Acquisition Priorities

An analytical mapping tool was created by Teska Associates in ArcGIS Online as a means to identify parcels and prioritize acquisitions. The data presented in Sections 1-5 of this report were mapped for each property in Kankakee County. Each data layer can be turned on or off to show the characteristics of each property as well as spatial patterns. Each property can be “clicked” to identify the property address, taxpayer of record and other attributes for the property.

Table 7: Weighted Scores

Criteria	Weight
Open Deed	.2
Open Lien	.2
Tax Sale 3+	.2
Tax Sale 6+	.2
Demolition	.1
Pending or Ordered	.1
Highest Possible Score:	1.0

Table 8: Results of Scoring

Score	# of PINS	% of PINS
0	6,782	78.2%
0.1	68	0.8%
0.2	1,332	15.4%
0.3	71	0.8%
0.4	332	3.8%
0.5	27	0.3%
0.6	53	0.6%
0.7	3	0.0%
0.8	-	0.0%
0.9	-	0.0%

Source: Kankakee County Clerk, Teska Analysis

A priority scoring system was created that weighs various characteristics, as shown in Table 7. Attributes of Open Deed (properties held in deed by the County Trustee), those that have been through the Tax Sale three or more times over the past 10 years, those that have been through the Tax Sale six or more times over the past 10 years, and properties with an Open Lien, each received 0.2 (or 20%) of the total score. Properties that have been demolished or those properties with a Pending or Ordered Demolition Status each received 0.1 (or 10%) of the total score. The total possible score is a 1.0, with higher values indicating higher levels of distress.

As shown in Table 8, most properties (78.2%) in the County have no characteristics warranting acquisition. Of those that remain, 0.8% of properties received a 0.1 score (meaning they have been demolished or are pending or ordered for demolition), and 15.4% received a 0.2 score. Of all 8,668 PINs that had a tax sale between 2009-18, only 71 received 0.3, 332 received 0.4, 27 received 0.5, 53 received 0.6, and 3 properties received 0.7. Figures 9, 10, 11 and 12 map the concentration of these scores, first by Heat Map (that shows the intensity of scores) at the City and County levels, and then by points ranking each property at the City and County levels.

Figure 9: Heat Map by Priority Score – City of Kankakee

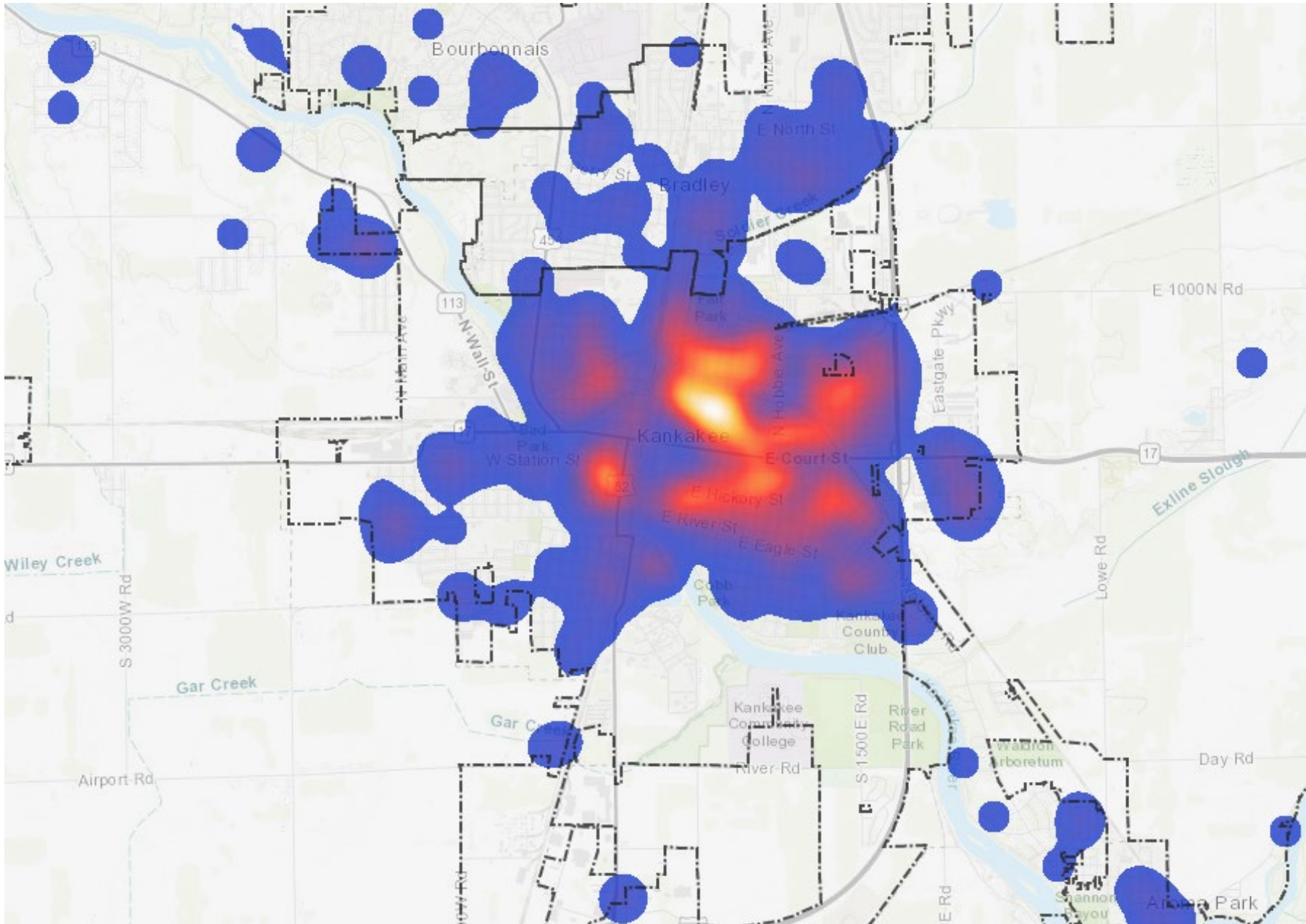


Figure 10: Heat Map by Priority Score – Kankakee County

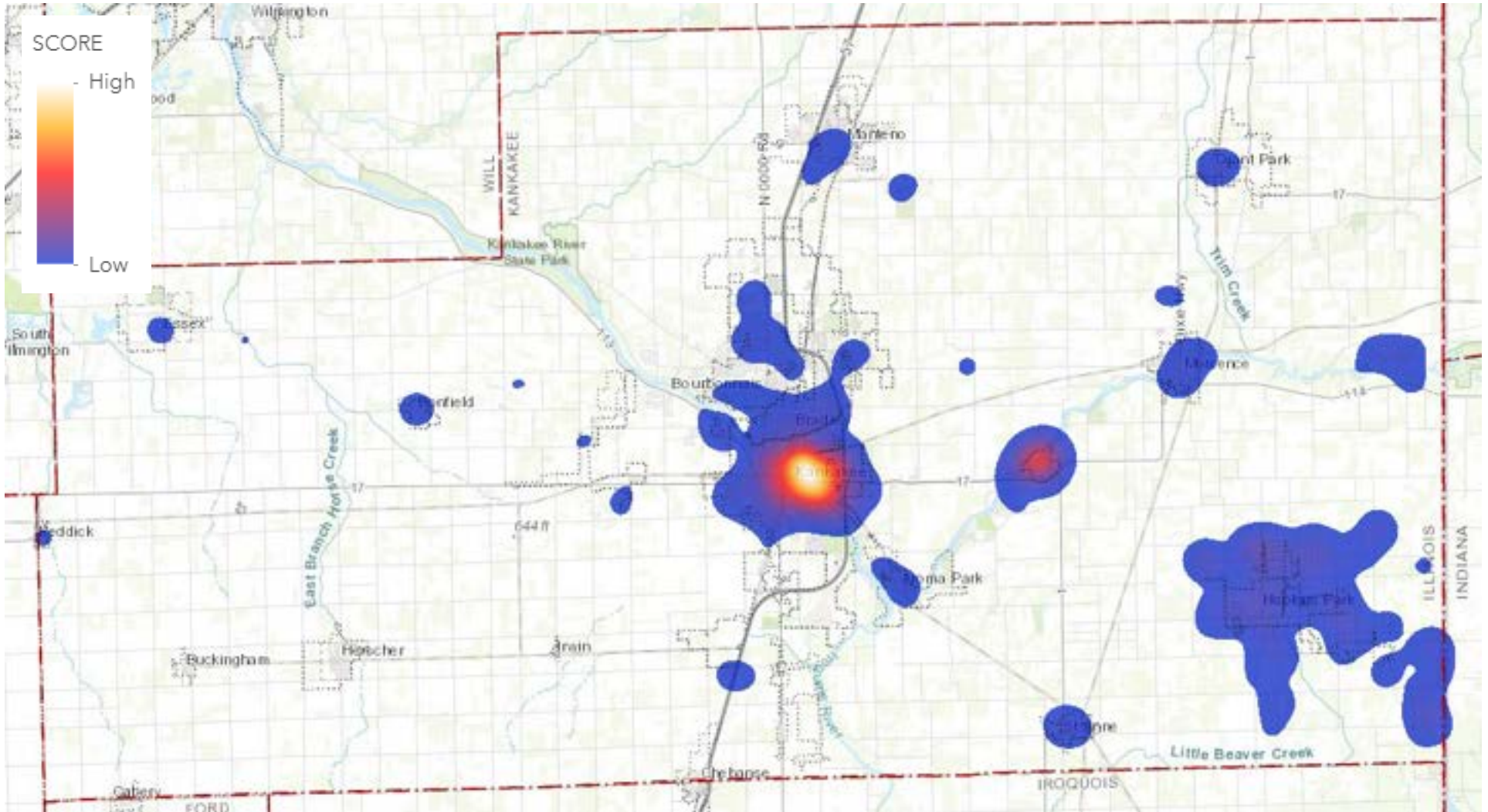


Figure 11: Priority Score – City of Kankakee

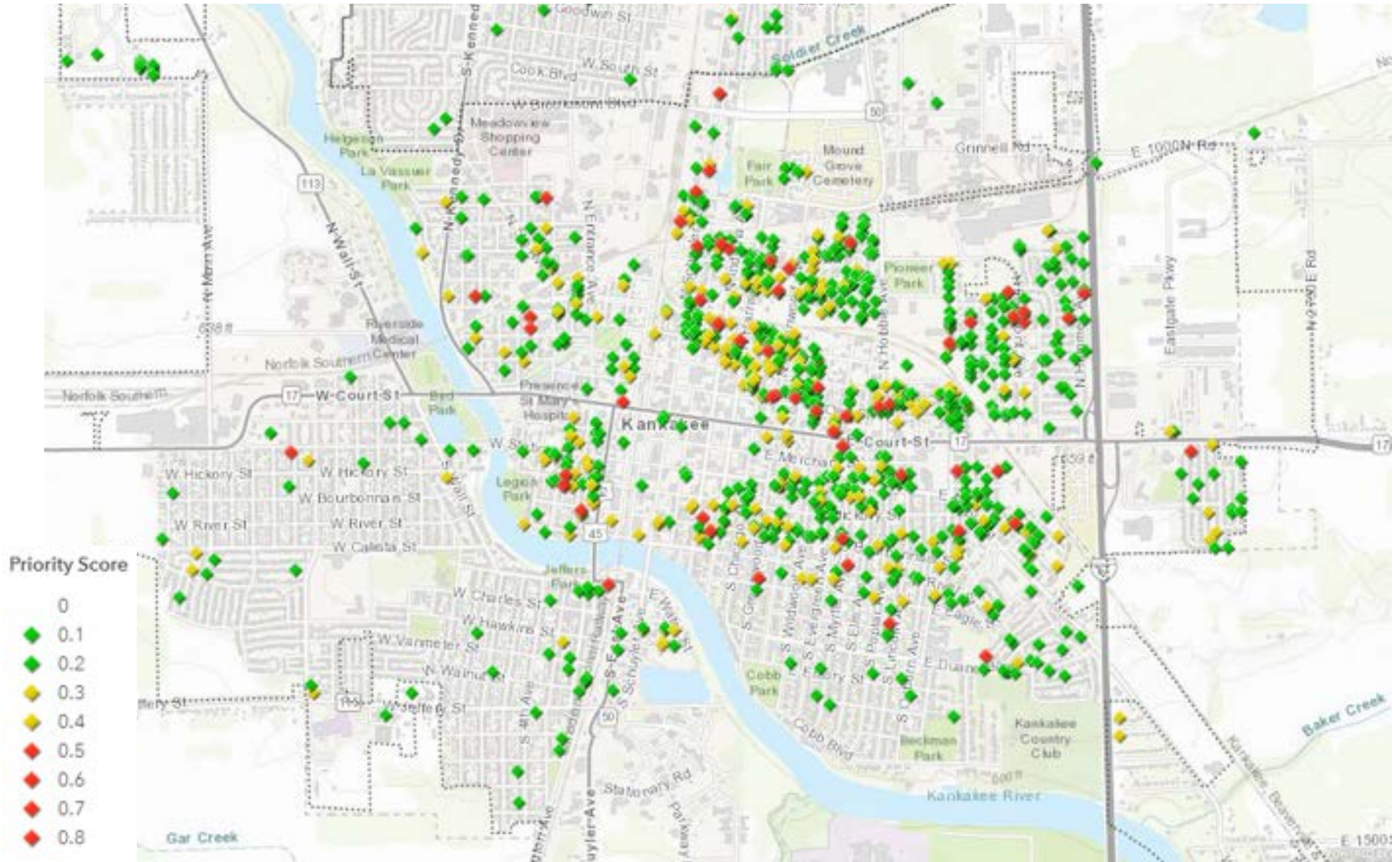
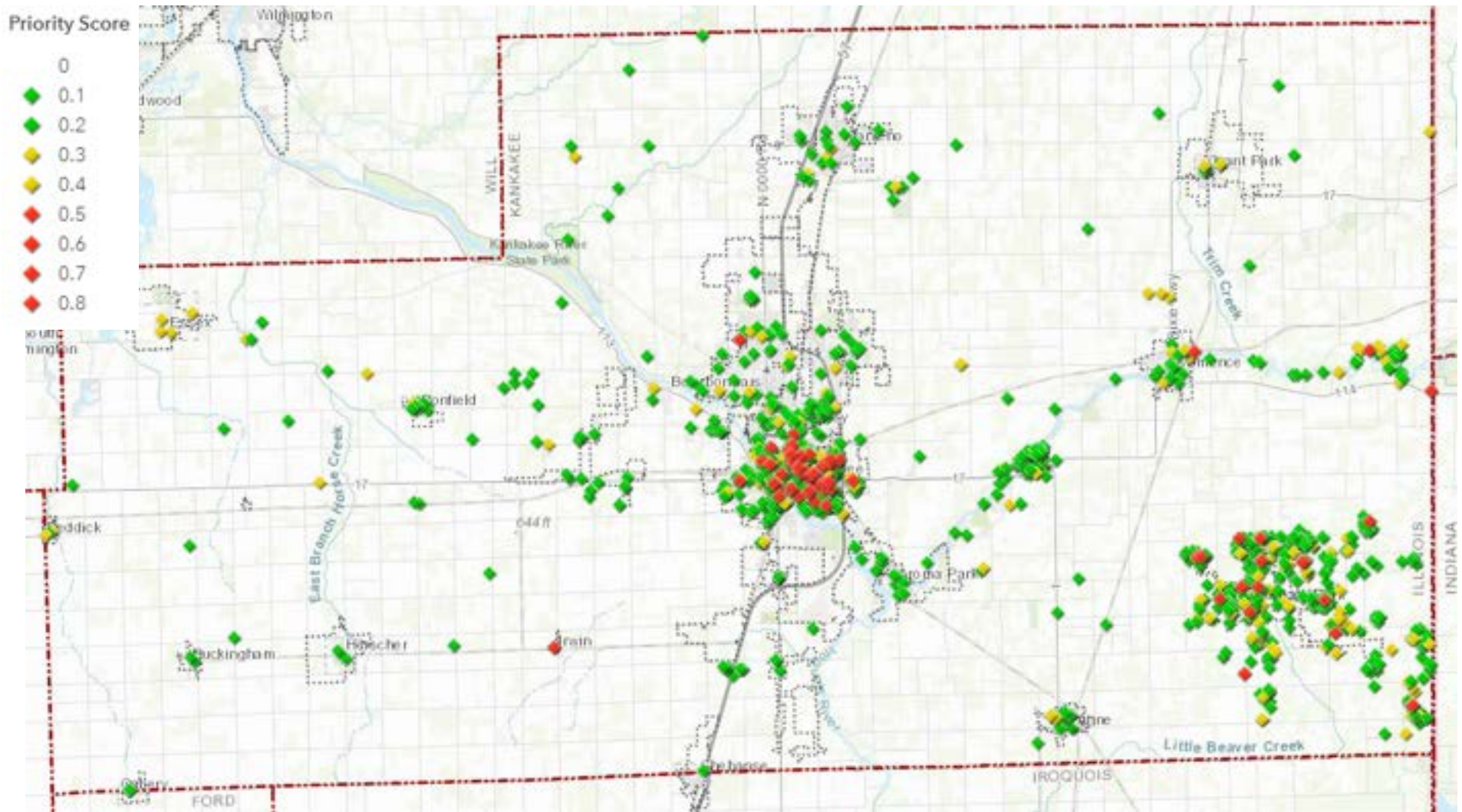


Figure 12: Priority Score – Kankakee County



Figures 13 and 14 show an Acquisition Scenario for the City of Kankakee and Kankakee County based on the priority scores. Similar maps can be made identifying the targeted areas in other areas of the County that have concentrations of high-ranking properties.

Critical factors to consider in acquiring properties include the following:

- Who is the intended end-user?
- Is the property improved with an existing building? If so, is it viable for repair or rehabilitation?
- What is the market for the intended use – whether commercial, residential or industrial?
- Are there other uses that should be considered, such as stormwater management, open space or institutional uses?
- Is the area a priority for land assemblage for larger redevelopment projects?

Within the City of Kankakee, one of the City's priorities is redevelopment along the Riverfront. In 2018, the City of Kankakee adopted the Kankakee Riverfront Master Plan with overall goal of revitalizing the City's riverfront. The Plan calls for the creation of various riverfront attractions, including parks, trails and other recreational uses, while also encouraging improved access and connection to the riverfront and those related destinations. As part of the implementation process for the Riverfront Master Plan, the City plans to acquire important properties along the riverfront, specifically properties south of Court Street and West of Schuyler Avenue, for improvement and redevelopment to help revitalize the riverfront area. Some of these properties will be removed from the tax roll to create recreational and open space uses for public enjoyment. The City has also created a Riverfront Tax Increment Financing District as part of the Riverfront Master Plan implementation. The TIF District will assist the City with implementing the goals of the Master Plan by creating incremental revenues that the city can use to help revitalize the Riverfront Area.

Properties within the Riverfront TIF District should be considered priority acquisition properties for a future Kankakee Land Bank. Acquiring and selling these properties will promote redevelopment in the Riverfront area, which will improve the property value and ultimately add incremental revenues that the City will be able to use to continue revitalization of both the Riverfront area and the City as a whole.

Figure 13: Acquisition Scenario – City of Kankakee

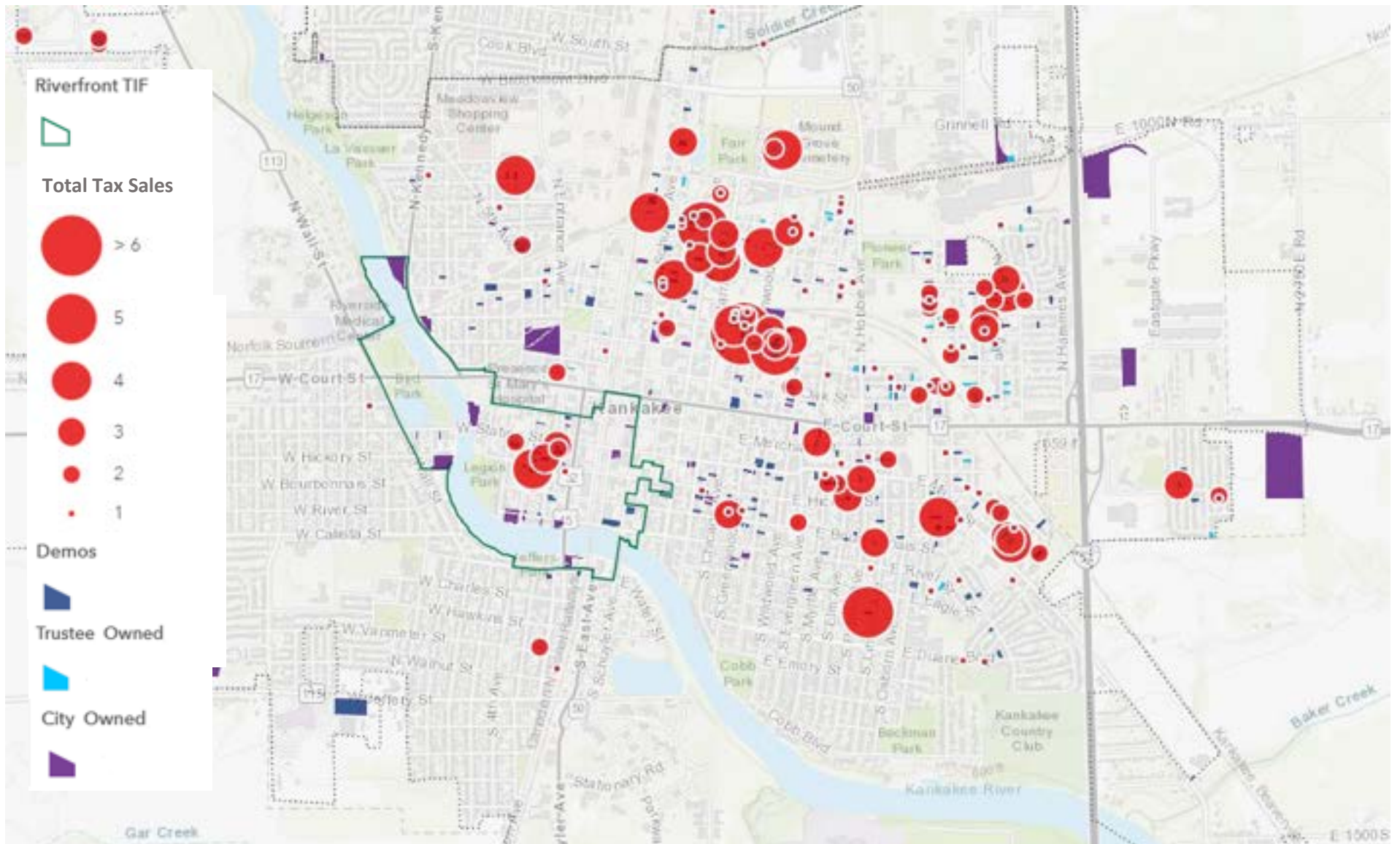
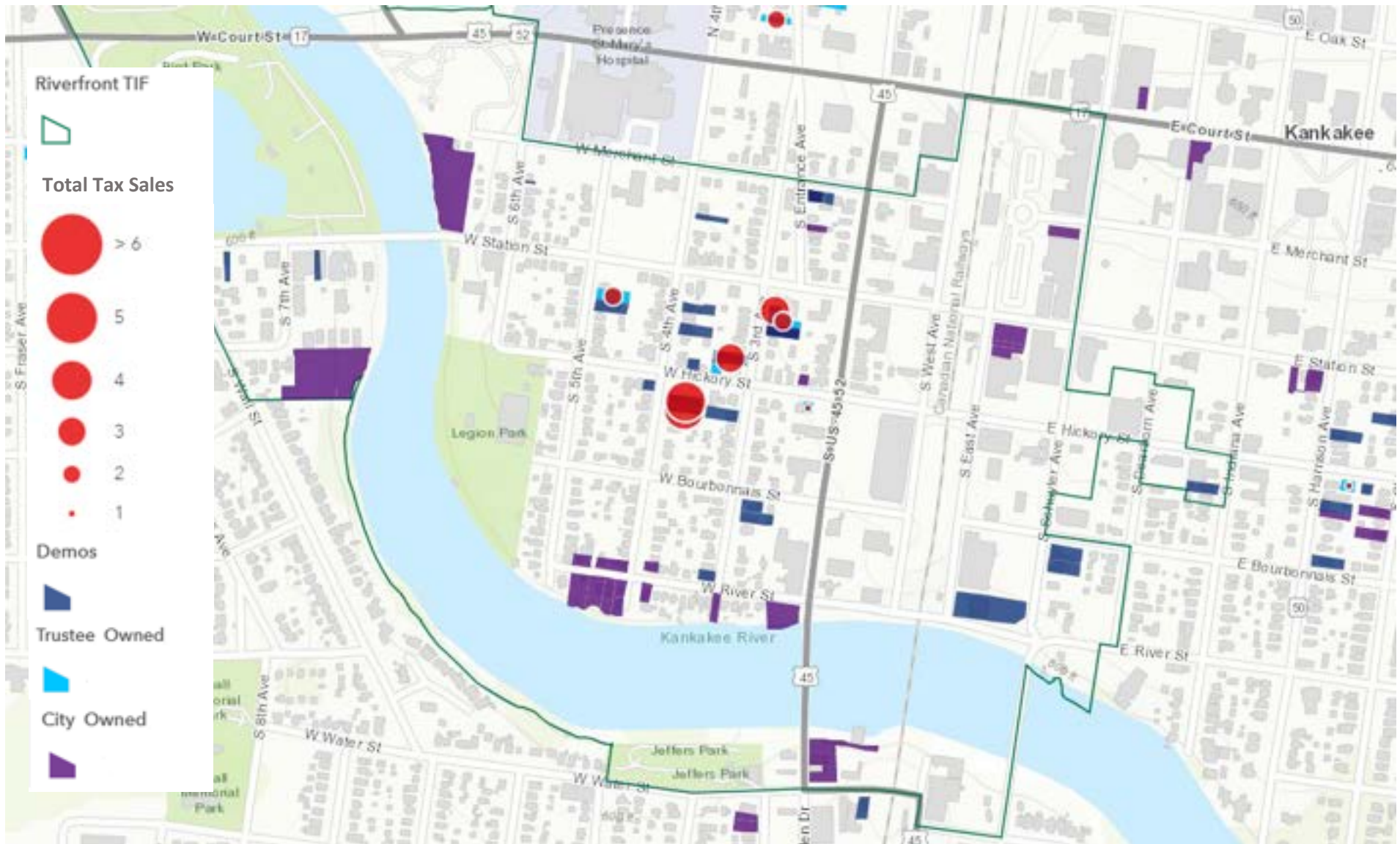


Figure 14: Acquisition Scenario – Riverfront TIF District



7. Framework for Land Bank Activities

Existing Cycle

The Tax Sale process is designed to compel property owners to pay their property taxes, or for a tax buyer to pay taxes on behalf of the owner in exchange for the owner repaying their taxes to the tax buyer with interest. In Kankakee County, however, the tax sale process results in a large number of properties that are either cycling through the system by being sold a number of times to tax buyers or are not sold at auction and revert to the County Trustee. The existing process is described below.

A. Kankakee County Tax Sale – An auction takes place each November of the taxes of all properties in which the full balance of property taxes is not paid. The taxes are either sold to an investor or to the Kankakee County Trustee if there is no sale. If the taxes are sold to the Trustee, there is no cash transfer, but the Trustee becomes the buyer of the tax lien.

B. Taxes Sold to Investor – While it varies each year, the tax bill for most properties are sold to a private investor. The remaining unsold taxes are held as tax liens by the County Trustee during the redemption period.

C. Redemption Period – Following the tax sale, the property owner may redeem the taxes before they lose ownership. For residential properties of 1-6 units, the minimum period of redemption is 2 ½ years. Commercial and vacant, unimproved land is six months. The tax buyer can extend the final date to redeem up to a maximum of 3 years for either type of property. During or at the end of the redemption period, there are three likely results:

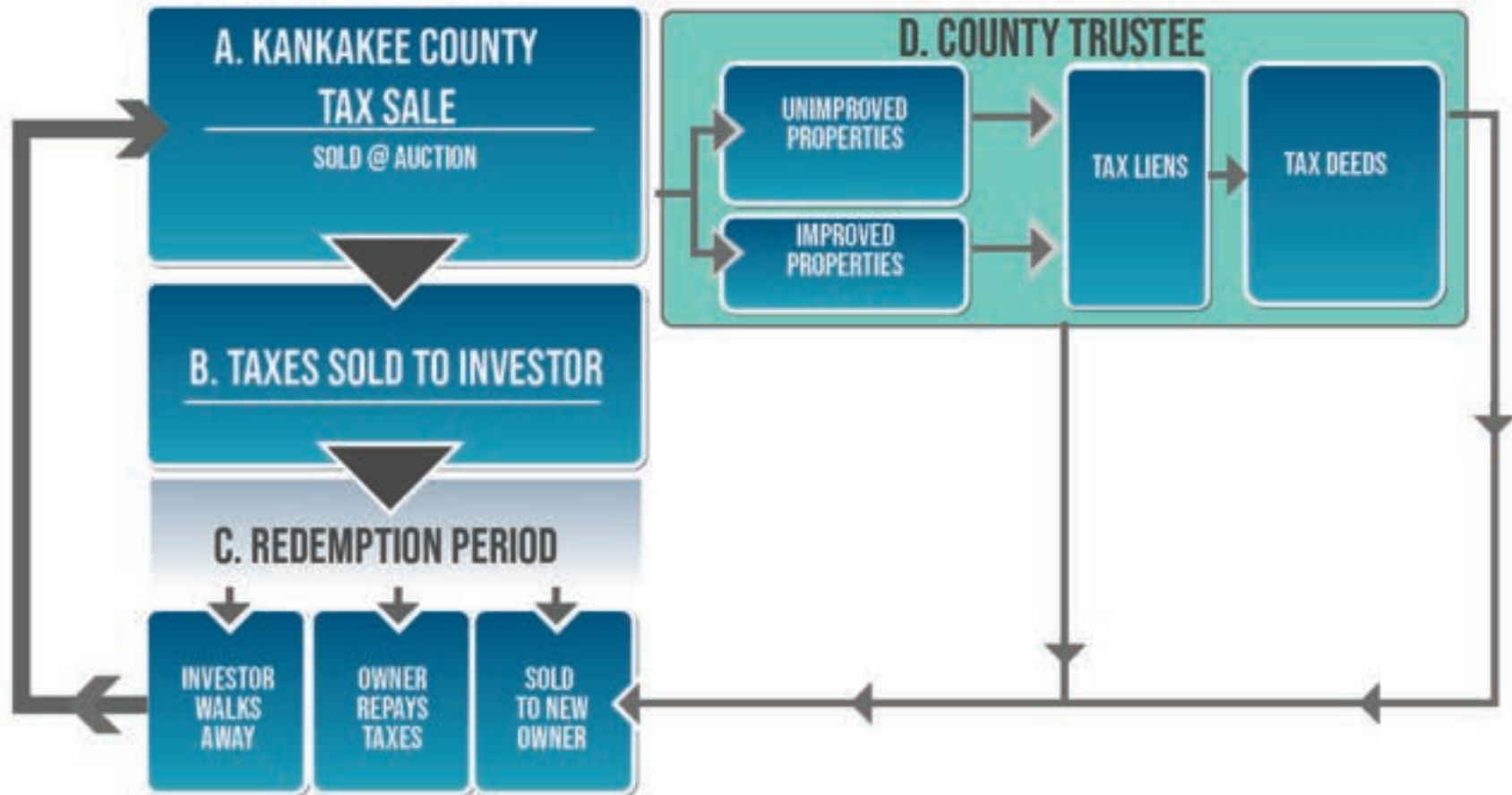
- Investor walks away. The property owner fails to pay back the taxes and interest and the tax buyer is not interested in owning the property. The property then reverts back to the next Kankakee County Tax Sale if taxes are not paid.
- Owner repays taxes. The property owner pays the taxes and interest to the tax buyer and does not lose their property.
- Sold to new owner. The tax buyer becomes owner of the property at the end of the redemption period and sells the property to a new owner.

D. County Trustee – Properties that are not sold at tax auction revert to the Kankakee County Trustee if no investor bids on the property. The County Trustee then holds the properties during the Redemption Period for three years. At the end of the Redemption Period, the County will petition the Circuit Court for the County Clerk to issue a Tax Deed, transferring ownership of

the property to Kankakee County. The property then remains in the County Trustee until it is sold. Some of the properties in County ownership are wetlands or in a flood plain, are not buildable or are too small to meet zoning standards. Other properties with greater market value may be sold to a new owner, with a clean title and be free and clear of back taxes.

KANKAKEE LAND BANK STRATEGY

EXISTING CYCLE



Proposed Land Bank

As discussed throughout this study, creating a Land Bank would provide a new way to assist the members of the Land Bank such as the City of Kankakee, Kankakee County and other municipalities, in acquiring properties for new development, stabilizing the housing market reducing the recidivism of properties cycling through the Tax Sale process.

A. Kankakee County Tax Sale – The taxes on most properties would continue to be sold to tax buyers. The Land Bank, however, would work with the County Trustee to acquire, stabilize and repurpose as many properties as feasible in order to reduce recidivism in the tax sale process. In addition, the Land Bank may wish to bid at auction for troubled, distressed, or repeat properties prior to the taxes being sold to investors.

B. Taxes Sold to Investor – Taxes would continue to be sold to tax buyers. If the Land Bank buys properties at auction, they would have the same Redemption Period restrictions as investors.

C. Redemption Period – During the Redemption period of two one-half to three years for residential and six months for commercial property, the likely results would be:

- Owner Repays Taxes. The Owner repays and retains possession of the property. If they do not pay future property taxes, the taxes would revert to the Tax Sale. If the property is vacant and abandoned, the Land Bank could intervene by petitioning the Court to declare it an Abandoned Property to acquire ownership. The Land Bank can also work to match homeowners at risk of losing their property to housing counseling providers.

- Sold to New Owner. In cases in which the Land Bank purchases the taxes, the Land Bank would seek new qualified owners (whether developers, homeowners or other entities) to purchase the home at the end of the Redemption Period.

D. County Trustee – The Land Bank would continuously review properties in which the Kankakee County Trustee acquires the tax liens. The Land Bank would work with the County to market these properties, whether they are unimproved vacant lots that go to Deed, or Improved properties that go to Tax Lien. The Land Bank would only acquire those properties that meet its Acquisition Standards – those that can be brought back to productive use through sale or reuse.

E. Municipal – The Land Bank would coordinate with municipal redevelopment priorities and programs. For example, the City of Kankakee has prioritized acquisition of properties along the Kankakee River for redevelopment purposes utilizing Tax Increment Financing (TIF). This acquisition would be undertaken through a variety of tools including tax sales and abandonment proceedings as well as purchase of properties.

F. Kankakee Land Bank – The Land Bank would acquire those properties through negotiated sale with the County that meet Disposition Strategies. The title, taxes and liens would be cleared during this time to make them available for Disposition.

G. Other Land Bank Acquisition Sources - The Land Bank would utilize other mechanisms to acquire land including:

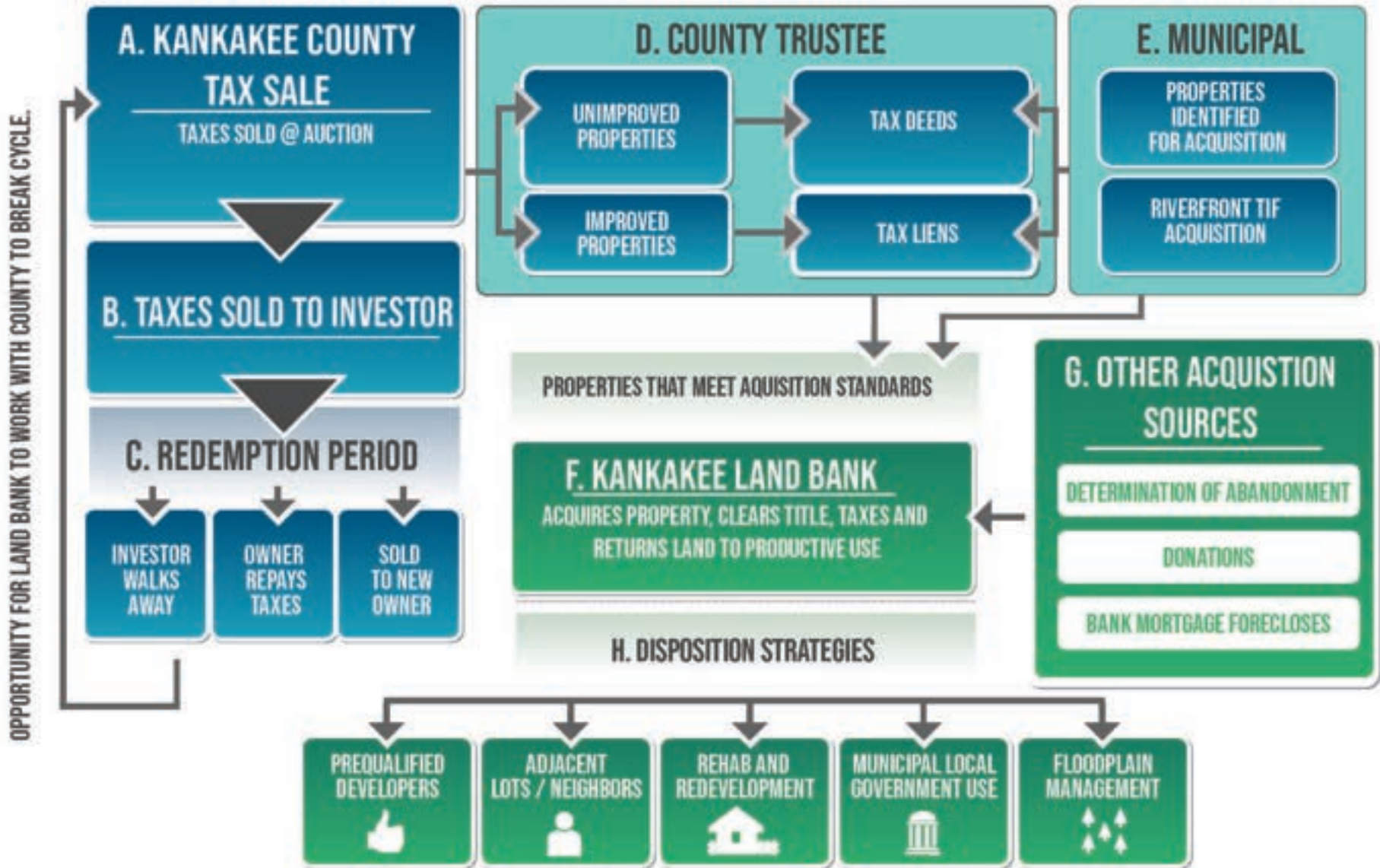
- Determination of Abandonment for vacant and abandoned properties through petitioning the Court
- Donations – voluntary donations of real estate to the Land Bank that meets the Land Bank's Acquisition Standards
- Bank Mortgage Foreclosures, Fannie Mae and Freddie Mac Purchases that meet the Land Bank's Acquisition Standards

H. Disposition Strategies – The Land Bank would find new use for properties as quickly as possible. The Land Bank would not hold properties for indefinite periods without a targeted Disposition Strategy. These uses would include:

- Prequalified Developers – selling the properties to contractors and developers who can renovate or build new homes or commercial development and sell them to new users. By creating a list of prequalified developers, municipalities can be assured that the new owners have the capacity to take on the properties and bring them back to productive use, breaking the pattern of investors that are cycling properties through. It is also an opportunity to work with local contractors and small developers to grow their capacity as an economic development and job creation opportunity. There may also be a possibility for goals to recruit women and minority owned businesses to increase their capacity and ability to grow as businesses in the City and County.
- Adjacent Lots and Neighbors – selling properties for side yards, gardens and possibly for new development if they meet zoning standards. The Land Bank and City may consider marketing these properties not only to adjacent neighbors, but other nearby property owners that may want to use them for gardens and playfields, or they meet local regulations, for future uses such as new homes. The new property owner would agree to maintain the properties and pay property taxes going forward.
- Rehab and Redevelopment– selling properties at a low cost to purchasers along with building specifications. Purchasers would need to bring the building to code prior to receiving the deed to the property.
- Municipal or Local Government Use – the City of Kankakee or other municipalities or local government agencies would agree to hold and manage the redevelopment parcels or for facilities or other public uses.

- Floodplain Management – permanent maintenance of properties in the flood plain or disposition to a public or non-profit organization that will own and manage the land for a stormwater, open space or natural resource purpose. This reuse may be appropriate to properties along the Kankakee River.

KANKAKEE LAND BANK LAND BANK STRATEGY



8. Financial Model

A financial model was created to test the scale and self-sufficiency of a Land Bank that would become self-sufficient over a five-year period. In order to achieve a scale of self-sufficiency, it is recommended that Kankakee County, the City of Kankakee and other municipalities each become members of the Kankakee Land Bank. Note that IHDA Land Bank funds can only be utilized on properties that were residential or will be residential once reused. Other Land Bank funds can be utilized on commercial and industrial properties.

Table 9: Estimated Acquisition Prices

Acquisition Prices	Base Amount		
	Resid.	Comm.	Indus.
1) Improved Property Sales	\$500	\$500	\$500
2) Unimproved Property Sales	\$350	\$500	\$500
3) Abandoned Property Sales	\$3,500	\$5,000	\$5,000
4) Donations	\$1,000	\$2,000	\$2,000
5) NCST, Fannie Mae, Freddie Mac	\$10,000	\$12,500	\$12,500

Disposition prices are based on a range of market conditions – from unimproved residential properties that might sell for just \$2,500 up to improved properties at \$12,500 and donations and foreclosed properties that would average between \$20,000 and \$25,000. County Trustee properties without structures often sold as side lots, open space, stormwater or land holding for later development. Abandoned property sales represent those properties that may have greater reuse or redevelopment potential.

Table 10: Estimated Disposition Prices

Disposition Prices	Base Amount		
	Resid.	Comm.	Indus.
1) Improved Property Sales	\$12,500	\$15,000	\$15,000
2) Unimproved Property Sales	\$2,500	\$3,000	\$3,000
3) Abandoned Property Sales	\$15,000	\$20,000	\$20,000
4) Donations	\$20,000	\$25,000	\$25,000
5) NCST, Fannie Mae, Freddie Mac	\$25,000	\$30,000	\$30,000

As discussed in the first section of this study, there is great demand for a land bank due to the high rate of tax sale recidivism and need to demolish properties. This scenario shows a forecast of starting with 16 properties in Year 1 and rising to 60 properties annually by Year 5.

Table 11: Estimated Properties Per Year

Number of Properties Per Year					
	Year 1	Year 2	Year 3	Year 4	Year 5
1) Improved Property Sales	2	6	8	10	11
2) Unimproved Property Sales	8	10	12	14	16
3) Abandoned Property Sales	6	16	18	21	24
4) Donations			3	3	4
5) NCST, Fannie Mae, Freddie Mac				5	6
Total	16	32	41	53	60

The projected increase in Assessed Value (AV) from the acquisition and disposition of these properties is \$1,503,134 by Year 5 as shown in Table 12. This projection is based on 50% of properties with existing buildings to be rehabbed and 50% of unimproved lots to be built with new construction. Table 13 estimates the increased total property taxes over the next five years.

Table 12: Increase in Assessed Value

	Year 1	Year 2	Year 3	Year 4	Year 5
1) Improved Property Sales	0	\$8,250	\$27,555	\$110,220	\$220,440
2) Unimproved Property Sales	0	\$6,600	\$127,875	\$273,405	\$325,776
3) Abandoned Property Sales	0	\$6,930	\$233,970	\$489,390	\$783,123
4) Donations			\$0	\$45,045	\$94,595
5) NCST, Fannie Mae, Freddie Mac				\$0	\$79,200
Total Property Taxes	\$0	\$21,780	\$389,400	\$918,060	\$1,503,134

Table 13: Total Property Taxes

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1) Improved Property Sales	\$0	\$1,304	\$4,354	\$17,415	\$34,830	\$57,901
2) Unimproved Property Sales	\$0	\$1,043	\$20,204	\$43,198	\$51,473	\$115,918
3) Abandoned Property Sales	\$0	\$1,095	\$36,967	\$77,324	\$123,733	\$239,119
4) Donations			\$0	\$7,117	\$14,946	\$22,063
5) NCST, Fannie Mae, Freddie Mac				\$0	\$12,514	\$12,514
Total Property Taxes	\$0	\$3,441	\$61,525	\$145,053	\$237,495	\$447,515

Land Bank Feasibility Model Five-Year Budget

A five-year budget has been developed to test the financial feasibility of creating a Kankakee Land Bank.

Revenues are derived from a mix of property disposition, IHDA Land Bank funds, IHDA programs such as Abandoned Properties Program (APP) and/or Blight Reduction Program (BRP), bank donations, and revenue from the prior year. Based on the assumptions laid out above, the first full year of operations of a land bank is forecasted to bring in \$227,500, including \$135,000 from Kankakee's existing Land Bank Capacity Program grant awarded by IHDA and will be made available once a land bank is formed. By Year two, revenues are expected to grow through the disposition of properties, plus new applications for Land Bank and Abandoned Properties Program grants from IHDA would yield approximately \$520,000. By Year 5, revenues are expected to reach \$1.1 million, driven primarily through the disposition of properties.

Expenses are broken down into acquisitions, demolition, legal, GIS & data analysis, maintenance of land bank properties and administration. The first year will include the acquisition of 16 properties. Demolition expenses (assumed to be required for 50% of improved properties) and one new staff person are expected to be the majority of the budget of approximately \$210,000. By Year 2, acquisition is expected to double to reach 32 units, meaning demolition and related costs will also increase, requiring approximately \$454,000 in expenses. By Year 5, expenses are expected to reach just under \$1 million as the land bank acquires and disposes of approximately 60 units per year.

Based on this budget, each year would at least break-even and roll over reserves into the following year budget. It is forecasted that the land bank would be fully financially self-sufficient without grant funding by Year 5, although targeted grants would allow for greater impact of the land bank.

To manage the workflow, it is recommended that dedicated staff would be needed to acquire, asset manage and dispose of the properties to responsible end-users. This could be a combination of existing staff that are reassigned to the Land Bank or new staff that would be paid out of the proceeds of the land bank.

TABLE 14: KANKAKEE LAND BANK BUDGET					
REVENUE	Year 1	Year 2	Year 3	Year 4	Year 5
Property Sales					
1) Improved Property Sales	12,500	76,500	104,040	130,050	210,458
2) Unimproved Property Sales	10,000	25,500	31,212	37,142	42,448
3) Abandoned Property Sales	45,000	240,000	275,400	323,044	378,851
4) Donations		-	62,424	71,441	229,221
5) NCST, Fannie Mae, Freddie Mac		-	-	125,000	137,500
Government Grants					
IHDA Land Bank	135,000	75,000	75,000		
IHDA APP		37,500	37,500	37,500	37,500
Private Support					
Banks	25,000	25,000	25,000	25,000	
Foundations, Corporations		25,000	25,000	25,000	
Past Year Net Revenue		17,300	67,928	110,637	87,383
TOTAL	227,500	521,800	703,504	884,814	1,123,361
EXPENDITURES					
	Start-Up	Year 1	Year 2	Year 3	Year 4
Acquisitions					
1) Improved Property Sales	1,000	3,000	4,000	5,000	5,500
2) Unimproved Property Sales	2,800	3,500	4,200	4,900	5,600
3) Abandoned Property Sales	21,000	56,000	63,000	72,450	83,300
4) Donations			3,000	3,300	3,600
5) NCST, Fannie Mae, Freddie Mac				50,000	55,000
Legal Transaction Fees	16,000	35,200	49,200	68,900	83,860
Demolition	56,000	154,000	182,000	214,900	243,600
Rehab Assistance		60,000	67,500	77,625	89,250
Staff	60,000	61,800	118,654	177,214	237,530
Benefits	17,400	17,922	34,410	51,392	68,884
GIS & Data Analysis	15,000	15,450	15,914	16,391	16,883
Rehab Specifications	5,000	14,000	17,000	20,350	22,900
Insurance	15,000	20,000	20,600	21,218	21,855
Equipment	1,000	3,000	3,090	3,183	3,278
Rent		-	-	-	-
Other		10,000	10,300	10,609	10,927
TOTAL	210,200	453,872	592,867	797,431	951,966
NET REVENUES					
	17,300	67,928	110,637	87,383	171,395

9. Next Steps

Next steps recommended for the creation and start-up of the Kankakee Land Bank include:

A. Feasibility Review

1. Review results of the Feasibility Study and test assumptions based on local practices and experience.
2. Develop a recommendation to the City of Kankakee to adopt the Feasibility Study.
3. Review a draft Intergovernmental Agreement to form the Kankakee Land Bank.
4. Meet with Kankakee County, the Villages of Bourbonnais and other interested municipalities or adjacent counties that may be interested in joining the land bank.
5. Work with Kankakee County and interested municipalities for them to adopt the Intergovernmental Agreement.

B. Due Diligence

1. Meet with prospective donors and funders regarding the possibility for collaboration with the Land Bank including government agencies, banks, foundations, corporations and municipal contributors.
2. Complete due diligence regarding acquisition, property management and disposition strategies.
3. Seek sign-off from IHDA on the formation of the Kankakee Land Bank and the ability to expend funds toward Land Bank operations.

C. Implementation

1. Adoption the Intergovernmental Agreement by each member and form Board of Directors of Land Bank
2. Assign or recruit staff for the Kankakee Land Bank to manage and execute operations.
3. Develop GIS capacity and database management system to refine criteria and develop specific acquisition strategies in coordination with municipal and County members of the Land Bank.
4. Refine acquisition and disposition strategies prior to proceeding with acquisitions.
5. Begin regular Board meetings to set policy guidelines for acquisition, asset management, human resources, financial controls, and dispositions.
6. Seek grants from banks, foundations, corporations and municipal contributors.

7. Begin acquisition and asset management of properties.
8. Develop a pre-qualified developer list to be able to sell properties to based on qualifications.
9. Develop programs such as side-yards programs to convey or sell properties to neighbors.
10. Coordinate with TIF and other programs to assist with acquisition and disposition of properties.

Appendix 1: Glossary

Abandoned Property

Any real property that is unoccupied by lawful occupants and deserted by the owners without providing needed maintenance and care.

Certificate of Error

A document issued by the assessor office that is either certified by the assessor or approved by the court to correct an error in the tax bill.

County Trustee

The county agent or agency that is assigned responsibility by the county to manage tax-forfeited properties, as set forth in Section 21-90 and related sections of the Property Tax Code, 35 ILCS 200/1-1 et. seq.

Forfeited Tax

Any tax upon which a judgment has been entered by the circuit court of the county and which was offered at an annual tax sale and not sold. These taxes are available to interested investors who wish to purchase them at any time after the annual tax sale at which they were originally offered.

Open Deed

After the redemption period the County Trustee may petition the circuit court for a tax deed if the property owner (or other person with an interest in the property) does not redeem (pay back taxes, interest and fees) in the allotted time. Once granted by the circuit court, the County Trustee can then sell the Open Deed to a new purchaser of the property. (Also see Tax Deed)

Open Tax Lien

Delinquent or unpaid taxes from a prior year that were neither forfeited nor sold at an annual tax sale. Usually, these taxes are those that the county treasurer's office withheld from the annual sale application for judgment, due to pending action in another venue, such as a bankruptcy filing or a Certificate of Error filed with the county assessor. (Also see Tax Lien)

Property Index Number or PIN

A PIN or property index number (also called "permanent real estate index number") is a unique 14-digit number assigned to a parcel of land for taxation purposes. The PIN is actually a numerical code for the legal description of the parcel, as that parcel

has been defined for the purposes of real estate taxes. The formatted code points to the parcel's location on the county tax maps.

Redemption

The process of repaying taxes that have been the subject of a judgment in the circuit court and either sold to a tax buyer or forfeited to the State of Illinois.

Redemption Period

The period of time given to owners to pay delinquent taxes before the tax certificate holder has authority to seek a tax deed. The Redemption Period for commercial properties is six months, two years for vacant property and 2.5 years for residential homes. The purchaser may extend the redemption period for up to three years from the sale date.

Sale in Error

A determination by the county treasurer or court to refund the payments made by tax buyers based on changed conditions on the property, errors in the sale or other grounds set forth in the Property Tax Code. In some cases, the sale in error will give tax buyers a refund with interest.

Tax Buyer

The individual or entity that purchased the taxes at an auction conducted by the county treasurer's office or purchased over-the-counter for forfeited taxes that were offered and not sold at the annual sale. The tax buyer acquires an interest in the property with a right to seek a tax deed to the property if the taxes are not redeemed within the redemption period. Interest can be as high as 36 percent per year in addition to the statutory 1.5 percent interest per month on unpaid taxes.

Tax Deed

The tax purchaser may petition in circuit court for a tax deed if the property owner (or other person with an interest in the property) does not redeem in the allotted time. Owners, occupants, and other parties with an interest in the property must receive advance notice of the tax deed proceeding. The circuit court hears the case and enters judgment ordering a tax deed if the tax purchaser is in compliance with all technical statutory requirements.

Tax Lien

The county's annual lien that is imposed on all property under Illinois law to secure the estimated tax obligation for the upcoming year. See Tax Sale.

Tax Sale

Each year, the county collector applies to the circuit court for judgment and order of sale for the taxes on delinquent properties. If judgment is entered, a lien on the property in the amount of unpaid taxes and other associated costs is offered for sale. The property itself is not sold. The sale of the county's tax lien to an entity or individual who may take ownership of the property if the sale is not redeemed within the permitted timeframe. Whomever bids the lowest penalty, which cannot exceed 18 percent for each six months, is the successful tax purchaser. Tax purchasers receive a certificate of purchase. This certificate describes the tax lien sold and lists the sale date and amount of taxes paid by the tax purchaser. If the property owner (or other person with interest in the property) does not redeem in the allotted time (see Redemption Period), the tax purchaser may petition in circuit court for a tax deed.

Appendix 2: Land Banks

Land banks are a mechanism to strategically acquire properties, return them to productive use, reduce blight, increase property values and support community goals. They grew out of the need to address the growing inventory of vacant and abandoned properties, especially in cities across the U.S. The first land banks were organized in St. Louis, Louisville and Atlanta. They are a relatively new tool for community development and began to address both the problems caused in the real estate market and reforms that were needed to break the cycle of decline that often results from tax sale processes. The latest generation of land banks intentionally take on the need to update public policies to redirect control of tax-foreclosed properties from investors who do not have a stake in the community. These land banks are formed by local government entities – counties and municipalities -- have the greatest stake in safe, attractive, and economically viable communities. Examples of land banks include:



Cook County Land Bank Authority

Cook County Land Bank Authority was formed by ordinance of Cook County in 2013 to address the large inventory of vacant residential, industrial and commercial property in Cook County. The Land Bank acquires, holds and transfers interest in real property throughout Cook County to promote redevelopment and reuse of vacant, abandoned, foreclosed or tax-delinquent properties.

FY 2018 accomplishments included:

- Generated nearly \$11 million in earned program income; 9% increase over FY 2017
- Closed record-high 687 transactions in 2018, a 26% increase over 2017
- Created over \$42.4 million in market value via reoccupied, rehabbed homes
- Sold 90 homes directly to consumers through their Homebuyer Direct Program
- Received \$250,000 from IHDA for continued blight reduction efforts

More information is available at www.cookcountylanbank.org





South Suburban Land Bank and Development Authority was formed in 2012 with an intergovernmental agreement passed by the Village of Park Forest, City of Oak Forest and City of Blue Island. It is set up as a regional economic development tool for municipalities with limited manpower and financial

resources to legally hold, manage and develop tax or bank foreclosed properties and put them back into productive use. There are now 30 municipal members who have joined the SSLBDA through the Intergovernmental Agreement.

More information is available at www.sslbda.org

IHDA Land Bank Capacity Program

The Land Bank Capacity Program ("LBCP") and Technical Assistance Network ("TA Network") was created in 2017 to help communities gain access to funding and technical assistance of land banks in the Downstate and southern portion of Illinois. Grant funds under LBCP may be used to offset the costs of creating and operating land banks; funds under TA Network may be used to provide technical assistance to LBCP eligible applicants.

Funds were awarded to Vermilion County Land Bank, Region 1 (Winnebago/Boone), City of Kankakee, Village of Rantoul (Champaign County), City of Peoria, City of Freeport, Coles County Regional Planning and Two Rivers Regional Council of Public Officials.

Since the funds were awarded, the Northern Illinois Land Bank Authority has been formed, comprised of Winnebago and Boone Counties plus the cities of Rockford, Belvidere, Loves Park, Machesney Park and South Beloit. In addition, the City of Freeport has completed its feasibility study through the LBCP and will be joining the Northern Illinois Land Bank as well.

Vermilion County Land Bank is also expanding to become a regional land bank by changing its name to Eastern Illinois Land Bank Authority and bringing in Champaign County, the Village of Rantoul and the City of Champaign.

Feasibility studies in Peoria, Coles County and Two Rivers will be completed in 2019.

More information is available at www.ihda.org/my-community/revitalization-programs and at www.lbcta.org

Lake County Land Bank

The Lake County Land Bank (LCLB) was formed in early 2019 with five founding members: Beach Park, Fox Lake, North Chicago, Round Lak, Round Lake Beach and Zion following a feasibility study that was completed in 2018 under the sponsorship of the Lake County Municipal League (LCML). The LCLB was awarded a \$250,000 Abandoned Properties Program by IHDA in May 2019 and plans to continue to expand its membership to include Lake County and any interested municipalities that are members of LCML.

More information is available at www.lakecountyleague.org/land-county-land-bank-authority



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Cuyahoga Land Bank -

Cuyahoga Land Bank has provided technical assistance to LBCP grantees through webinars, training materials and in-person training session that was held Peoria in 2018. It is one of the largest

land banks in the U.S.

When Cuyahoga County found itself at the center of a nationwide foreclosure crisis starting in 2006, a group of minds, including then Cuyahoga County Treasurer James Rokakis and current Land Bank President and General Counsel Gus Frangos, came together to do something about it. These efforts resulted in the formation of the Cuyahoga County Land Bank that strategically acquires blighted properties, returns them to productive use, increases property values through these efforts and supports community goals through collaboration with municipalities. The Land Bank acquires most of its properties through tax foreclosures. On a monthly basis approximately 150 properties are acquired each month, with 110 structures demolished and 50 homes rehabbed. Over the past eight years, a total of 1,600 rehabs have been completed, mostly by individuals and small developers who purchase the property and renovate it to meet code.

More information is at www.cuyahogalandbank.org

