

HCS HB 1659 & 1116 -- LAND BANK AGENCY IN KANSAS CITY

SPONSOR: Nolte (Torpey)

COMMITTEE ACTION: Voted "do pass" by the Committee on International Trade and Job Creation by a vote of 13 to 0.

This substitute allows the City of Kansas City to establish a land bank agency for the management, sale, transfer, and other disposition of tax delinquent lands and other lands in its possession in order to return it to effective use to provide housing, new industry, and jobs and to create new revenue for the city. The agency must be established by ordinance or resolution as provided by the city's charter and will only have authority over tax delinquent lands and other lands in its possession located within the city.

The agency is authorized to acquire real property or interests in property by purchase, gift, exchange, transfer, foreclosure, lease, grant assistance, or other devise. It is to exercise all powers that are conferred by Sections 141.210 - 141.810, RSMo, and Sections 141.980 - 141.1015 relating to the Land Tax Collection Law, and will be deemed a public corporation acting in a governmental capacity. The agency is exempt from all state and local taxation. It cannot possess or exercise the power of eminent domain or the power to tax.

The beneficiaries of the agency will be the taxing authorities that held or owned tax bills against the respective parcels of real estate acquired by the agency at a sheriff's foreclosure sale or by deed from land trustees, and each taxing authority's respective interests in each parcel will be to the extent and in the proportion and according to the priorities determined by the court based on the principal amount of their respective tax bills bore to the total principal amount of all the tax bills described in the judgment.

The agency will be composed of five to seven commissioners appointed by specified officials; and each commissioner must furnish a surety bond, if the bond is not already covered by a governmental surety bond, in an amount of up to \$25,000 to be paid out of city funds.

The agency is authorized to sue and issue deeds in its name and will have the power to operate as any other corporate body including hiring staff and entering into contracts. It can convey title to any real estate it has sold or conveyed by general or special warranty deed. A deed must include the selling price and whether the selling price represents a value equal to or greater than two-thirds of the appraised value of the

real estate. If the selling price is less than two-thirds of the appraised value, the commissioners must first procure the consent of at least a majority of the entire board.

The agency must maintain a perpetual inventory of all acquired real estate. All land owned by the agency can be used as it sees fit including consolidating the land or grouping or regrouping it for economy, utility, or convenience.

The annual budget of the agency must be prepared by October 1 and delivered to the ad valorem taxing authorities that appointed commissioners for its review and approval. The substitute specifies the procedure if one of the taxing authorities does not approve the proposed budget. The substitute requires an annual audit of the land bank agency by certified public accountants by April 30 and allows performance audits by the State Auditor or the city auditor at any time.

If at any time there are not enough funds available to pay the salaries and other expenses of the agency, sufficient funds will be advanced and paid to the agency upon its requisition from the ad valorem taxing authorities in the county that are not appointing authorities of which 7% will be paid by the county commission and 93% from the other ad valorem taxing authorities. The amount cannot exceed 25% of the agency's annual budget unless agreed to and approved by the taxing authorities. These funds will be considered advances and subject to repayment from funds subsequently collected by the agency.

A land bank commissioner or salaried agency employee is prohibited from receiving any compensation, emolument, or other profit from the rental, management, acquisition, sale, demolition, repair, rehabilitation, use, operation, ownership or other disposition of any lands held by the agency other than the salaries, expenses, and emoluments provided by law and is prohibited from having any relationship with, being employed by, or receiving compensation from any contractor or developer who purchases property from the agency. Anyone convicted of violating this provision will be guilty of a felony and, upon conviction, sentenced to between two and five years in the state penitentiary.

FISCAL NOTE: No impact on state funds in FY 2013, FY 2014, and FY 2015.

PROponents: Supporters say that the City of Kansas City has had a very large number of mortgage foreclosures in the recent past and the land bank system might allow more participation in the rehabilitation and redevelopment of vacant, decrepit homes by smaller neighborhood associations. These abandoned buildings do

not just blight the neighborhood and drive down property values but also present health and safety issues and attract drug dealers and drug users. There are also more fires in abandoned buildings.

Testifying for the bill were Representatives Torpey, Brown (50), and Holsman; David Park, Department of Neighborhood and Community Services, City of Kansas City; Jackson County Executive's Office; Jackson County Legislature; Greater Kansas City Local Initiatives Support Corporation; and Greater Kansas City Chamber of Commerce.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that based upon the track record of the St. Louis Land Reutilization Authority, the promised large-scale developments often do not come to fruition at the expense of the public and the families and individuals wanting to purchase homes. Costs incurred by the city in maintaining the properties do not go away when the property goes into the land bank. The process, at best, results in inefficiencies and at worst, results in fraud.

Testifying on the bill was Audrey Spalding.