

THE KANSAS CITY LAND BANK

A bill passed by the Missouri Legislature and signed by the Governor allows the City of Kansas City, Missouri, to establish a land bank. After the bill goes into effect on August 28, 2012, the city council must adopt an ordinance to establish the Kansas City Land Bank. The purpose for the land bank is to return abandoned properties to productive use and reduce the blight that exists in the neighborhoods where they are located.

The Kansas City Land Bank will be run by five commissioners. One will be appointed by Jackson County, one by the Kansas City Missouri School District, and three by the mayor of Kansas City. The commissioners will establish policies and procedures that follow requirements of the statutes revised or modified by the adopted legislation and any requirements contained within the ordinance to be adopted by the city council.

The land bank agency will receive the properties that are not sold at the public tax-foreclosure auction. All properties within the city that are held by Land Trust of Jackson County will be transferred to the land bank agency within a year after the land bank agency is established.

The land bank agency can also bid on properties offered for sale at the tax foreclosure auction. This is restricted to areas identified as target areas. If the land bank submits the winning bid, it will pay the amount that exceeds the amount of the delinquent taxes and liens owed. These excess proceeds will be available for the property owner to claim. If the property owner does not claim them within two years, the funds are distributed to the appropriate taxing authorities.

The land bank can also receive donations of properties. Banks have been donating low-value foreclosed properties to land banks in other jurisdictions. Otherwise, they often “walk-away” from the properties, leaving ownership in limbo and they continue to blight the neighborhood.

The land bank agency can purchase properties, but will not have the power of eminent domain.

For the first three years following the sale of a property, the land bank will receive most of the real estate taxes that the property generates. A small percentage will be retained by the county to cover costs associated with collecting and disbursing the tax revenue.

The land bank can issue bonds. The funds from the sale of the bonds can be used to make loans to cover the cost of rehabilitating vacant and abandoned homes that are sold by the land bank.

An expedited quiet title process is contained in the bill. This will facilitate the sale of properties held by the land bank by allowing for a clear title to be provided.

The bill was drafted through a joint effort by representatives from Jackson County, Kansas City,

and the Local Initiatives Support Corporation (LISC) with guidance provided by Frank Alexander, a nationally-respected attorney and law professor who has drafted legislation for several other states.

FREQUENTLY ASKED QUESTIONS

Many of the questions being asked cannot fully be answered until after the ordinance is adopted and the commissioners establish policies and procedures. The answers to questions found below are based upon what may be contained within the ordinance and policies and procedures. Please keep in mind that the final answer cannot be provided until the commissioners have established policies and procedures to address the issues raised in the questions.

Will the land bank check all of its properties for liens?

Yes, to the extent possible. Properties that are obtained from Land Trust of Jackson County and future tax foreclosure sales should enter the property inventory without liens attached. There may be pending liens for demolition and/or nuisance abatement activity such as weed mowing that have recently occurred, however. We anticipate that the land bank will check for those and act to have them resolved prior to the sale of a property from its inventory.

How will the price for each property be decided?

This will be provided by the policies and procedures. The Kansas City Land Bank is authorized to sell properties for less than two-thirds of the appraised value of properties if a majority of the commissioners approve it. There can be categories of properties with set prices established by the commission, however. For example, all vacant lots designated for use as a “side lot” may have a low price set and be made available at that price only to adjoining property owners.

The ordinance and/or the policies and procedures to be established will need to describe the process to be used to determine the appraised value of properties and the prices at which they will be offered for sale.

Will the land bank properties cost more than land trust?

While this cannot be fully answered until the policies and procedures are established, it will be easier for the land bank to sell properties at lower prices. Land Trust must currently obtain approval from two of the three appointing authorities before it can sell property below two-thirds of its appraised value. That means approval of the city council, the county legislature, and school board. At least two of these bodies must approve the sale through a resolution or other legislative action. A majority of the commissioners can make this decision for the land bank.

Will neighbors be given the first option to purchase properties?

It is anticipated that owners of neighboring properties will be given the first option to purchase

vacant lots that adjoin their property. Land banks in other cities often restrict the sale of small vacant lots so they can only be sold to an adjoining property owner and establish a set price (\$75 for example) at which it can be purchased. Something similar is anticipated for the Kansas City Land Bank.

How many neighborhoods does the City currently contract with for mowing?

Ten neighborhoods participated in the program in 2012. The nature of the program may be modified to take into consideration the involvement of the land bank in 2013 because the properties will be owned by the land bank, not Land Trust.

Are the sale prices going to be built into the ordinance (unimproved, vacant, residential and commercial)? Will this be dictated by the City or State?

There are some limitations within the state statute, like majority approval of the commissioners for sales at less than two-thirds appraised value, but the most of the method to be used for setting prices for properties sale should be described in the policies and procedures to be established by the commissioners after they are appointed.

What will happen to properties held by Land Trust?

Land Trust of Jackson County will continue to hold tax-foreclosed properties that are located outside of Kansas City. Properties that are located within Kansas City will be transferred to the land bank after it is established. Properties within Kansas City that are not sold at tax-foreclosure auctions in the future will be transferred to the Kansas City Land Bank. Properties outside of Kansas City will be transferred to Land Trust of Jackson County.

I have heard about the Kansas City Missouri Homesteading Authority. What is its connection with the land bank?

The Homesteading Authority is a non-profit corporation run by a board of directors who are appointed by the mayor and city manager. It was involved with negotiations with Bank of America regarding the donation of foreclosed homes because the land bank did not exist. Land Trust is unable to accept donations of property. Future negotiations with other lenders regarding foreclosed homes are anticipated to involve the land bank instead.

What if I have other questions?

David Park, Deputy Director, Neighborhoods and Housing Services Department is heading up the effort to get the land bank operational. He may be reached at 816-513-3231 or by email at david.park@kcmo.org.

COMPARISON OF LAND BANK TO LAND TRUST

	LAND TRUST	LAND BANK
Involvement in tax foreclosure process.	Only receives properties that were not sold at a tax foreclosure auction.	Can also bid on properties in targeted areas that are offered in the tax foreclosure auction.
Ability to accept donations of foreclosed properties from banks and other lenders.	Cannot accept donated property	Can accept donated property.
Sources of revenue.	Revenue is derived from the sales of properties.	Revenue is derived from the sales of properties, cash donations along with properties from lenders, and from real estate taxes for three years after the sale of properties.
Discounted sale of vacant lots to adjacent owners.	Complicated. Must have legislated approval of two appointing authorities, which are Kansas City, Jackson County, and the KC School District.	Simpler. Must have approval of a majority of the land bank board.
Acquisition of a key property to facilitate sale of other properties in the inventory (a vacant lot in between two other properties for example).	Cannot purchase the property.	Can purchase the property through negotiations with the owner, but cannot use eminent domain.
Maintenance of properties.	Insufficient revenue to cover maintenance of properties in the inventory.	Additional income sources will allow for improved maintenance of properties.