

# Minutes – Special Meeting



## Quad Cities Land Bank Authority Special Meeting

Monday, May 4, 2023, 1:30 p.m.

Moline City Hall

Committee of the Whole Room

619 16 Street

Moline, Illinois 61265

### 1. CALL TO ORDER

M. Brainard called the meeting to order at 1:30 a.m.

### 2. ROLL CALL

Board Members: Miles Brainard, KJ Whitley, Annaka Whiting

Others present: Moline City Administrator Robert Vitas, CED Director Ryan Hvitlok, and Mary Chappell

BOARD MEMBER	Present	Absent
Brainard, Miles	X	
Whitley, KJ	X	
Whiting, Annaka	X	
Chappell, Mary	X	

### 3. PUBLIC COMMENT

N/A

### 4. NEW BUSINESS

4.1 Financial Stability of the Land Bank

4.2 Fiscal Policies tied to the Budget

M. Brainard began by stating this meeting was convened to discuss an additional contribution from the City of Moline to help with start-up expenses and how those funds would be repaid over a 10-year time frame. The floor was given to City of Moline Administrator B. Vitas.

B. Vitas began with clarifying the creation of the land bank started before he arrived in 2021. He referenced the feasibility study which he felt did not provide true guidance or financial insights on land bank operations. He stated there was no argument that the three cities would front costs and that the program would be a benefit given the housing issues across all three communities.

He referenced the Proforma document and noted that after a few years the sustainability just dissipates. Without an injection of capital revenue from any of the three cities it is not sustainable. The goal was for the land bank to be self-sustaining, to have a recurring cash flow to cover all of the operational expenses. It is only 2023 and now there is a request for an investment of \$200,000.

He stated that Moline would not be comfortable doing anything right now because the Proforma does not go out far enough. He noted that the only way to see revenues coming in is to take city assets, whether it is a commercial property or a residential property, and pass them along to become revenue generating.

He suggested that the real question is how the land bank functions like a real estate development corporation. How can it receive city properties, have them generate revenues to sustain annual operating costs, and create a profit that can be reinvested into housing. Given the condition of each community, it will take more than a decade before the situation could be turned around.

B. Vitas referenced a conversation with the former Mayor of Pittsburgh, PA, Tom Murphy. During Murphy's term, Pittsburgh experienced a depopulation that left the city with an empty and old housing stock. They were able to solve the problem because they reinvested in the city. Our communities have the same problem and want to research the Pittsburgh model.

He continued to say this type of reinvestment is what our city councils are looking for. All three have assets (properties) that need to be managed and returned to the marketplace. It may require working with a real estate agent or a real estate brokerage to get the properties back on the tax rolls and get development happening. He does not see the land bank functioning with just one or two houses a year as sustainable.

He discussed a commercial property worth almost \$900,000 sitting on John Deere highway that he would dump into the land bank as a capital investment. If this were to happen, Moline cannot be the only community investing.

He stated that from a fund accounting standpoint, the Proforma document does not go far enough to tell where the land bank is successful. The land bank cannot have just one pool of money. It needs to show how the total was generated and how it will be reinvested in the three communities.

He could not speak for the Mayor and City Council, but if Moline were to donate an asset into the land bank, the expectation would be that any proceeds from a sale would be reinvested back into Moline. He described a housing example where someone buys a vacant lot for \$25,000 and builds a house on it. Or a city builds on the lot and flips to sell. It may cost \$100,000 to build it is sold for \$300,000. The \$200,000 goes back into the program and is used to spawn more housing starts and more housing developments.

He raised the question of what would be done with the revenue to generate more revenue. The model as it is laid out will not work. He is not convinced as it is now May, and nothing has really happened. It has taken time to get going, a lot of administrative work to get it up and running. At this juncture, at almost the midpoint of the fiscal year, the only results are on paper.

He stated there has been no brainstorming on how the land bank is going to take each city's assets and return them to the marketplace to generate revenues that will make the land bank work. The land bank could be here for decades like other land banks in Illinois, such as the Chicago land bank.

A. Whiting agreed that some land banks have been around for a while and if you look at their budgets they are not meant to be the next Pittsburgh or the next CDC. They are community driven and working to reach the goals and objectives they have created.

She agreed with what B. Vitas was saying, but clarified the current status of the land bank was a result of careful planning, to make sure all the ducks were in a row first and to not jump ahead of ourselves. She also agreed that when you look at the Proforma document it is difficult to say it is sustainable. Changes are still being made to the document.

She expressed concerns about the capacity of the existing land bank, as there are only three board members and one program manager. She is the treasurer of the organization who also has more than a full-time job in here position with the City of East Moline and does not have the time to track loans and neither does the program manager. At this time, the organization does not have the capacity.

B. Vitas voiced that different expertise is needed for this program, as this is really the government dabbling in the real estate market. Need to bring forward experts.

A. Whiting stated that at the next meeting she is bringing the name of a real estate agent to be an expert director for the program. Rock Island is bringing in their building official, and Moline has nominated their Neighborhood Improvement Officer.

She shared that board members felt the time was right to bring on expert directors. She also relayed that she would be open to continuing these leadership conversations as we go forward. However, the land bank is not ready to change its original course, which is to have one pot of money to make a difference in the three current communities based on our individual needs and as a group.

B. Vitas begged to differ and stated that because he helped to create the land bank and has no issue with the goal, which was to lift the three communities up and improve housing, housing values, and the availability of housing.

He shared new housing deals are not penciling in the housing realm. He referenced a downtown Moline development project that was not penciling and the investment required on the public side is over 35%, which is not going to work. He is not going to support a project and wait 15 to 20 years to get a return on investment.

He noted the Proforma is great but is a science experiment right now. It would be good to have experts from the outside looking at it to see if it will pencil. At the end of the day the only skin in this game is from East Moline, Rock Island, and Moline. Once the guidance is there, an action plan needs to be developed. The Proforma and work plan are going down that road, but Moline is not dumping any more money into the program, not now.

A. Whiting stated she understood, anticipated this response, and prepared a separate budget that excludes the funding. She also stated the process involved in developing the Proforma included taking that snapshot to determine what we need to do today to make the program work. She was not in support of changing the program based on the concerns raised today.

B. Vitas asked if East Moline is comfortable knowing their funds may be used to support a Moline project. A. Whiting confirmed that is exactly what East Moline is doing and what her council agreed to. All three communities agreed on one pot of money and a three-year commitment.

A. Whiting further stated the land bank is not ready for a longer view. We did not ask our councils for a five-year commitment. We decided to wait as we do not have a story to tell. We have progress on paper – but no story. We have discussed completing at least one demolition in East Moline to show that win story. Moline's request is different as is Rock Island's request.

M. Brainard noted that the same is true for his city council. He would not be comfortable going back to his council with changes to the original course of action that was agreed to.

M. Chappell stated the feasibility study focused on the vacant and abandoned properties based on county information. The plan is to go after those properties and get them back on the tax rolls based on the goals of each community. She stated the work involved with organizing the land bank has been helpful for all board members. Rock Island has changed their focus on how to utilize the land bank. East Moline has stated their preference. We are waiting to hear how the land bank can assist Moline.

A. Whiting noted the Proforma was prepared without knowing all the involved expenses. She referenced that the board is waiting to determine insurance expenses and how much it will cost to maintain and abate properties. A Proforma is built on estimates. There are a lot of moving parts to this, and not enough time has passed to determine any success.

B. Vitas asked how much time is needed. M. Brainard asked about the dates for the tax auction. M. Chappell confirmed the county's annual tax auction is held in October. A preliminary list is typically available in July. She asked if the City of Moline would like the land bank to focus on acquiring tax auction properties located in Moline.

B. Vitas stated he was not sure if Moline wanted to add to its inventory of 100 properties. M. Brainard asked what the 100 properties consisted of. K. Whitley confirmed it was a mixture of both residential and commercial properties. A. Whiting mentioned at this time the land bank is only considering residential properties due to the higher costs with maintaining commercial properties.

B. Vitals asked what Rock Island is focusing on. M. Brainerd replied that Rock Island wants to address the large number of abandoned and vacant houses that are caught in the cycle of abandonment and sold in error on the tax rolls. Rock Island wants to break that cycle and work with the land bank to accomplish this goal. M. Brainard continued that he thought the focus was the same for Moline. East Moline wants the land bank to help with the demolition of houses.

R. Hvitlok reported that he has been reviewing the list of Moline's 100 properties and deciding what might be placed on the open market and what might go to the land bank to help infuse some capital. The ultimate goal is to return these properties to the tax rolls. Preference is to not sell to neighbors as that barely moves the needle on the taxable value. Some properties have structures and those would be put out for developers. He referenced the parcel on John Deere Road that was recently appraised at \$799,000.

A. Whiting shared that East Moline just demolished a structure on 9th St. at 34th Ave. She plans to approach the East Moline council about donating that property to the land bank to turn around and sell it for \$15,000. If buildable and at \$1,500 a lot, we might gain interest from developers and bring revenue to the land bank. This approach would give us an idea of what future revenue might look like for the land bank.

M. Brainard stated that during conversations with Rock Island staff and city council, there was never an expectation the same money contributed to the land bank would be returned, as over the long haul the Illinois Quad Cities would benefit. He further stated he was surprised that Moline had this concern.

B. Vitas shared that he did not think about the reinvestment at first, only when he saw the request for additional funds. There is a limit on city resources and he needs to consider the return on investment. The question becomes should Moline go forward and dump all this money into the land bank. Need to know how successful the program is going to be in all three cities.

K. Whitley confirmed that Moline can cover their own demolition costs. There is another grant opportunity coming for IHDA's Strong Communities Program. Moline's Neighborhood Improvement Officer B. Hauman says Moline typically has three to four abandoned properties that are lost in the shuffle and need to be addressed. In addition, she stated Moline has been very fortunate to receive Neighborhood Stabilization Program (NSP) and Attorney General (AG) grants. Moline was able to accomplish a lot of what the land bank is trying to do or could do in Moline and all cities.

She explained that Moline does not have many properties lost in the cycle of abandonment as the city already has dedicated staff, procedures, and funding in place to manage such properties. In the future there may be an occasional property for the land bank. It will be a mixture of everything, with the goal of helping with affordable housing.

She also mentioned that at the last board meeting she presented the John Deere property as a donation proposal from B. Vitas, which the land bank could sell to generate revenue. As part of the proposal there would be a need to add a revenue reinvestment line for each city to the Performa.

She noted the negative response to the proposal from board members was not a surprise given how the land bank was established and the terms of the inter-governmental agreement. Although such a donation might help to get the program up and running, she acknowledged the program needs to operate as one fund and the land bank is not ready to develop properties.

A. Whiting confirmed that she understood everything B. Vitas was saying and did not disagree. She shared concerns about receiving a property that for the 10 years she was on staff in Moline, the city could not sell. R. Hvitlok agreed, and confirmed the property has problems.

K. Whitley shared her concerns as to when the program was going to start generating some revenue. This is the 13th month and we do not have anything in the pipeline. A. Whiting disagreed and stated that East Moline is ready to go to council with a list of properties to donate to the land bank.

K. Whitley stated there is a problem with gaining insurance. We are not ready to take in properties right now into the land bank. Even if Moline is willing to donate a property, the land bank is not at a point where it can receive due to lack of insurance. A. Whiting confirmed the land bank will be ready to move forward with acquisitions when insurance is secured.

K. Whitley also shared that the land bank will need a mechanism in place when properties are sold. She has heard from a couple of non-profits that are ready to donate properties. She stated that we do not want to take in everything, we need to make wise decisions.

A. Whiting mentioned that an application shared at a recent board meeting is in place to manage the intake process. M. Chappell reminded all that based developed policies and procedures, the land bank will not accept or purchase properties without an end use in place.

A. Whiting wanted to go back to the original reason for having this conversation, which was to allow B. Vitas to ask questions and comment on the request for the additional \$200,000. She feels in the long term everyone is on the same page. Today we need to focus on whether or not Moline is comfortable with allocating additional funds. If not, the budget can be redone, or we can allow for more time for consideration of the request.

B. Vitas responded it does not make sense for Moline to add money on top of monies owed. East Moline has already made their contribution and Rock Island wants to do it all at once. Moline is contributing on an annual basis.

A. Whiting stated the Performa document has not been updated since Rock Island made their payment. M. Brainard stated the Rock Island city council was unanimous in their support of paying upfront, as Rock Island needs the land bank given the sheer number of vacant and abandoned properties that are plaguing neighborhoods.

He also mentioned he looks forward to the day when Rock Island can consider infill development. With the help of the land bank, he can clear the first hurdle. He agreed with A. Whiting that he is not prepared to ask his council for additional assistance until the land bank has a story to tell.

He further stated he would not have a problem going back to his council with that story after the initial three-year period to ask for a new commitment. At that time, he would suggest the allocation be made as an annual contribution to sustain operations. Rock Island has been doing land banking for a long time. Do not have the staff or bandwidth to do it and so we need a partner, and we will pay the land bank to be that partner.

K. Whitley asked if Rock Island or East Moline would be willing to front the \$200,000. A. Whiting clarified that this was a conversation that Moline brought into the land bank last December. It was brought up that \$200,000 was available, but the repayment may have to be in two years, when ARPA is done. If that was the case, the land bank did not want the funding. If using general funds, the board suggested a repayment schedule over 10 years, and that is when the request came from B. Vitas for a Proforma which was developed for this conversation.

M. Brainard agreed that Moline came to Rock Island and to East Moline originally with the feasibility study that we did not know about and asked us to take part. Both cities agreed to partner as the idea of pooling resources to address a shared problem made sense. He again noted that, as A. Whiting stated, the opportunity for \$200,000 was presented by Moline.

B. Vitas asked where the request for an additional allocation came from. K. Whitley explained that it came from Moline, based on what was needed to support the startup of the land bank. When you multiply Moline's annual allocation at \$42,000 x 3 (\$126,000) there was change left over. That was the request she presented to former Interim City Administrator M. Vanags on behalf of the land bank.

M. Brainard stated that East Moline and Rock Island are more of a pay to play if we get results, but are more comfortable taking it year by year to see the results of the program. Want to show the program's impact in all three communities. When Moline presented the \$200,000 option, we would not say no, but we did not have a strong desire for that kind of capital infusion.

M. Brainard further stated he is happy to go another year to see what happens once insurance is secured and a year has passed. We can then take the story back to our respective councils and show the results of the program and what was the cost.

K. Whitley confirmed that Rock Island just wants the land bank to focus on the cycle of abandoned properties and returning them back on the tax roll. M. Brainard stated yes, Rock Island has that narrow focus at this time. As the impact of the program moves forward, that may change.

M. Brainard relayed again that each community has different housing needs and issues. Rock Island's number one problem is that its population continues to decline and there are more vacant properties. Need to take the first step of neighborhood stabilization, which is to address the abandoned houses. The second step is to begin infill development. Right now there is no demand for infill development because the neighborhoods are not stabilized.

A. Whiting asked if it is fair to take the \$200,000 off the table and, as M. Brainard stated, when we reach that three-year period or we start to see results happening we can have a conversation with all three (or more members) to ask about an increase in city contribution.

B. Vitas responded that he thinks you are going to end up revisiting to ensure that all the operating expenses are covered. He thinks the property investment into the land bank needs to be funded outside of operating expense, with for example, grant funds.

K. Whitley stated that the land bank will be applying for its own IHDA Strong Communities Program Grant. M. Brainard stated Rock Island would not be applying in the next round as his team does not have the bandwidth to do the work. He is hoping that the land bank could apply and manage the grant activities. The three year's contribution is for startup purposes. After three years, will know what is needed to support operational costs.

A. Whiting stated that East Moline has stopped applying for IHDA grants. At this time, East Moline would also like the land bank to apply for the grant and manage the funds and projects. Would also like the land bank to take possession of properties and complete some rehab.

M. Brainard stated that based on this conversation, it sounds like all agree that at this time, the program does not need the \$200,000. He suggested removing the allocation and move forward as planned. Once we get insurance, properties should be easy to come by, either through donation or from the tax auction.

B. Vitas asked when the tax auction is held. M. Chappell confirmed the tax auction is held in October and currently operates as a sealed bid process. The land bank can purchase properties in advance or outside the sale. She also stated the need to connect with the county to gauge their interest in this program. They feel as originally presented, the land bank program is good idea. They need further information to understand how it works.

B. Vitas stated looking ahead and before the funding commitments have been exhausted, the land bank authority must look back carefully at where they are at and have a plan going forward. With a plan in place and examples of progress, you can go back and ask for a recommitment of contributions to cover expenses. Can also apply for grants but focus on revenues to support the program.

M. Brainard stated prior to the end of the three year commitment, he will report to his leadership and city council on the success of the program. If it is not working, then commitment will be reevaluated.

He expressed appreciation of the board's work and effort to avoid some of the mistakes made by other banks in trying to develop too rapidly. Many are in a much worse financial position, some of them are basically non-entities, exist only on paper after several years because they did not take the time to complete due diligence at the beginning as we have.

M. Chappell stated that it is also important to consider property acquisitions that support current projects in each city. She referenced the East Moline RAISE grant area, or Moline's new Eastgate TIF area, or an identified redevelopment project area of Rock Island. The land bank can be used as a tool to acquire properties to support the plans/project goals.

M. Brainard asked B. Vitas if he had what he needed to go back to his leadership or does he need additional information. K. Whitley stated that it is good to know that no city wants to develop housing. B. Vitas stated that one of his other goals is to get properties out of the hands of non-resident landlords. They cause the most of the problems and bringing down neighborhoods.

M. Chappell confirmed that the land bank might play a small roll in assisting with an infill project to clear title and other liabilities. However, the land bank will not be the developer of vacant lots or abandoned properties. M. Brainard agreed and stated the Region 1 model of flipping properties is the model to follow. K. Whitley stated that model would be helpful in all three communities.

M. Brainard asked for better communication in the future. If there are more questions that come up we should meet to discuss. Having this meeting weeks ago would have been very reassuring for everybody.

B. Vitas agreed and noted that he did not know anything about making an additional donation until recently. If the previous interim City Administrator M. Vanags made a commitment, he did not have the authority to do so. He asked that the record reflect this fact.

M. Brainard stated that after today's meeting, he wants to be sure and maintain an open chain of communication. He again confirmed that the cities of East Moline and Rock Island are not looking to ride on Moline's coat tails, but rather pay their fair share to get our fair share.

#### **5. OLD BUSINESS**

N/A

#### **6. EXECUTIVE SESSION (IF NECESSARY)**

N/A

#### **7. ADJOURN**

A motion was made by K. Whitley and seconded by A. Whiting to adjourn. The motion passed. The meeting ended at 2:30 p.m.