



**THE EDWIN F. MANDEL LEGAL AID CLINIC  
OF THE UNIVERSITY OF CHICAGO LAW SCHOOL**  
THE ARTHUR O. KANE CENTER FOR CLINICAL LEGAL EDUCATION  
6020 SOUTH UNIVERSITY AVENUE / CHICAGO, ILLINOIS 60637-2786  
(773) 702-9611 / FAX: (773) 702-2063

**Housing Initiative Clinic Briefs**

**Cook County Land Bank Proposal**

By Sarah Iftekhar, '14 and Stephanie Yesnik, '14  
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This Housing Initiative Clinic Brief reviews the Cook County Land Bank Proposal and makes recommendations for its effective implementation.

**Overview**

In July 2012, the Cook County Board of Commissioners established an Advisory Committee to develop an implementation strategy for the proposed Cook County Land Bank. The goal of the Advisory Committee is to advise the Cook County Board President's office on a "legal and effective model for the Land Bank," keeping in mind "strategies for community revitalization, economic growth and the development of affordable housing and open space". The increasing number of vacant parcels is a widely acknowledged problem in Cook County. These vacant properties include real-estate owned ("REO") properties, properties at various points in the mortgage foreclosure process, properties with delinquent property taxes abandoned by owners, and city-owned and maintained vacant parcels. The result is an ever-increasing stock of vacant and abandoned properties across Cook County, which decreases property values and

tax revenue, and raises concerns about increased crime, neighborhood blight, and public nuisances that may result in public health or safety issues.

### **The Proposed Land Bank**

The proposed Cook County Land Bank (the “Land Bank”) is intended to address the problem of vacant and abandoned buildings regionally through intergovernmental cooperation. The Land Bank would be a quasi-public entity tasked with facilitating the reuse and redevelopment of vacant and foreclosed properties. The primary objective is to acquire and maintain properties that have been rejected by the open market in order to foster economic development and stabilize the property tax base.

The Land Bank would be a separate corporate structure, governed by a Board of Directors comprised of elected officials and subject matter experts.<sup>1</sup> The Land Bank could also form an Advisory Committee of community members to ensure that the Land Bank programs are adequately meeting the needs of the communities it serves. Initially, the Land Bank’s focus would be on demolition of blighted properties, development of scattered site rental, and property maintenance. The Land Bank would have the power to acquire properties by donation from financial institutions, by private market purchase, by purchase through the tax sale process, by eminent domain under the nuisance power, or if necessary, by virtue of separate statutory authority to rehabilitate or redevelop blighted, slum or conservation areas. The Land Bank’s initial capital would come from federal government funds, foundation grants and in-kind support from local government and community groups. Eventually, the Land Bank would aim to become

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<sup>1</sup> Bridget Gainer, Cook County Land Bank Proposal (2012), at 2, available at <http://www.bridgetgainer.com/foreclosure-and-land-bank/Commissioner%20Bridget%20Gainer%20-%20Cook%20County%20Land%20Bank%20Proposal.pdf>.

self sustaining with operating revenue coming from land sales, developer fees, rental income, tax revenue, and foundation and federal grants as needed.

## **Recommendations**

Although details of the Land Bank have yet to emerge, the Housing Initiative Clinic cautiously endorses the Cook County Land Bank concept. So far, overlapping jurisdictions within the County have struggled to provide a regional solution to the problem of vacant and foreclosed properties. Creating a centralized body with adequate resources to focus on the most distressed properties in Cook County is an attractive and admirable goal. The failure of the existing system to clear distressed properties and return them to productive use suggests that more intervention is needed.

To address the failings of the current system, the Housing Initiative Clinic recommends that the Land Bank focus on the most distressed properties where the existing system for clearing properties has broken down. Thus, the Land Bank should limit acquisition of properties to two circumstances:

1. Where there is no market for the property and acquisition by the Land Bank is a last resort; and
2. Where, although there may be a market for the property, private ownership would likely lead to substandard or slumlord housing, or long-term vacancy and inadequate maintenance while private owners wait for the market to improve.

### **Properties With No Interest from the Private Market**

Tax-delinquent properties that are unsold at the Cook County Scavenger Sale<sup>2</sup> are prime candidates for the first category since the open market has already rejected these properties. These properties have an unresolved status, and many are simply abandoned by the former owner and lender. The lack of private bidders at the Scavenger Sale suggests there is no effective market for the properties, and thus the Land Bank should intervene and acquire the properties.

### **Properties Where Market Forces Will Lead to Unacceptable Uses**

The second category of properties where it is appropriate for the Land Bank to step in is where there is a private market for the properties, but private ownership may result in uses that harm the surrounding neighborhood. These harmful uses might include speculators who sit on properties and neglect to maintain them while waiting for property values to increase, or the creation of substandard or slumlord housing. In this instance, government interference is most justified in intervening in the private market and the Land Bank may be the most effective actor to prevent damage to the community. It will be difficult and at times contentious for the Land Bank to identify when private ownership will lead to unacceptable uses. It will require local knowledge and monitoring of properties, and development of criteria over time as the Land Bank learns where best to intervene despite the existence of investor interest. One tentative recommendation for Land Bank intervention would be when the opportunity arises to assemble a

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<sup>2</sup> Properties with delinquent property taxes that are not redeemed or purchased at the County's annual tax sale are subject to bidding at the biannual Cook County Scavenger Sale. These properties have not had their taxes paid for many years and are unwanted by investors, and as a result are thought to be vacant and abandoned. For more information, see e.g. Cook County Treasurer's Office, "Scavenger Tax Sale Background Information," <http://www.cookcountytreasurer.com/taxdates.aspx?ntopicid=77>; or Bridget Gainer, Cook County Land Bank

series of adjacent parcels, with the goal of creating an attractive, larger site that can be put back into the private market relatively quickly.

### **Disposition of the Properties**

Properties acquired by the Land Bank could be disposed of in a variety of ways, including conventional sales and creative public uses. Some properties could be aggregated by the Land Bank to create larger development sites. The Land Bank must provide responsible security and maintenance until the properties are put back into service. Other, more scattered properties could be sold or donated as side lots to adjacent property owners. To incentive adjacent owners to accept the side lots, the additional property taxes attributable to those lots could be phased in over time. Possibilities may also arise to use Land Bank properties as so-called “Third Spaces”<sup>3</sup> - creative and worthwhile uses of the property such as community gardens, art installations, outdoor theaters and the like. These creative uses, which could be short-term or interim uses in many cases, may provide opportunities for community building and fostering greater community investment in the properties in question and in local neighborhoods. Community advisory boards are especially important in the context of these interim uses and should be involved in determining the use of the property and in maintaining the property.

### **Reporting Requirements**

In addition, the Land Bank should clearly articulate the criteria for acquisition of properties and provide periodic reporting on the acquisition and disposition of properties. The Land Bank

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Proposal (2012), at 13-14, available at <http://www.bridgetgainer.com/foreclosure-and-land-bank/Commissioner%20Bridget%20Gainer%20-%20Cook%20County%20Land%20Bank%20Proposal.pdf>.

should maintain an online inventory of the parcels acquired by it and the short and long term goals for their use. Such transparency is necessary to ensure the Land Bank's accountability. It will also incentivize the Land Bank to quickly return the land to the private market where feasible, or ensure that the land is put to the community's benefit through creative, interim uses.

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<sup>3</sup> For more information on Third Spaces see e.g. Projects for Public Spaces (<http://www.pps.org/reference/roldenburg/>); <http://www.lisc-chicago.org/index.html>