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Vacant Spaces into Vibrant Places

September 2016

Laying the Foundation:

Developing an Improved Approach to Problem Properties in Rockford

Center for Community Progress Report to Rockford, Illinois
2016 Technical Assistance Scholarship Program Recipient

A Center for Community Progress Technical Assistance Report

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ABOUT CENTER FOR COMMUNITY PROGRESS

Founded in 2010, the Center for Community Progress is the only national 501(c)(3) nonprofit organization solely dedicated to building a future in which entrenched, systemic blight no longer exists in American communities. The mission of Community Progress is to ensure that communities have the vision, knowledge, and systems to transform blighted, vacant, and other problem properties into assets supporting neighborhood vitality. As a national leader on solutions for blight and vacancy, Community Progress serves as the leading resource for local, state, and federal policies and best practices that address the full cycle of property revitalization. Major support for Community Progress is generously provided by the Charles Stewart Mott Foundation and the Ford Foundation.

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INTRODUCTION AND SUMMARY

In the Winter of 2016, the City of Rockford, Illinois (City) was awarded one of three Technical Assistance Scholarship Program (TASP) awards from the Center for Community Progress (Community Progress). TASP is a competitive merit scholarship program for cities and communities that demonstrate the desire and ability to consider new and innovative strategies to address vacancy and abandonment throughout their communities.[1]

In considering scholarship applications from around the country, Community Progress selected the City's application not just because the City of just over 150,000 residents reported more than 12,200 mortgage foreclosure filings over the last five years or because there were thousands of Rockford properties described as potentially vacant,[2] but because the City's application clearly demonstrated the recognition of the need for a holistic, community-based approach to addressing the issues caused by vacancy and abandonment. This holistic approach was highlighted by the City's ability to identify and work with stakeholders from all over Rockford, including, for example, local banks and financial institutions, regional planning agencies, local non-profits, and neighborhood organizations.[3]

Once the application was selected, Community Progress conducted a review of state and local statutes and policies related to housing and building code enforcement, delinquent tax enforcement, and mortgage foreclosure in preparation for a one-and-a-half-day site visit. During the April site visit, Community Progress met with City leadership, the Winnebago County Treasurer's office, and numerous community stakeholders, including a panel of financial institutions, a representative from legal aid, neighborhood organization leaders, representatives from the local housing authorities, landlords, a representative of the area realtor's association, and various local nonprofits involved in redevelopment and demolition. The goal of those meetings was to develop a deeper understanding of the unique challenges presented by problem

[1] For more information on Community Progress and TASP, please visit our website at: http://www.communityprogress.net/technical-assistance-scholarship-program--tasp--pages-494.php.

[2] At the time of the application in January 2016, Rockford reported more than 3,500 properties as vacant based on United States Post Office vacancy data, and 5,075 properties as vacant based on "water shut offs."

[3] For a complete list of stakeholders that were interviewed throughout our six-month engagement, please see "Appendix A." References in this report to "community stakeholders" include all those parties identified in Appendix A that are not employed by the City of Rockford or Winnebago County, in addition to those residents and other potential unlisted stakeholders that Community Progress was simply unable to reach in the limited, 200-hour timeframe of the TASP engagement.

properties[4] in Rockford from a number of different perspectives. That visit and our research revealed the following key observations:

Knowledge of the Problem	There is a strong need to develop a clear definition and better understanding of which properties are causing the most harm to Rockford communities, to identify methods to sustain the ongoing collection of data to detect local trends, and to develop specific and targeted strategies to address problem properties.
Knowledge of Systems	Most parties interviewed understood the basic concept of code enforcement, but failed to fully grasp the opportunities available to the City (as well as existing barriers) to compel compliance with housing and building codes and for responsible property owners to potentially avoid fines or seek additional help from the City. Very few parties recognized the connections between the delinquent property tax enforcement system and problem properties.
Coordination	The City and Winnebago County (County), in particular, described an absence of communication with respect to problem properties. In spite of this, representatives from both the City and the County expressed eagerness and enthusiasm for working together and looking to create more strategic and coordinated approaches to problem properties.
Capacity	The City is operating with an estimated $3.4 million structural deficit, greatly limiting both the staffing and the initiatives that might be employed to help combat the problems created by vacancy and abandonment. Expanded data collection efforts and limited funds available for property maintenance work, for example, are impacted by such limitations.
Public Trust Deficit	Some community stakeholders described Rockford as a place where entrenched and systemic classism and racism over decades has led to distrust of many local government policies, perhaps buoyed by a perceived lack of investment

[4] The term "problem properties" was used throughout our interviews and will continue to be used in this report to refer to properties that are vacant and abandoned or substandard properties that have a negative impact on the economic health of a neighborhood, as well as public safety.

in the West side of Rockford in favor of more affluent areas on the East side. Thus, there is a need for local government officials to articulate and implement not just efficient and effective approaches to problem properties, but also to ensure those approaches are equitable and communicated in a transparent fashion to communities most affected by vacancy and abandonment.

Legal and Policy Barriers

Illinois law and policy provide insufficient leverage for communities hoping to utilize existing systems, like housing and building code enforcement, to fully incentivize or compel property owners to maintain property in a manner that promotes neighborhood stabilization. In addition, Rockford does not enjoy home rule authority, further limiting its ability to adequately tailor local legislation to local needs.

While the application highlighted mortgage foreclosure as one of the driving contributors to problem properties in Rockford, the above observations revealed that an expanded focus was needed, which necessitated a slight shift to the scope of the TASP engagement. Rather than the originally contemplated development of an early warning system for properties that may go into foreclosure, a task that may require more capacity to sustain than Rockford currently possesses, Community Progress recommended a scope that reflected the need to first continue to cultivate long-term partnerships to address problem properties, then to provide guidance on how to build capacity and inform strategic approaches to problem properties, and finally on how to lay the groundwork necessary to understand and implement new approaches. The City concurred and Community Progress completed the following deliverables for this TASP award:

1. *Facilitation of City/County Collaboration on Vacancy and Abandonment Challenges in Rockford*. Given the lack of communication regarding problem properties between the City and the County, a key part of Community Progress' focus was to help connect and lay the groundwork for future collaboration between the City and the Winnebago County Treasurer's (Treasurer) office. Thanks to the Treasurer's willingness to engage with the City, and in no small part due to the efforts of her staff and the staff of the City's Community and Economic Development Department, the City and County have already identified several points on which future collaboration may occur. For example, both the City and the County recognize the potentially expanded role the

County Trustee[5] could play in helping to responsibly direct or maintain properties in some of the more distressed areas of Rockford.

2. *Facilitation of Data Management Options for Rockford*. Recognizing the need to (a) more clearly define problem properties, (b) build Information Technology (IT) capacity by identifying methods to sustain data collection, and (c) identify trends that could be used to develop targeted approaches to problem properties, Community Progress identified and set up webcast demonstrations for various software products that may provide the City's small but highly-capable IT team with options to address such needs.[6]

3. *TASP Report and Recommendations on Vacancy and Abandonment to the City of Rockford*.[7] This TASP report is divided into two parts:

   Part 1 is intended to provide stakeholders with a better understanding of the current key systems that impact problem properties in Rockford by mapping the processes, as simply as possible, of both housing and building code enforcement and delinquent tax enforcement and highlighting "Key Access Points" within each system for possible intervention or improvement. Over the last six months Community Progress conducted bi-weekly phone conferences with the City, visited Rockford on three occasions, and conducted dozens of phone interviews with members of the City, County, and other community stakeholders. The second and third Community Progress site visits were focused on discussing the processes of housing and building code enforcement and delinquent property tax enforcement for this report, which, in addition to providing Community Progress with the information necessary to reproduce those processes, was also intended to provide site visit participants with an opportunity to engage in meaningful policy and legal discussions about potential new or improved approaches to those systems.

   Part 2 is intended to offer a layered approach to the way that the City, County, and community stakeholders might build upon existing systems or partnerships and to improve or more strategically identify and intervene in problem properties. This part was informed by the process mapping exercise amd also by the dozens of conversations with local government officials and community stakeholders centered around the question, "what could we do better with what we have?" Each "Layer" described in Part 2 includes a number of recommended tactics for consideration by Rockford leaders to help implement improvements, possibly within the "Key Access Points" identified in Part 1.

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[5] The Trustee is a private individual engaged by the County to take title, hold, and sell properties that do not generate bids at the opening tax sale for unpaid taxes. The role of the Trustee will be described in more depth in Part 1 of the report.

[6] A letter to the City of Rockford summarizing the list of the software companies identified by Community Progress is attached as "Appendix B."

[7] The observations and recommendations in this report should not be considered as legal advice, and any decision on whether to explore or implement those recommendations should be made with the advice and consent of local counsel.

In all of Community Progress' conversations with stakeholders in Rockford, the passion local leaders have for the future and success of their community was apparent. The degree to which stakeholders in Rockford were willing to share their motivations for what and why they do what they do was matched only by their willingness to acknowledge head-on the challenges and barriers that need to be overcome to impact vacancy and abandonment in their community.

PART 1: KEY SYSTEMS THAT IMPACT PROBLEM PROPERTIES: HOUSING AND BUILDING CODE ENFORCEMENT AND DELINQUENT TAX ENFORCEMENT

Community Progress encourages the deployment of housing and building code enforcement and delinquent property tax enforcement systems in a manner that is efficient, effective, and equitable. Each of those terms is applied differently within the context of the specific system, but the overarching concept requires local government officials to consider that part of an efficient, effective, and equitable strategy for addressing problem properties may require a plan for one property in a certain neighborhood that may not be the same for another. Such a strategy anticipates an approach where both housing and building code enforcement and delinquent property tax enforcement are coordinated with other local systems that impact the full spectrum of problem properties, including data and information technology systems, and redevelopment policies and practices.

Community Progress describes as an optimal approach to code enforcement: "Fix it Up, Pay it Up, or Give it Up."[8] Because compliance is always the goal, an effective housing and building code enforcement system deploys the tools at its disposal to encourage or incentivize property owners to comply with housing and building codes ("Fix it Up"). If a property owner fails to comply, then the code enforcement process should authorize the local government to remedy the violation, and then hold the owner responsible for the tax dollars expended in doing so ("Pay it Up"). Should a responsible and able property owner still fail to comply or to reimburse the public for tax dollars expended, then the process should facilitate the transfer of the property to a new and responsible owner ("Give it Up"). Each set of tools must be tailored to anticipate

[8] For a more in depth discussion, see Community Progress, *Judicial in Rem Code Enforcement and Judicial in Rem Tax Sales: Optimum Tools to Combat Vacancy and Abandonment in Atlanta* at http://www.communityprogress.net/filebin/Full_Atlanta_TASP_Report_Final.pdf.

the involvement of different actors and different local visions agreed upon by local leaders and community stakeholders.

The "Fix it Up, Pay it Up, or Give it Up" approach is most effective where the local government has the authority to enforce a lien resulting from a code violation in the same manner as the nonpayment of property taxes. The lien should reflect the amount of the unpaid code fine and include all of the local government's costs expended addressing the violation, including any amount spent to correct the violations and personnel costs for hours spent inspecting, sending notice, and/or prosecuting the case. Local law in Rochester, New York, for example, allows the inclusion of unpaid code liens on the annual property tax bill, which if not paid in full, may trigger a property tax foreclosure proceeding.[9] Such an enforcement provision can help local governments either (1) fully recover taxpayer dollars spent to address or enforce the violation, or (2) compel the transfer of the property to a new and more responsible owner.

The above presents an optimal approach where local government possesses the legal tools and necessary capacity to acquire and direct property. In Rockford, the lack of those legal tools and the lack of capacity to acquire and maintain problem properties present barriers to fully incentivize property owners to comply with the code. What follows is intended to provide context to that statement and a better understanding of two of the primary existing systems in Rockford that impact problem properties.

HOUSING & BUILDING CODE ENFORCEMENT

The City's Community and Economic Development Department (CEDD) is primarily responsible for housing and building code enforcement in Rockford.[10] The City has adopted the International Codes, which are maintained by the International Code Counsel and reflect the most widely used building and property safety standards in the United States. For purposes of this report, the two most relevant CEDD divisions are:

1. Property Standards, the division of CEDD primarily responsible for the enforcement of building code violations, including general property standard violations, board ups of vacant property, and demolitions.
2. Neighborhood Standards, the division of CEDD responsible, in part, for the enforcement of overgrown weeds and the failure to remove trash and debris.

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[9] Charter of the City of Rochester, NY, Section 6-94 (eCode360 2016).

[10] The Winnebago County Health Department (WCHD) also plays a central role enforcing housing and building codes in the area, including occasionally in Rockford. WCHD also has the power to condemn certain properties for health reasonsA telephone interview with the Public Health Administrator and staff revealed what appears to be an efficient operation with education and compliance as the core goal of enforcement, and even includes a staffed social worker with whom property owners needing additional help can meet. Staff reported a near 85% compliance rate on properties inspected. Despite an obvious opportunity for collaboration, particularly with respect to demolition activities, the focus of this report is primarily on the operations of the City's Department of Community and Economic Development.

Code violations observed and cited in Rockford are on the rise. As seen in Figure 1 below, a comparison of January to August 2015 and January to August 2016 shows an increase in code violations issued by the City.[11] The number of code violations observed on proactive inspections,[12] as compared to reactive inspections (inspections resulting from complaints), demonstrates that the City understands the importance of focusing enforcement efforts in a manner that seeks to identify and correct violations before they become extreme or more difficult to address.

Figure 1 - Code Enforcement Inspections 2015 to 2016

	Jan – Aug 2015	Jan – Aug 2016	Percentage Change
Total Cases Initiated	5527	6258	+13.2%
Proactive Inspections	4650 (84.7% of total cases)	3657 (58.4% of total cases)	-21.3%

The City reports that it conducts an inspection less than three days, on average, from when complaints are received, and those violations that the City has the authority to abate (e.g., high weeds, debris, cars parked on lawns) are generally corrected no more than a few weeks from the date they are reported. For example, properties with high weeds are generally mowed within two and a half weeks after inspection. Trash and debris are removed within three weeks of inspection. Vacant properties requiring a board-up are usually addressed within seventy-two hours of inspection.

Key Barriers to Effective & Efficient Code Enforcement

Despite CEDD's efforts to continually improve its operations, a number of barriers to an effective and efficient code enforcement program exist in Rockford. One significant barrier is the lack of home rule authority. Home rule authority is derived from Article VII, Section 6 of the Illinois Constitution and states that unless otherwise precluded by the State, a "home rule unit may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt." A non-home rule unit is often

[11] See September 8, 2016 "Rockstat" at: http://rockfordil.gov/media/515393/September%202016%20RockStat%20Master.pdf.

[12] Proactive inspections, or inspections where the City observes an unreported violation, generally result from the observation of violations on a neighboring property while investigating a reported violation or through sweeps, which involve targeted observations of a general area. Sweeps are reportedly conducted as the result of neighborhood surveys and meetings with property neighbors, and are sometimes conducted in conjunction with the Rockford Police Department.

prevented from passing local laws unless the State has granted the local government explicit permission to do so.

Rockford is the largest city without home rule authority in the State of Illinois.[13] The lack of home rule authority essentially prevents Rockford from tailoring solutions to local needs. For example, most stakeholders interviewed identified substandard rental housing as a significant problem in Rockford. Instead of being able to pass ordinances that expand tenant protections, grant more impactful property inspection authority, or other tools designed to address rental problem properties, the City is primarily reliant on regulative tools proscribed for the entire state of Illinois. Even the current landlord registry, which seems to focus more on tenant behavior than property conditions, is limited.[14] Home rule authority could potentially allow Rockford to expand and make the landlord registry not just a way to ensure the City better monitors the condition of rental properties, but also to create a "good landlord" program[15] by offering incentives like registration discounts or qualification for City rehab programs for those owners of rental properties that meet certain criteria, such as length of time without a code violation being reported. Home rule might also enable the City to increase the range of allowable property acquisition and disposition purposes, and allow for the creation of strong vacant property or foreclosure registration systems, which have been used to some effect in other jurisdictions throughout Illinois.[16] Rockford could most likely enact a vacant property registration ordinance without home rule, but such an ordinance would be subject to the limits of the Illinois Municipal Code.

In addition, liens resulting from code violations are often difficult to enforce and primarily rely on finding and personally assessing fines against sometimes hard-to-locate or absentee owners. Perhaps, in part, because all code violation judgments in Rockford are obtained in front of an administrative hearing body, many orders are insufficient to compel compliance, despite language in the Illinois Municipal Code recognizing that administrative orders can be enforced in the same manner as a "judgment entered by a court of competent jurisdiction."[17] To date, it does not appear that any attempt has been made in Rockford to explore whether or not administrative orders that are filed as a lien against property can be enforced *in rem*; in other words, by attempting to foreclose on the lien to either compel payment or to force a transfer of the property to a more responsible party. Illinois law does not allow code liens to be added to the property tax bill.[18]

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[13] See, for example, http://www.rrstar.com/article/20130621/News/306219889.

[14] http://rockfordil.gov/community-economic-development/rental-registry.aspx.

[15] To download a free copy of Community Progress' *Raising the Bar: Linking Landlord Incentives and Regulation through Rental Licensing – A Short Guide for Local Officials*, please see: http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=10111.

[16] See, for example, the City of Aurora, Illinois' Vacant Structure Registration ordinance, at Aurora Municipal Code Section 12-500 *et al.* (Municode 2016).

[17] 65 Ill. Comp. Stat. 5/1-1.2-8 (West 2016).

[18] Though in some cases liens for the removal of high weeds can be added to the active water bill. See Rockford Municipal Code, Section 17-2.

The Process of Code Enforcement

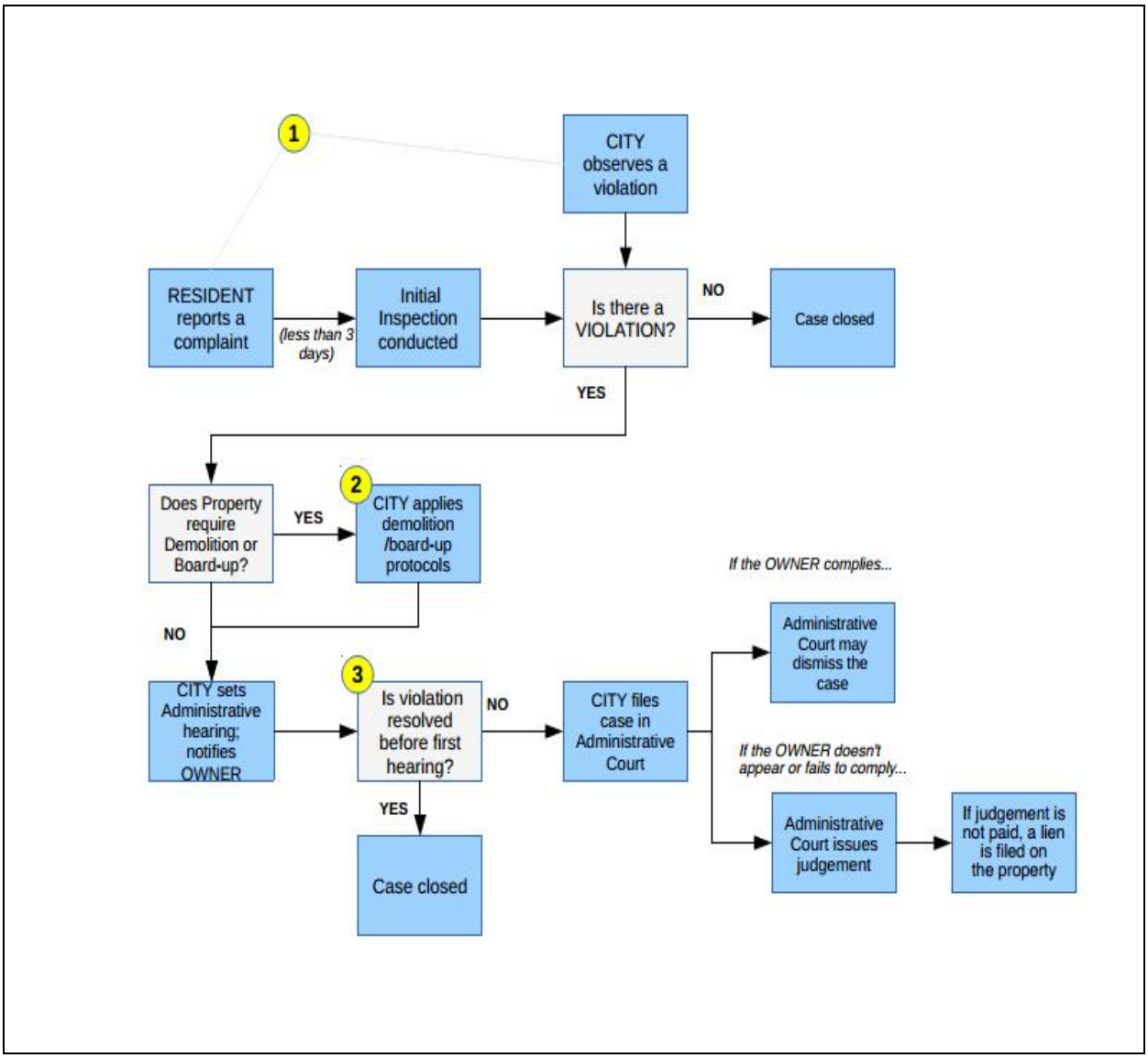
Although the lack of home rule authority and the limitations on enforcing code enforcement liens present barriers to a fully efficient and effective code enforcement system, the existing system is not without opportunities, many of which CEDD has already taken advantage. The process maps below are intended to give stakeholders a very simplified overview of the current City housing and building code enforcement processes and particularly to highlight "Key Access Points" throughout the process, which are described in more detail below.

The maps in this section show two of CEDD's code enforcement processes, one for general building code violations (Figure 2) and one for overgrown weed and accumulated debris violations (Figure 3) because violations for weeds and debris are treated slightly differently from actual building violations due to differing state statutes and CEDD policy. The first difference is that if a notice for a weed and debris violation fails to compel the property owner to voluntarily fix the weed or debris problem, CEDD usually steps in to complete the work. Conversely, the City can only fix a building violation if the property is vacant and needs to be boarded-up and secured (or if the property needs to be demolished). The second difference, discussed in more depth in Part 2 of this report, is that if the owner fails to comply, those fines assessed for removing weeds and debris are more likely to be recovered by the City.

Throughout the process maps, yellow circles with numbers are displayed. These are intended to identify Key Access Points (Access Points) in each system that illustrate both challenges and areas where the potential exists to improve or build upon the existing systems. The Access Points can also be seen as "circuit-breakers," or optimal points where some of the tactics discussed in Part 2 of the report may be implemented. For convenience, we also cross-reference some of the tactics discussed in Part 2 that might be specifically considered for intervention or improvement at that Access Point.[19]

[19] In Part 2, each tactic is presented as part of a "Layer," which will be presented as a way of organizing each set of tactics for implementation.

Figure 2 – Simple Process Map of Building Code Enforcement (Property Standards)



Key Access Points (Building Code Enforcement)

1 **When and Where to Enforce a Code Violation:** CEDD generally enforces a code violation when its inspectors observe and report a violation. A code violation may be observed either because a complaint was made or because an inspector took proactive steps, such as being involved in a neighborhood "sweep" with the Rockford Police Department (Police). This Access Point is a key place for the City and community stakeholders to communicate and consider strategies or available programs designed to

prevent the decline of properties. Another opportunity to consider here includes tailoring code enforcement to specific neighborhood plans[20] or markets. In addition, this Access Point is a key place for identification of low-income owner-occupants who are willing to comply with violations but lack the resources, or to potentially consider increasing the frequency of enforcement for severe, dangerous violations.

Corresponding Tactics in Part 2:

Layer 1: Tactics 1 – 7
Layer 2: Tactics 8 – 14
Layer 3: Tactics 15, 17
Layer 4: Tactics 20 – 21

2

Demolition: Properties in need of demolition in Rockford are added to a list and ranked in order of priority. This ranking system takes into account a number of different creative indicators about property, such as whether the property is in close proximity to schools or high density housing, whether there are structural or environmental hazards present, and the length of time the property has been vacant. In addition, community partnerships with local non-profits, such as Rockford Corridor Improvements, Inc. and Comprehensive Community Solutions, Inc., have enabled the implementation of strategic and targeted demolition and blight remediation efforts along walking routes to schools.

Demolitions are usually handled in Rockford using what is commonly referred to as the "fast track demolition" provision of Illinois law.[21] Essentially, this provision allows the City to demolish certain dangerous structures within a short amount of time (usually 90 to 120 days) after proper notice has been given.

The process of obtaining the order for demolition through the City's Law Department is technically straightforward, but of course demolition is expensive and money to pay for it must come from a variety of sources, many of which impose restrictions on how the demolition must be carried out, including those programs requiring the City to acquire the property. However, the City has made it a goal to demolish the top 100 properties on its list in 2016, and as of August 31 the City had completed 59 demolitions.

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[20] The Youngstown Neighborhood Development Corporation in Youngstown, Ohio, has begun developing "asset-based micro-plans" as a strategy for neighborhood revitalization planning. The concept is to identify small, "hyper-local" assets, like schools, gardens, libraries, or small churches, that can serve as anchors around which to encourage small-scale revitalization. More information can be found on this tool on the Community Progress website, at http://www.communityprogress.net/blog/small-scale-big-results-assetbased-microplanning-youngstown-ohio.

[21] See, 65 ILCS 5/11-31-1 *et seq.*

Corresponding Tactics in Part 2:

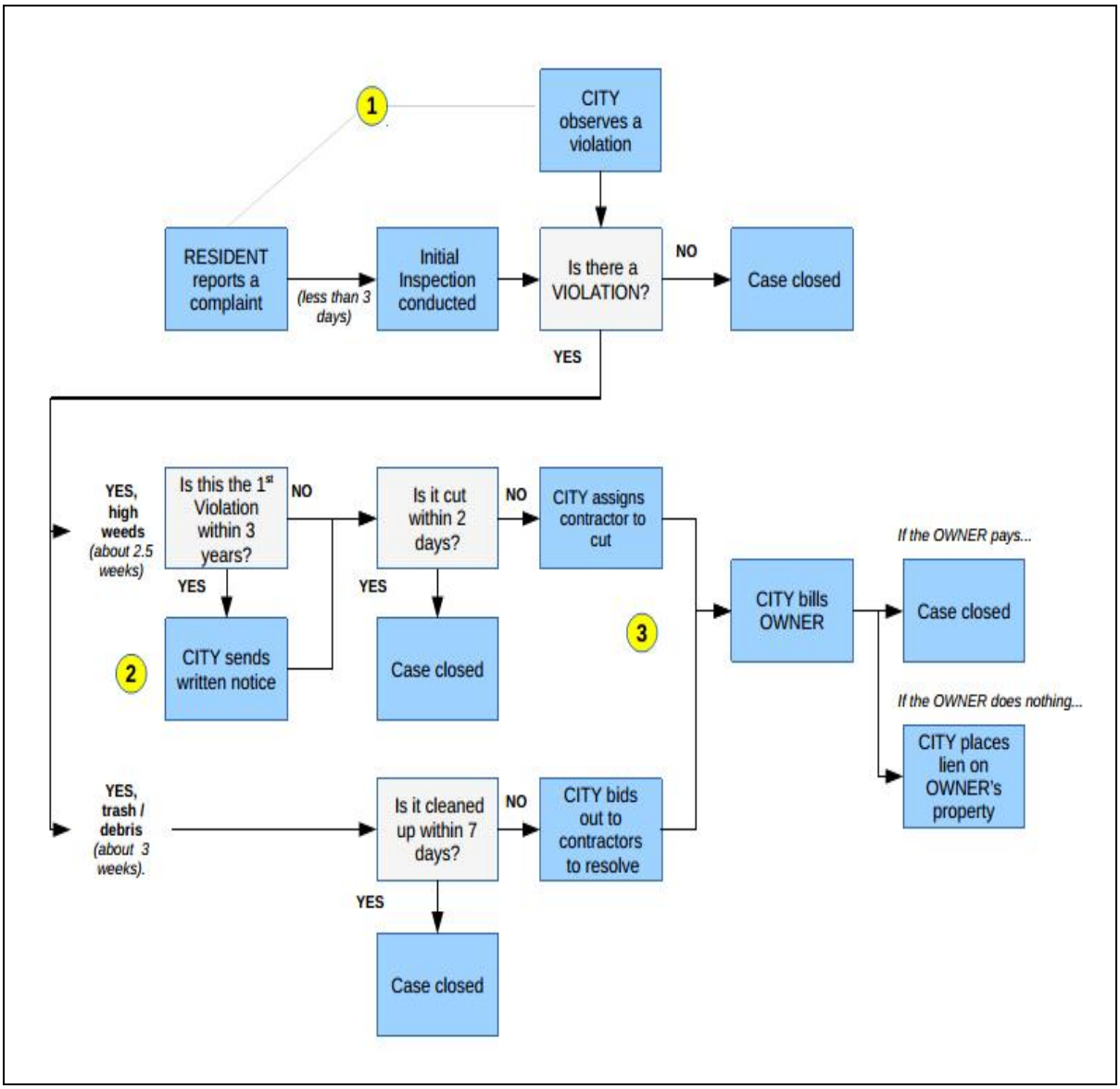
Layer 3: **Tactic 15**
Layer 4: **Tactics 17, 21**

3 **Administrative Court Process:** The City reports that all code enforcement cases, including cases where the owner contests weed or debris violations, building code violations, and demolition cases, are brought in front of an administrative hearing officer rather than in state court. All cases are personally handled by an attorney from the City's Law Department. This is another Access Point where, for example, certain owner-occupants who are willing and qualified might be matched with City rehab programs based on the discretion of the attorney. One City attorney interviewed reported that this already occasionally happens. This Access Point also highlights the need to better understand whether administrative enforcement judgments are sufficient to compel property owners to comply with housing and building codes.

Corresponding Tactics in Part 2:

Layer 2: **Tactics 18 – 19, 23**
Layer 6: **Tactics 33, 34**

Figure 3 – Process Map of Weed & Debris Enforcement (Neighborhood Standards)



Key Access Points (Weed & Debris Enforcement)

1 **Reporting Code Violations:** The manner in which weed or trash violations are reported to the City was described as clear by various community and neighborhood leaders. Residents can report violations by reporting the matter online or by calling the City,[22]

[22] There is a separate "Weed Hotline" just for weed violations.

and CEDD reports the time between when a violation is reported and when it is inspected is currently less than three days.[23] Reporting the violation online as a "service request" gives users the option of being contacted with the status of the violation.[24]

Several community leaders interviewed said residents felt that reporting overgrown weed or accumulated debris violations to the City would eventually result in some action, but some expressed frustration that the process "took too long."[25] The City reports that the process from inspection to resolution for removing weeds is roughly two-and-a-half weeks, while the process for removing debris is closer to the three-week mark. The City is consistently looking to improve those times, though it is understandable that those who live next to such a property could see any amount of time as too long. This Access Point provides an opportunity for the City to continue to build public trust and faith in the enforcement process by working to decrease response times and publicly display successes and progress in the remediation of problem properties.

Corresponding Tactics in Part 2:

Layer 1: Tactic 1
Layer 2: Tactics 11 – 14
Layer 3: Tactics 16
Layer 4: Tactic 22

2 **Notifying Property Owners of Code Violations**: Rockford inspectors are adept at determining the identity of the last owner of record for properties in violation of codes using the WinGIS system, a database and mapping tool that stores County information on property ownership and other data related to individual parcels.[26] Though simply being able to find the "owner of record" on title often has little meaning in Rockford. Code inspectors suggested a vast number of violations, possibly 40% or more of weed and debris violations, were located on properties where the records of who was responsible for the property were unclear, either because the owner had passed away, a dissolved Limited Liability Company (LLC) was listed as the owner, a mortgage foreclosure was unresolved, or for myriad other reasons. This Access Point reveals an additional opportunity for collecting data and tracking problem properties, as well as highlighting the difficulty in locating those responsible for problem properties.

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[23] See June 9, 2016 "Rockstat" http://rockfordil.gov/media/493288/June%202016%20RockStat%20Master.pdf.

[24] See the City's Online Customer Service reporting mechanism at: https://dp.rockfordil.gov/Permits/Views/CRM/CRMWelcome.aspx.

[25] Conversely, some community stakeholders expressed a general feeling of "apathy" that something would be done when a general building code violation was reported.

[26] See the Winnebago County Geographic Information System website at: http://www.wingis.org/.

Corresponding Tactics in Part 2:

Layer 4: Tactics 19 – 20, 23

3 **Calculating and Collecting the Fully Loaded Cost of Code Violation Remediation:** The City currently contracts with private third parties to cut overgrown weeds and to clean up accumulated debris. The amount billed to property owners appears to reflect the cost of fixing the problem: weed violations can run about $150 and debris clean-ups can be between $200 and $500. General building code violations, however, tend to generate only those fines that are prescribed by statute, and often do not adequately reflect the true cost to taxpayers in hours, resources, and remediation costs that the City has invested in addressing the violation. This Access Point provides an opportunity to examine more closely if anything can be done to ensure that fines for general building code violations more accurately reflect the costs expended by the City in addressing problem properties.

Corresponding Tactics in Part 2:

Layer 4: Tactics 19, 23
Layer 6: Tactics 33 – 34

DELINQUENT PROPERTY TAX ENFORCEMENT

One of the most common predictors of vacancy and abandonment across the country is the presence of unpaid property taxes. Unfortunately, the process by which delinquent property taxes are enforced can impede the return of such property to responsible ownership and productive use in a timely manner. In Illinois, this is particularly true as it may be more than three or four years before a property with unpaid property taxes is actually eligible to be transferred to a new owner. Those factors drive the need for local municipalities to understand and consistently monitor the inventory of tax delinquent properties even though the enforcement process is typically conducted by county governments.[27]

The Winnebago County Treasurer (Treasurer) collects property taxes on behalf of all of the taxing districts within its boundaries, including the City of Rockford.[28] In addition to County agencies, those taxing districts also include the City, local school districts, and other bodies of local government. Upon nonpayment of property taxes, the County is required by state law to

[27] It is important to point out that a number of stakeholders and residents interviewed provided allegorical examples of how property tax bills in Rockford were extremely high and contributed to property tax delinquency. Various reasons were given, from a lagging growth of both the tax base and the real estate market to the lack of commercial development, though all reasons given were speculative. While this information highlights a development of which the City, County, and community stakeholders should most certainly be aware and seek to address, property tax assessments are not the focus of this report.

[28] The collection of property taxes and the enforcement of unpaid property taxes are governed entirely by Illinois law. The relevant statutes can be found at ILCS Ch. 35, ACT 200, T. 7, Arts. 19-22 (West 2016).

sell its interest in the unpaid amount to a private party or investor. Essentially, this transaction gives a private individual or entity the right to collect the government's debt and collect interest on the debt. The purpose of selling the debt to a third party is so the County can collect the revenue from the missed property taxes and pay them to the other taxing districts to fund operations. The trade off, however, is that local governments lose not only the right to collect interest on the debt,[29] but also lose the leverage of the unpaid amount as a primary method to purposefully and carefully direct the property into the hands of a new, responsible owner.

Figure 4 – Common Tax Sale Definitions in This Report

TERM	DEFINITION
County	This term generally refers to the County Treasurer in the process maps.
Taxbuyer	A person who purchases or seeks to purchase a lien in the amount of unpaid taxes.
County Trustee	A private party appointed by the County to receive all tax certificates that do not receive a bid at the tax certificate sale. The Trustee is required to hold those certificates and then petition the court for a deed if they are not redeemed. Once the Trustee acquires the deed, it is required to periodically offer the properties for sale to the public.
Tax Certificate	A document that signifies the amount a Taxbuyer has paid for the unpaid taxes, which generally includes the unpaid tax and a penalty of 1.5% interest for each month the tax was considered delinquent. This certificate is also commonly referred to as the "tax lien" in other jurisdictions.
Bid	Short for the term, "minimum bid." To win the right to purchase a Tax Certificate in Winnebago County, Taxbuyers must bid the lowest amount of interest it will collect on the unpaid taxes. Bids start at 18% interest.
Redemption	The act by which a property owner pays all back taxes to prevent the transfer of property. The amount needed to "redeem" property includes the value of the Tax Certificate, any interest accrued, *plus* any and all prior or subsequent years of unpaid taxes and related penalties and interest. A residential property owner, in most cases, can redeem a property up until 2.5 years after the date the certificate was sold.

[29] A representative from the County Treasurer's office estimates that just under 80% of all properties where the tax debt is sold to a third party are eventually "redeemed," meaning the owner pays back the unpaid tax debt.

An Overview of the Process of Delinquent Property Tax Enforcement

Property taxes in Illinois are due twice a year. The amount billed reflects the previous year's property tax; so 2014 property taxes are billed in 2015. If a property owner fails to pay his or her property taxes by October of the year in which they are due, then the property taxes are listed for sale.

Those interested in purchasing the unpaid tax debt have to pay a fee to gain access to the sale (called, the "tax sale") and then bid against other potential purchasers at a live auction conducted by the Treasurer's office.[30] The winning bidder (or "Taxbuyer") is the party who offers to charge the property owner the lowest amount of interest on the debt, and the bidding starts at a maximum 18% interest rate. In addition, the rate of interest the Taxbuyer bid increases every six months the certificate remains unpaid.[31] For example, if the winning bid was 6% and the property owner redeemed in the first six months, the owner would pay the value of the certificate plus 6% interest. If the owner redeemed between six and twelve months after the sale, then the cost to redeem would be the value of the certificate plus 12% interest. Between one year and eighteen months it would increase to 18% interest, between eighteen months and two years it would be 24%, and if the owner redeemed between two years and two and a half years after the sale, 30% interest would be applied.

Upon winning the bid, the Taxbuyer has to pay the Treasurer the amount of the unpaid taxes, a monthly penalty (1.5% interest per month that the taxes were delinquent), and a $60 fee.[32] The Taxbuyer gets a tax certificate that allows the Taxbuyer (a) to collect interest if the property owner pays back the unpaid taxes, penalties, and fees (a process called, "redemption"); or (b) to foreclose on the lien and take title to the property.

The owner-occupant of a residential property with six or less units has two and one half years from the date the taxes were sold to pay the County back the unpaid taxes, though the Taxbuyer can apply to extend the redemption period up to three years.[33] Three to six months before the redemption period expires, the Taxbuyer can choose to request a deed to the property from the court through the County.[34] The Taxbuyer has to provide notice to the

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[30] For the procedures governing the tax sale, see 35 ILCS 200/21-190 through 21-255.

[31] See 35 ILCS 200/21-355.

[32] For example, consider a property where the total 2014 property tax was $2,000. The first installment would be due in June and the second in September. If the first installment of $1,000 is unpaid, interest is added at 1.5% per month for July through October. If the second installment of $1,000 is late, interest is added for October and November. So, $1,000 X 4 months of 1.5% interest = $60 added in penalties for the first installment, and $1,000 X 2 months of 1.5% interest = $30.00 added in penalties for the second installment. There is also a $60.00 fee added in Winnebago County (Winnebago County Code Sec. 78-1). So the total a taxbuyer would have to pay would be: $2,000 unpaid taxes + $90 penalties + $60 fee = $2,150.

[33] Different redemption periods apply to different types of property; for example, owners of apartment buildings with 7 or more units or commercial property have only six months to redeem if the taxes have been delinquent for each of two or more years, while owners of abandoned property have two years to redeem. 35 ILCS 200/21-350.

[34] One person familiar with the process roughly estimated that a deed to the property might only be sought in 30% of the expiring tax certificates in Winnebago County.

owners, occupants, and parties interested in the property (e.g., a mortgage holder). The Taxbuyer also must pay any other unpaid property taxes due, as well as other municipal liens where the City or County may have expended public funds, such as liens for cutting overgrown weeds.[35] Once the court approves the Taxbuyer's request for a deed, the Taxbuyer must record the deed with the County Registrar to complete the transfer.[36]

In Winnebago County, the County Board of Commissioners have elected to appoint a County Trustee, whose role is to take the certificates and deeds, on behalf of all taxing districts, to those properties that are rejected by the tax sale market.[37] For all properties that do not receive a bid at the tax sale, the Trustee takes the tax certificate to the property. If no one redeems the property, the Trustee applies for the deed to the property and offers the property for sale. The Trustee does not pay the County for either the certificate or the cost of obtaining the deed.

Figure 5 - Properties Sold at Annual Tax Certificate Sale

Tax Year	Tax Certificates Sold	Tax Certificates to Trustee
2010	2953	353 (13.3%)
2011	2764	474 (17.1%)
2012	3230	667 (20.7%)
2013	2694	558 (20.7%)
2014	2455	691 (28.1%)

The Process of Delinquent Property Tax Enforcement

The process maps in Figures 6 and 7 below illustrate how delinquent property taxes are enforced in Rockford and Winnebago County. Both the process maps and the brief narrative overview above illustrate the tremendous complexity presented by the delinquent tax enforcement system. In order to have an impact on the vacant and abandoned and tax delinquent properties that are often simply recycled through the process year after year, local

[35] See 35 ILCS 200/22-35.

[36] 35 ILCS 200/22-60. In addition, the Taxbuyer must record the deed no later than one-year after the court approves the transfer or the deed is void, and, presumably, title to the property remains in the name of the original owner. See 35 ILCS 200/22-85.

[37] The role of the Trustee is governed by an agreement between the County Board of Commissioner and the Trustee that was entered into in 1997. The authority to enter into this agreement was cited under 35 ILCS 200/21-90.

stakeholders must understand and more effectively use this delinquent tax enforcement system, the complexity of which is mirrored in jurisdictions around the country.

Figure 6 – Tax Sale Process (1 of 2)

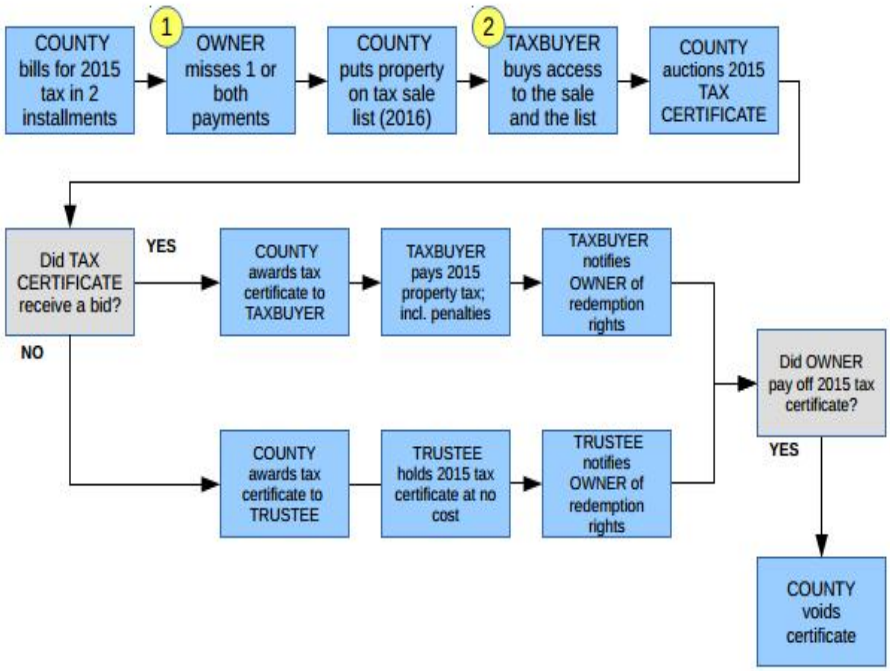
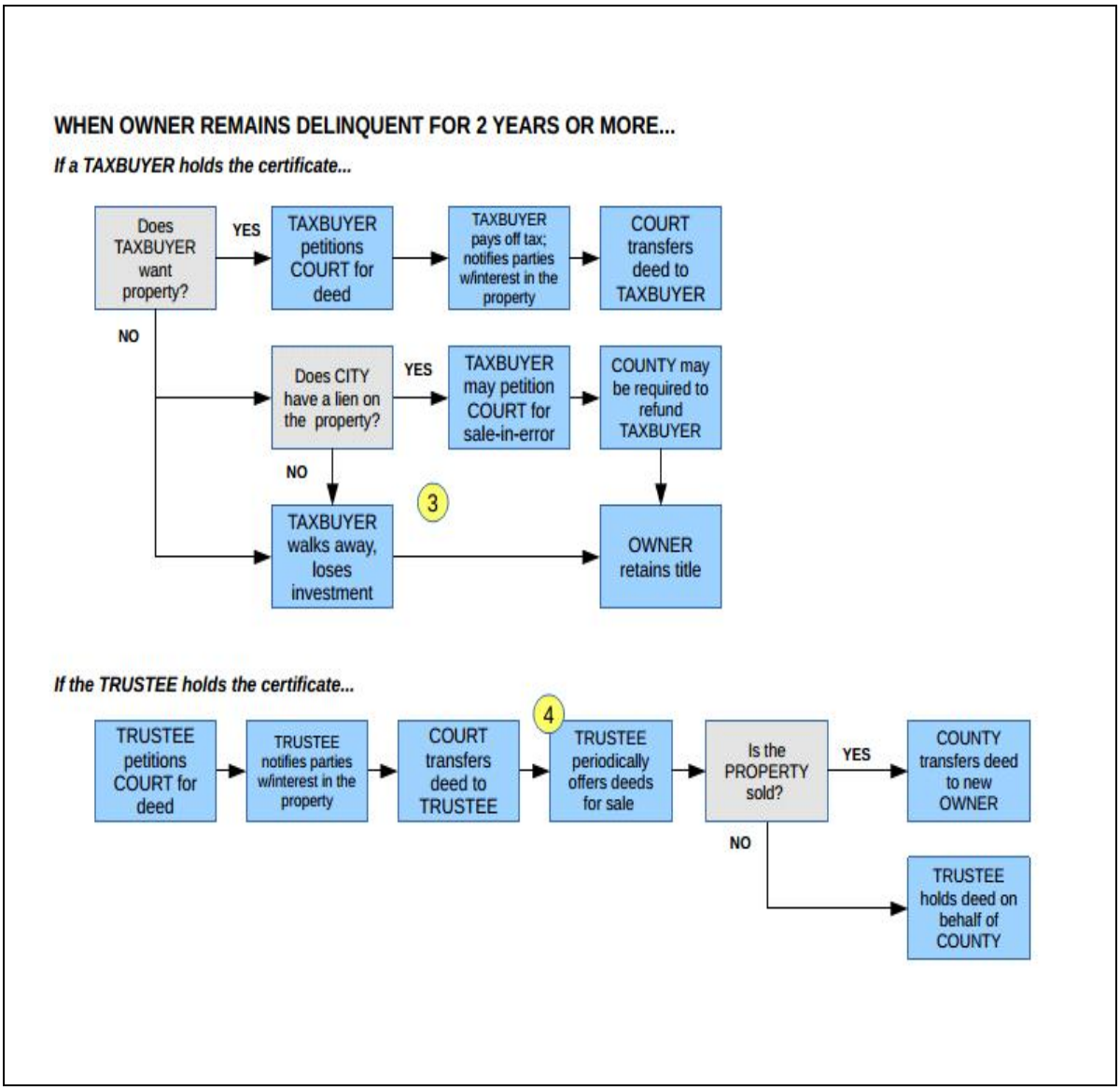


Figure 7 – Tax Sale Process (2 of 2)



Key Access Points (Delinquent Property Tax Enforcement)

1 **Programs Available to Assist Homeowners:** The Treasurer's office reports a number of internal measures aimed at ensuring homeowners have every opportunity to avoid having their property subject to the tax sale, including multiple notices of default and allowing homeowners the maximum amount of time to pay before the unpaid taxes are put up for sale. A review of Illinois law did not reveal any obvious, widely applicable

provisions that would allow the County to grant additional relief to a homeowner in advance of the tax sale.[38]

However, as noted in Figure 4 above, more than 2,800 properties per year (the average from 2010-14) are subject to the Winnebago County tax sale. Though many properties are redeemed, this Access Point highlights how the presence of unpaid property taxes are a strong indicator that a homeowner may be in need of additional outreach or assistance, or may also indicate a future or current problem property.

Corresponding Tactics in Part 2:

Layer 1: Tactics 2 – 7
Layer 2: Tactics 8, 14
Layer 5: Tactics 24, 28

2 **Access to the Tax Certificate Sale:** Taxbuyers must first purchase access to the list of properties available for sale, and for the right to bid at the sale. But several stakeholders interviewed expressed frustration at the participation of recent out-of-state investors who substantially under-bid local investors.[39] This Access Point is intended to highlight that the priorities of investors in the tax sale, particularly certain out-of-state investors, can differ greatly from those of local governments or taxpayers looking to stabilize neighborhoods.

Corresponding Tactics in Part 2:

Layer 5: Tactics 24, 29

3 **When the Taxbuyer Doesn't Want the Property**: Illinois law requires that before a Taxbuyer may petition for the deed to property,[40] the Taxbuyer must reimburse a municipality for any interest the municipality has in the property if that interest arises from the exercise of certain police powers or public monies expended on the property, like the removal of weeds or debris.[41] If the municipality declines to release its interest in the property, this provides the Taxbuyer grounds to petition the court for what is called a "sale in error." Put in simpler terms, if the City has a lien on the property for mowing

[38] One provision allows the County to waive the interest that accrues from the date the taxes are late until the sale for certain elderly persons that are eligible to apply for tax relief and cases where the Treasurer approves the waiver. See 35 ILCS 200/21-27.

[39] Purchasing a tax certificate also allows the certificate holder the opportunity to purchase the next year's property taxes, if they also go unpaid, and receive a statutory 12% interest on the unpaid amount. 35 ILCS 200/21-355. This would allow an investor with enough capital to bid as low as 0% at the first year's tax sale in order to gain access to the interest rate of subsequent years.

[40] A Taxbuyer petitioning for the tax deed must pay any and all unpaid property taxes from previous years that were not covered in the tax certificate previoiusly purchased by the petitions, and any other outstaning fees, penalties and costs. See 35 ILCS 200/22-40.

[41] See, 35 ILCS 200/22-35.

the lawn or for removing debris *and* a Taxbuyer does not want to pay the City the value of the lien, *and* the City fails to release the lien, then the Taxbuyer's request will most likely be granted. This means the County has to pay the Taxbuyer back the original amount paid for the tax certificate, even if that amount was paid three or four years earlier.

Information provided by the Treasurer's office indicated that petitions for sale in error have increased by nearly 250% since 2011, from 66 petitions granted in 2011 to 229 petitions granted in 2015. In 2015 alone the County had to refund Taxbuyers more than $1,000,000.00 as a result of petitions granted (see Figure 8 below). A Winnebago State's Attorney representative attributed some of that increase to the increased presence of City liens for high weeds or debris accumulation. Given that these are properties where the owner has failed to redeem for more than two years and that contain municipal liens, it stands to reason that this subset of properties might entirely consist of what the City would consider problem properties.

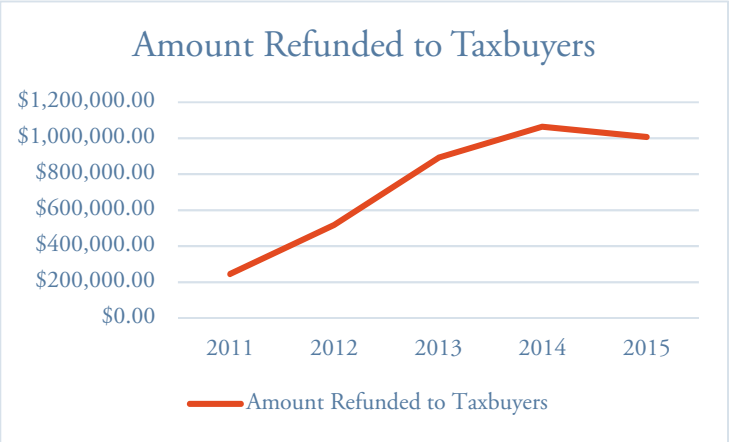


Figure 8 - Sales in Error 2011 to 2015

This Access Area is also a critical point to draw attention to those properties where the Taxbuyer simply elects to not pursue a deed and walks away from the investment without filing a petition for a sale in error. This may be because the property has deteriorated to the point that further *financial* investment is unwise, but the decision most likely means the property cycles back through the whole tax sale process once again. Estimates by stakeholders familiar with the process state that the percentage of unredeemed tax certificates where the Taxbuyer elects to not pursue a deed is greater than 60%, though a year by year analysis of the actual number could be helpful to both the County and the City to further understand and then survey these properties.

Corresponding Tactics in Part 2:

Layer 5: Tactics 24 – 26, 30

4

The Role of the Trustee. The role of the Trustee is largely dictated by an agreement entered into almost twenty years ago between the Winnebago County Board and a private individual. As noted above, the Trustee essentially serves the purpose of marketer for a number of properties in Winnebago County that the private market has rejected. Conversations with the Treasurer's office, the City, and with community stakeholders identified the role of the Trustee as a prime Access Point to work together and determine a set of strategies to help direct problem properties.

The Trustee's inventory in Rockford alone is between 350 and 400 properties.[42] The majority of those properties are now vacant lots, which the City has been mowing and maintaining for years. Frustration was expressed by City leaders and community stakeholders at how many of these properties have historically been difficult to access and acquire.

Corresponding Tactics in Part 2:

Layer 5: Tactics 24 – 27, 30 – 32
Layer 6: Tactics 36, 37

[42] See, Loveland Technologies parcel map of Rockford at https://makeloveland.com/us/il/winnebago/rockford#b=none&t=overview.

PART 2: BUILDING A BETTER APPROACH TO PROBLEM PROPERTIES IN ROCKFORD, LAYER BY LAYER

Based on conversations with stakeholders, the ultimate vision in Rockford is to create a universe where systemic blight no longer exists and neighborhoods are vibrant, properties are proudly maintained, and the word "foreclosure" is a foreign concept. In the quest to achieve that idyllic vision, Rockford must continue to build its approach to problem properties from the ground up. The "Layers" highlighted in the figure below are an attempt to provide a roadmap for how local leaders might think about building such a system. Each Layer highlighted in Part 2 contains a number of tactics for consideration by stakeholders that may help develop ways to work towards a better and more informed approach to problem properties. Each of these tactics may be considered at one or more of the Key Access Areas identified in the two systems discussed in Part 1. Many of these tactics align closely or support efforts already underway in Rockford.

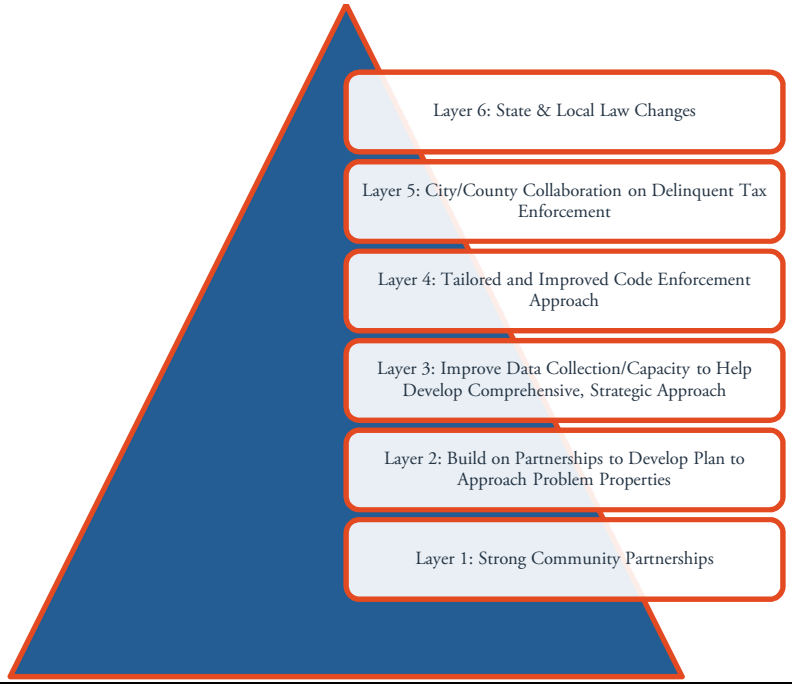


Figure 9 - Layering a New Approach to Problem Properties

LAYER 1: CONTINUE TO BUILD COMMUNITY PARTNERSHIPS TO PREVENT THE FURTHER DECLINE OF PROPERTY

The City has an incredible number of opportunities to continue to reach outside the confines of City Hall to build partnerships designed primarily to prevent the decline or loss of property. While there are numerous partners not listed here that will also be critical to this Layer, the following two present some concrete examples of how those partnerships can be fostered to identify and then work with the City and County to prevent properties from becoming a problem.

Residents & Community Organizations

The number of neighborhood associations and organizations invested in helping Rockford stabilize communities through communication with the City and advocacy on behalf of their residents or members is impressive. In addition, both the Rockford and Winnebago Housing Authorities, and Homestart provide counseling and opportunities for residents and potential homebuyer education. For its part, the City must continue to do as much as possible to build on these community efforts to inform and educate neighborhood leaders and residents how best to maintain homes, which products are available to improve or maintain homes, and to pair residents with educational opportunities designed to increase financial literacy to build a future pipeline of potential, responsible homeowners.

- *Tactic 1* – In order to build trust with residents, the City could consider sending out advanced notice of code enforcement "sweeps" to allow responsible homeowners the opportunity to correct potential violations and avoid the issuance of code violations. The City could provide notice of the sweep through neighborhood organization leaders, on its website, or by posting flyers in the targeted neighborhood one week prior to inspection, describing common violations and what residents could do to comply with local codes. The City could also use notice of the sweep to work with neighborhood leaders to inspire or help to coordinate a neighborhood clean-up day in advance of the sweep, attended by local officials or elected leaders to show good faith and to foster the notion that the primary goal of code enforcement continues to be compliance.[43]

- *Tactic 2* – The City and neighborhood leaders should consider seeking out a potential partner willing and able to educate homeowners, particularly low-income or elderly homeowners, on the importance of creating a will or estate plan to prevent "heirs' property." The term is used here to describe such property that is passed down in the absence of a will or estate plan and without a clear path of succession, creating confusion as to who owns or is responsible for property once the original owner passes. Several parties interviewed throughout our engagement noted that

[43] For example, Toledo, OH has partnered with the community in similar actions, including the "Engaged Toledo for Cleaner, Safer Neighborhoods" program, where the City supplies mowing and weeding equipment on select Saturdays to support neighborhood clean ups. For more discussion, see Community Progress' report, ***An Open Space Action Plan for the Junction Neighborhood in Toledo, Ohio*** at: http://www.communityprogress.net/filebin/160630_TASP_LCLRC_Open_Space_Action_Plan_Final.pdf.

this is the type of property which, in addition to failing to pass on family wealth, can require lengthy and expensive legal work to fix. One lender representative reported that heirs' property may represent nearly a third of the properties in Rockford on which his bank had foreclosed. Heirs' property projects have been set up around the country to address just this challenge.[44]

- *Tactic 3* – Recognizing that substandard rental properties can contribute just as much to the decline of neighborhoods; the City should continue to partner with organizations like Prairie State Legal Services, Rockford Housing Authority, and Winnebago County Housing Authority to ensure that tenants are aware of their rights, as well as of new home buying opportunities and programs.[45]

The Lenders

One of the unique and impressive aspects of Rockford's application and Community Progress' first site visit was the relationships already built between the City, community groups and local lenders. This ongoing relationship should continue to be fostered to expose potential homebuyers to financial literacy programs in the hope of creating a sustainable pipeline of responsible homebuyers who may help prevent the further decline of property and encourage investment in neighborhoods. Along with HomeStart, seemingly the City's only HUD-certified housing counselor, Alpine Bank, Rockford Bank and Trust, Members Alliance Credit Union, WinTrust and Illinois Bank and Trust are already great local partners, and the addition of national lenders with a presence in the Rockford market, such as BMO Harris, Chase, and PNC, could also be extremely valuable. Some tactics the City may consider to continue building these relationships include the following:

- *Tactic 4* – The City should continue working with local lenders to align City-backed incentive programs aimed at existing or potential homeowners (particularly those low-income or first time homebuyers looking to invest in neighborhood markets identified by the City as ripe for investment) with new or existing lender products, or to discover additional lender products that may be available in more distressed markets where City programs are targeted. Two of the most relevant City programs include the Homebuyer Assistance Program, where buyers seeking to purchase unoccupied homes are offered three years of property tax rebates, and the Focus Area Rehabilitation Program, for eligible homeowners looking to rehabilitate their home and create added value.[46] Routine sharing of information will go a long way to implementing measures designed to make both lender-backed and City-backed products successful.

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[44] See, for example, the Center for Heirs' Property Preservation website at: http://www.heirsproperty.org/.

[45] Throughout our engagement and in our review of local laws and policies, it was clear that reported "problem tenants" were viewed as significant contributors to the substandard condition of many rental properties (see, for example, the recent landlord registry law at: http://rockfordil.gov/community-economic-development/rental-registry.aspx). Despite this perception, local leaders in Rockford should continue to consider and communicate that tenants in many communities represent a more vulnerable population than most landlords, in general, and that deploying tools designed to ensure tenants are provided quality rental housing stock is of paramount importance.

[46] For more information on these and other programs, see http://rockfordil.gov/community-economic-development/neighborhood-development/neighborhood-development-programs.aspx.

- *Tactic 5* – In our first site visit in Rockford, representatives from local lenders indicated a desire to sell the inventory of properties acquired by lenders in foreclosure actions to residential owner-occupants, but described the packaging of loans designed for the purchase and rehabilitation of homes to such potential purchasers as extremely difficult, particularly in some of the more distressed Rockford neighborhoods. However, that same conversation with lenders revealed not only a number of federal or state grant programs that may be available, such as down payment assistance program grants or affordable housing program grants, but also a high level of interest expressed by the local lender participants that such products might be explored. The City should consider continuing to work with local lenders and Community Reinvestment Act (CRA) officers at larger lenders to research any available options.

- *Tactic 6* –Another type of product that might be worth exploring with lenders are Individual Development Accounts (IDA),[47] which could allow certain low-income individuals a tool to help save for a down payment. The City could consider playing a role, for example, by working with lenders to identify those individuals who take advantage of IDAs as potential homebuyers of unoccupied property through the City's Homebuyer Assistance Program. This tactic could be particularly effective if the potential homebuyer is looking to rehabilitate property located where it has the potential to stimulate additional investment in the neighborhood.

- *Tactic 7* – One of the most common mistaken impressions in Rockford (and across the country) is that once a notice of mortgage foreclosure is filed then that house is owned by the bank.[48] Banks do not typically own property during the foreclosure process, at least until the judge in a foreclosure case issues an "Order for Possession."[49] In Illinois, where the mortgage foreclosure process often averages more than 700 days from filing to resolution, this clarification is significant. As such, homeowners facing foreclosure should know their rights, some of which are laid out in the document "Important Information for Homeowners in Foreclosure," available on the Illinois Attorney General's website.[50] To ensure homeowners are properly informed of these rights and the risks associated with mortgage foreclosure, the City (or the Vacant Problem Properties Working Group, discussed in Layer 2) might consider establishing quarterly meetings with lenders to discuss not only how they can better partner with each other to improve the methods and outreach used to inform homeowners and potential homeowners of these rights and risks, but to also discuss and explore programs, products, and grants mentioned in *Tactics 4* through *6*. It may also be helpful to ensure that HomeStart is included in these meetings as its

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[47] See https://cfed.org/programs/idas/ida_basics/.

[48] Because of the strict legal process for mortgage foreclosure in Illinois, and because most banks do not own the property until after the foreclosure is complete, at this time some of the better opportunities for the City to consider intervention in the mortgage foreclosure process are: (a) before the property owner misses any payments, (b) by highlighting housing counseling or foreclosure mediation programs, and (c) working with lenders and banks to identify or facilitate the transfer of REO properties to responsible property owners.

[49] Note, an "Order for Possession" is only applicable in states that allow judicial mortgage foreclosure.

[50] See http://www.illinoisattorneygeneral.gov/consumers/SB1879_Home_Owner_Rights.pdf..

mission as a HUD-certified housing counselor is to educate, counsel, and advise "on a wide range of housing issues."[51]

LAYER 2: BUILD ON ESTABLISHED RELATIONSHIPS TO PLAN A STRATEGIC APPROACH TO PROBLEM PROPERTIES

The New Vacant Problem Properties Working Group

The relationships developed throughout this engagement have been promising, but without sustained coordination and a consistent willingness to come to the table and discuss tactics and strategies, much of the momentum will be lost. Community Progress has seen great success in the creation of working groups or task forces built to specifically tackle the issues caused by problem properties across the county. Some groups or task forces to consider as potential models include the formation of the BlightSTAT program in New Orleans, Louisiana;[52] the Vacant and Abandoned Properties Initiative in South Bend, Indiana;[53] and the Duluth Blight Collaborative, which stemmed from a partnership between LISC Duluth and the City of Duluth.[54] Some tactics to consider in forming and sustaining such a group:

- *Tactic 8* – Consider the creation of a new Vacant Problem Properties Working Group,[55] or a similarly named group, with the commitment of leaders from across the City, County, and community stakeholders to hold members accountable for attending, at a minimum, monthly meetings and providing valuable contributions to the focus of the Working Group. Figure 10 represents a basic list of those organizations that, at a minimum, should be either be represented on such a team or be regularly consulted.

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[51] See HomeStart's website at: http://www.nwhomestart.org/Default.aspx.

[52] See the City of New Orleans website at: http://www.nola.gov/performance-and-accountability/reports/blightstat/.

[53] See City of South Bend website at: https://www.southbendin.gov/government/content/vacant-abandoned-properties-initiative.

[54] See LISC Duluth's website at: http://programs.lisc.org/duluth/partners_and_supporters/community_safety_initiative/duluth's_blight_collaborative.php.

[55] For more expanded recommendations on tactics to be considered in forming such a group, see Recommendations 1.1 through 1.8 in Community Progress' report, *Vacancy and Abandonment in the City of Indianapolis, Indiana* at http://www.communityprogress.net/filebin/Final_Indianapols_Report_5_26_16_website.pdf.

Figure 10 – Proposed Working Group Representatives

Potential Working Group Representatives		
City	County	Community
- Mayor/City Administrator's office	- Treasurer	- Neighborhood organizations.
- DCED	- Health Department	-Local finaincial insitutions
- IT	- Trustee	- RHA & WCHA
- Law Department	- IT	- Non-profit developers/CDCs
- Police (Community Services Group)	- Supervisor of Assessments	- EDDNI and RMAP
- Fire		

- *Tactic 9* - Identify a high-level municipal executive, such as someone from the Mayor's or City Administrator's office, to chair Working Group meetings. This executive should carry the authority to obtain data points, set goals, track action items and maintain accountability from all municipal departments.

- *Tactic 10* – Charge the Working Group with developing a shared vision statement. The first part of this charge could be to consider defining the focus of the Working Group by crafting a definition of "problem property," as recommended in *Tactic 15* in Layer 3. Stakeholders identified a broad range of problem properties, from vacant lots to substandard rental properties, causing harm in Rockford. Recognizing that addressing unoccupied properties require very different strategies and tactics than addressing those properties that are occupied, the Working Group should focus its efforts first entirely on unoccupied property.[56]

- *Tactic 11* – The Working Group should consider working closely with the City IT Department, County IT Department, WinGIS, and perhaps the Rockford Metropolitan Agency for Planning (RMAP) and the Economic Development District of Northern Illinois (EDDNI) to identify a central platform around which to collect, manage, and utilize data for the purposes of addressing what the group defines as problem properties. Critical steps for this will include: determining in which agency the platform is housed, how and whether combined resources can be used to increase capacity (for example, if investment in a third party vendor is needed, whether multiple agencies contribute not only the financial resources but also commit to the

[56] Note that the City is already convening a small Working Group to address occupied rental property. It was reported in the June Rockstat that these bi-weekly meetings have been taking place between Police, IT, Law, and DCED to address "Residential Quality Support Ordinance Enforcement."

sustained sharing of data sets unique to each agency), and how access to the platform is managed.

- *Tactic 12* –Determine the true inventory of problem properties. Once a definition of problem properties has been agreed upon, consider conducting a windshield survey of all properties that meet that definition to gauge the true condition and number of those properties. While this is not a substitute for conducting a full windshield survey of *all* properties in Rockford, it will certainly provide a starting point. Increased capacity is needed, however, to conduct such a survey. Exploring a mobile application solution to this might be a way to build such capacity. Potential options include allowing the City and County to explore whether their current software license with ESRI may allow for the creation or use of a mobile app designed to facilitate such a survey, or look to purchase the software from established providers. The City of Atlanta, Georgia provides an example of what such a survey might provide,[57] as does a similar survey conducted in Toledo, Ohio.[58]

- *Tactic 13* – Understanding that momentum for the Working Group will depend on demonstrating progress, consider tasking the Working Group to identify the top twenty or thirty problem properties on which to focus initial efforts. Ensure that outcomes are specifically tailored as detailed above, and communicate successes transparently on a publicly accessible website.

- *Tactic 14* – Identify achievable outcomes for each strategy developed by the Working Group. Ensure that desired outcomes receive input from outside planning organizations, such as the EDDNI (paying close attention to their Comprehensive Economic Develop Strategies), and RMAP, and that the outcomes align with existing neighborhood or focus area plans,[59] such as the Ellis Heights Choice Neighborhoods Transformation Plan.[60] Such desired outcomes could simply include voluntary compliance with code violations, or securing the property and continuing to monitor. It might be that adding qualified property to the demolition list where it will be subjected to a ranking system is a desired outcome in some neighborhoods, whereas property preservation or rehab might be a preferred outcome in another. Other, more nuanced and long-term outcomes might include developing a clear path to return the property to the tax roll, the eventual acquisition of a Trustee-owned property by a local non-profit developer, acknowledgment of the likelihood of acquisition by a Taxbuyer or foreclosing bank, and/or the likelihood of the City or the County being able to direct the property. Examples of the desired paths down which such properties could directed could include first time homeownership, affordable housing development, or the development of open spaces.[61]

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[57] See the City of Atlanta's website at: http://www.atlantaga.gov/index.aspx?page=908.

[58] See the Lucas County website at: http://co.lucas.oh.us/index.aspx?NID=2783

[59] See, for example, a list that includes a number of current plans on the City of Rockford's Community and Economic Development Department's website at: http://rockfordil.gov/community-economic-development/cedd-reports.aspx.

[60] The Ellis Heights Choice Neighborhoods Transformation Plan was developed by residents, under the guidance of the Rockford Housing Authority and planning partner Camiros, Ltd. pursuant to a Choice Neighborhoods Planning Grant from the U.S. Department of Housing & Urban Development. The Plan can be seen here: https://camiroschoice.files.wordpress.com/2014/07/1-7-ellis-heights-choice1.pdf.

[61] For an excellent summary of a neighborhood open-space action plan, see Community Progress' report, ***An Open Space Action Plan for the Junction Neighborhood in Toledo, Ohio*** at http://www.communityprogress.net/filebin/160630_TASP_LCLRC_Open_Space_Action_Plan_Final.pdf.

LAYER 3: IMPROVED AND SUSTAINED DATA COLLECTION TO INFORM THE STRATEGIC APPROACH TO PROBLEM PROPERTIES

The City's ability to build capacity with respect to data collection and management moving forward is critical to creating an approach to problem properties that is effective, efficient, and equitable. The Information Technology (IT) Department in Rockford is sophisticated and capable, but the lack of sufficient staffing, coupled with an absence of dedicated IT support in City departments, like the CEDD, means that many of the initiatives or suggestions intended to help shape a more informed and strategic approach to addressing problem properties may be difficult to implement. Absent additional investment from within the City, options to build capacity may need to include the ability to streamline the processes internally, the assistance of another local agency or community partner (possibly through the Working Group), or investment in a third party vendor.[62] Multiple willing participants in helping the City access data have emerged from this engagement, including RMAP, EDDNI, and WinGIS. Many of the following recommended tactics to consider rely on the premise that the City will find the resources or the right partner to help build capacity moving forward.

- *Tactic 15* – Based on CEDD and the City IT Department's experience working with the following data sets, the City should consider developing a working definition of the term "problem property" to present to the Working Group for feedback and input. Currently, the City uses varying degrees of the following data sets to define problem properties:
  - ✓ United States Postal Service (USPS) Vacancy Data
  - ✓ Water utility shut-offs
  - ✓ Mortgage foreclosure filings
  - ✓ Properties eligible for demolition
  - ✓ Presence of code violations
  - ✓ Police and Fire complaints

  While the City does consider a number of additional data sets and has recently gained access to property tax delinquency data from to the County, it has yet to craft a workable, reliable definition of problem properties in Rockford. Recognizing that the definition will need to be fluid, one potential group of properties on which to focus that nearly all stakeholders agreed were a problem would be those properties that:
  - ✓ Are vacant (lot or structure)
  - ✓ Have been cited for at least one code violation, including overgrown weeds, in the last 12 months.
  - ✓ Exhibit at least one of the following characteristics: property tax delinquency, a mortgage foreclosure has been filed, or have had two or more police or fire calls in the past 12 months).[63]

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[62] Note that this last option, the investment in a third party vendor, was the focus of the second part of the scope of this engagement. Please see the list of those products that were presented for Rockford's consideration attached to this report as Appendix B.

[63] Public safety and crime was often cited as a top concern in Rockford. Community Progress typically finds a strong correlation between where vacant and abandoned properties are located and where increased police and fire calls tend to be located. For a demonstration of where 2016 police and fire incidents were located in Rockford, please see "Appendix C" and "Appendix D." Note there is a distinct correlation between where properties are grouped in the map in Figure 11 of this report and where the highest concentration of police/fire incidents occur in the Appendices.

Based on an exercise in narrowing down the field of problem properties, the City's IT Department was able to put together the map in Figure 11. At the request of Community Progress, the map displayed all those properties in Rockford that were listed as: USPS vacant, where the water had been shut off for six or more months, 2015 tax delinquent, and having one or more open code violations. The exercise revealed 201 parcels (of the more than 70,000 total parcels in Rockford, per the Winnebago County Assessor) that contained all of those characteristics. The final number could have been influenced by any number of circumstances, such as how code enforcement classifies "open" incidents.[64] This combination of data sets presents a manageable starting point of properties that could be inspected to review what the presence of these points indicates about the condition and type of such properties. Note that the location of the properties, indicated by blue dots on the map, tracks closely with those neighborhoods on the West, Southwest, and South sides that the City has previously identified as having a high presence of mortgage foreclosure or properties slated for demolition.

[64] Though the number of properties that met all characteristics identified was small, the total number of properties that contained at least one of the data points listed was nearly 10,000.

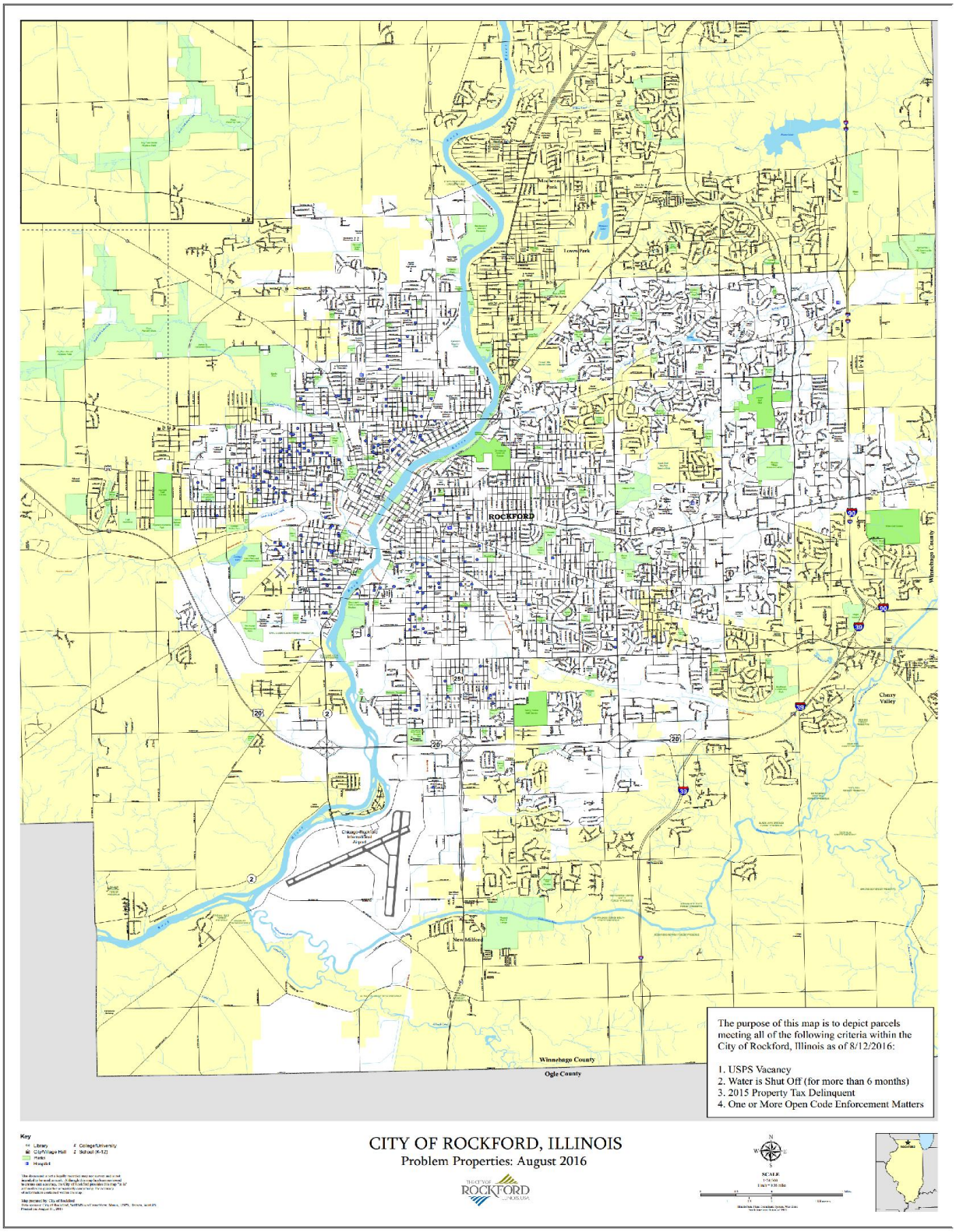

Figure 11 – Problem Property Data Set Mapping Exercise

- *Tactic 16* – Consider tasking the Working Group with helping the City to create and develop a platform to centralize and facilitate the integration of multiple sources of data, including data from within the City (like Code Enforcement data from the Hanson database and data from Police and Fire Department incidents), the County (including WinGIS parcel data, delinquent property tax data, and Health Department enforcement data), as well as market data acquired from various outside sources. Such a platform should not only enable internal users from various Departments or Agencies to easily compile reports and map data sets from various sources, but also provide a user-friendly interface accessible to the public that could provide, for example, real-time status of where current programs are being deployed or code enforcement efforts.

- *Tactic 17* – Consider having the City help the Working Group measure neighborhood conditions, including market trends.[65] Currently, the City conducts its evaluation of most neighborhood areas by census tract, which reportedly track closely to neighborhood boundaries. The first step in measuring neighborhood conditions should be to determine whether census tracts are still the appropriate geographic entity for measurement or whether additional geographic boundaries at the actual neighborhood level (or even the block level) might more appropriately reflect the population and needs of those areas.

  Ultimately, however, there is not one, single statistic that can accurately measure how strong or weak a neighborhood market might be. Many of the indicators highlighted in *Tactic 16* could be helpful to include in a neighborhood market assessment, in addition to indicators like the median home sale price, homeownership rate, percentage of sales where a mortgage was used to purchase the property, and property tax delinquency (most of which are data sets to which the City already has access). In Community Progress' Trenton, NJ study (see Footnote 62), for example, the decision was made to assign a grade of "1" through "5" for each indicator based on its prevalence in that area. In Rockford, that might mean, for example, the Midtown District Neighborhood may rate a "4" or "5" for vacancy, while the Spring Creek Neighborhood may rate a "1." The next step would be to assign each neighborhood a composite score based on the rating of all the indicators to generate a number representing the strength of the neighborhood. This score can then be used to inform strategies for code enforcement or redevelopment/revitalization. For example, those neighborhoods with the highest composite scores likely indicate the presence of a number of problem properties that routinely necessitate City action (e.g., Police/Fire calls, board-ups, mowing). Preferred investment strategies for those neighborhoods may mean that the City would look at ways to decrease ongoing taxpayer maintenance costs by prioritizing the demolition of vacant structures over rehab in that area.

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[65] For a much more comprehensive approach on assessing neighborhood conditions, see the report by Community Progress, New Jersey Community Capitol, Isles, Inc., Joseph C. Cornwall Center for Metropolitan Studies, and Rutgers University-Newark, titled, ***Laying the Foundation for Strong Neighborhoods in Trenton, NJ: A Market Oriented Assessment*** at http://www.communityprogress.net/filebin/Trenton_Report_Full_Final_Copy.pdf.

LAYER 4: TAILOR AND IMPROVE CODE ENFORCEMENT USING NEW, STRATEGIC APPROACH

Despite the City's already sophisticated code enforcement process, there are a number of improvements that could be made to develop a more effective, efficient, and equitable approach. It will also be important for code enforcement to utilize the improved data collection and strategies identified by the Working Group to gain a better understanding of market conditions in each neighborhood. After all, a property owner's ultimate decision to fix a violation and to invest in making repairs to a property is primarily economic. For some owners, spending thousands of dollars to make repairs to a cracked foundation makes little sense when the neighborhood market is almost nonexistent and gives no indication that the owner could recover his or her investment. Aggressive code enforcement and the assessment of high fines may actually incentivize such owners to walk away and abandon the property.[66] The following tactics are designed to offer suggestions to improve the current system of code enforcement, while being mindful of those factors.

- *Tactic 18* – The administrative hearing forum offers the City an optimal opportunity to assess and evaluate the severity of a code violation and compare that to the property owner's willingness or ability to comply with additional time or resources. City attorneys already report making such determinations and, in many cases, offer property owners additional time to comply. In some cases, property owners are directed to programs offered by the City that might help with repairs, such as the Focus Area Rehabilitation Program.[67] The City should consider continuing to follow this approach for appropriate homeowners, and to further explore what policies might be implemented to provide its attorneys clearly defined guidelines or priorities to consider to grow the effectiveness of such outreach.

- *Tactic 19* – Consider that any judgment sought before an administrative hearing officer for building code violations include the true, fully loaded costs expended by the City in addressing those violations. Costs should include, at a minimum, any estimated hours spent responding to complaints, inspecting the property, researching title or past violations, and prosecuting the violation, in addition to any actual costs expended remediating the violation. It is possible that better tracking of these costs could increase the City's leverage in recovering part of its lien in the future.[68] Determining these fully loaded, or 'hard,' costs may also assist the City in determining a fair amount to accept for its practice of lien reduction, a process where the City may agree to release its code enforcement lien for payment of a lesser amount than its actual value in exchange for a property owner or new buyer agreeing to make repairs or otherwise improve the property.

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[66] See Community Progress Report, Building a Strategic, Data-Driven Code Enforcement Program for Gary, Indiana at: http://www.communityprogress.net/filebin/150928_TASP_Gary_Report__FINAL.pdf.

[67] See http://rockfordil.gov/community-economic-development/neighborhood-development/neighborhood-development-programs.aspx.

[68] Note the parallel between this and *Tactic 34* in Layer 6 of this report.

- *Tactic 20* – As they are tasked with inspecting properties in all different areas of Rockford, CEDD inspectors are in a unique position to continue to collect data sets that can contribute to improving the ability of the City to predict properties that tend to further decline. For example, an inspector may recognize that this is the second violation for debris accumulation on a vacant, boarded-up property where a mortgage foreclosure has been filed. This could trigger adding the property to an internal list for further research (or forwarding that property along to the Working Group) which, along with the information gleaned from the inspection, may reveal that the property also has unpaid property taxes. Because foreclosing entities usually keep property taxes current, unpaid property taxes may signal that the bank has walked away from the foreclosure without recording a release (often referred to as "zombie property") and that the property is in danger of further decline. Now the City could at least consider proactively monitoring the property with such risk in mind.

- *Tactic 21* – Consider having the City provide feedback to the Working Group on whether certain data points from the demolition ranking system (discussed briefly in Part 1, Key Access Point 3 of the building code enforcement process) provide an opportunity on which to build and expand the practice of ranking and prioritizing other problem properties. For example, mapping the proximity of problem properties to school bus stops or high density housing could be a useful way of further narrowing or prioritizing the list of properties that may meet the City's eventual working definition of a problem property. This prioritization could help to identify those properties that may be most appropriate to explore testing some of the other tactics listed in this report, such as a pilot program to assess the viability of *in rem* enforcement of code liens in *Tactic 33*, or to negotiate the acquisition of a tax certificate from a private investor or the County Trustee, discussed in *Tactic 31*.

- *Tactic 22* – The City could continue to build trust between residents and community leaders by improving code violation reporting mechanisms. For example, the City could consider displaying on its website current, real-time wait times between when a weed or debris violation is reported and when it is anticipated that it will be cleaned. A more ambitious method for the City to consider to build trust in the reporting system is to explore whether the capacity or resources exist to implement a mobile reporting tool, where residents can submit reports or service requests on their phone.[69] Such a tool would allow users to submit photos and use GPS coordinates to help identify the property, and would allow the City to notify the reporter when the property is cleaned.

- *Tactic 23* – Because lenders who file a mortgage foreclosure action are required to notify the City of a foreclosure filed in Rockford,[70] consider whether it makes sense to pilot a program for the City to appear in court in those foreclosure actions where the City has a significant code lien or a number of liens from cleaning the property. Given staffing constraints in the legal department, consider delegating this task to an intern or staff member under the supervision of

[69] See, for example, http://en.seeclickfix.com/.

[70] See 735 ILCS 5/15-1503.

an attorney. It will be important to set certain benchmarks, such as only appearing for those code violations where the property is vacant and contains more than $2,500 in unpaid code violations. Potentially use the lien as leverage to request that the servicer or lender comply with any outstanding violations and/or to compel payment. Further consider exploring whether adding more of the "hard costs," as described in *Tactic 19*, has any impact in the likelihood of recovery.

LAYER 5: HIGHLIGHT KEY POINTS OF THE DELINQUENT TAX ENFORCEMENT PROCESS FOR CITY/COUNTY PARTNERSHIP

In addition to the options for intervention and improvement in Key Access Points highlighted in Part 1 of this report, the following options for collaboration between the City and County related to the delinquent tax enforcement process are offered for consideration.

- *Tactic 24* – Consider ensuring that the Treasurer's Office and the City continue to meet and build upon their initial conversations as part of the Working Group. This partnership could allow the County to continue to provide CEDD with access to tax sale data. As the relationship continues to build, consider expanding that access to allow the City to capture additional data points, such as when and what percentage of properties are redeemed. It would be helpful to see what percentage of properties sold at the tax sale are redeemed within six months of the sale, twelve months of the sale, and two years of the sale. This data could give the City and County a better idea of when the majority of properties are redeemed and might even provide a reason or basis for future recommendations to change state law to decrease the redemption period for certain subsets of problem properties. The City also could consider sharing data on defined problem properties that are subject to the tax sale. Perhaps an opportunity will exist with the expanded focus on the role of the Trustee to concentrate efforts on finding a way to ensure those properties do not receive a bid at the tax sale to ensure their eventual transfer to the Trustee instead of the speculative market.

- *Tactic 25* – Consider exploring additional strategies for when the Taxbuyer fails to secure a deed. Part 1 discussed what happens when a Taxbuyer files a petition for sale in error, but what happens when a Taxbuyer simply decides not to pursue a deed *or* a petition for sale in error? The law does not require a Taxbuyer to petition for the deed, so the property risks going back into the pool of properties eligible for the tax sale again the next year (assuming subsequent year taxes are also not being paid). One tactic to consider is whether it makes sense for the City or the County to reach out to Taxbuyers nearing the end of the redemption period and explore the possibility of negotiating a transfer of the Taxbuyer's interest in certain, strategically identified properties to the City, Trustee, or other responsible entity.

- *Tactic 26* – A potential outcome for those vacant properties containing a salvageable structure *and* where the City or the Trustee either hold or might acquire the tax certificate, would be to

consider exploring the application of the Abandoned Housing Rehabilitation Act.[71] This Illinois law enables an organization to file a petition for temporary possession of such premises for the purpose of rehabilitating the property for use as affordable housing for low to moderate income persons. Should this be an option, and should the City or the Trustee hold the certificate, then coordinating such an approach with the Rockford Housing Authority, the Winnebago County Housing Authority, and/or other willing local non-profits might make sense.

- *Tactic 27* – Use the platform of the Working Group to identify shared City/County strategies for properties owned by the Trustee. Understanding that the majority of Trustee owned properties in Rockford are vacant lots located in weaker neighborhood markets, focus the conversation either on interim community uses for the properties while being held by the Trustee, or focus on the role such properties could play in a more large-scale, long-term plan similar to Detroit Future City's open-space plan.[72] In addition, it may be helpful for the Working Group to be aware of the inventory of Trustee properties, and in particular those properties which may contain structures.

- *Tactic 28* – The City and County could continue to work together to research and explore ways in which other jurisdictions around the country have come up with methods designed explicitly to keep homeowners in danger of defaulting on property tax payments in their homes. One example of such an option is to implement payment plans, like the Interest Reduction Stipulated Payment Agreement in Michigan. Such a plan might allow a property owner to spread the payments out and give them a little time to come up with the money needed to pay their property taxes in full.[73] However, without changes to Illinois law, such a provision might be difficult.

- *Tactic 29* – Though Illinois law itself does little to limit who can actually participate in the sale, it would be worth exploring whether the County might have the authority to further limit access to the sale for those bidders who may own or have interest in properties that contain code violations or are entities that are not authorized to do business in Illinois.[74] This would be another opportunity to collaborate with the City and identify such parties.

- *Tactic 30* – The Treasurer's office and City officials have already entered into discussions about ways to curb the rise in petitions for sale in error granted (see the discussion of Key Access Point 4 in the Delinquent Property Tax Enforcement section of Part 1). The most obvious method to consider is for the City to agree to waive its lien, which may make a lot of sense in those situations where the alternative is the County refunding the Taxbuyer the much more lucrative value of the tax certificate. The Treasurer's office and the City should continue to discuss ways

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[71] 310 ILCS 50/1 *et seq.*

[72] See, Achieving an Integrated Open Space Network in Detroit at: http://detroitfuturecity.com/wp-content/uploads/2016/04/Open-Space-Report-2016.pdf.

[73] See, for example, the Wayne County (Detroit) Treasurer's website at: http://www.waynecounty.com/treasurer/761.htm.

[74] See, for example, Indiana Code Sections 6-1.1-24-5.3 and Indiana Code C 6-1.1-24-5.1 (West 2016), which prohibit individuals who have an interest in unsafe buildings and entities that are not in good standing with the State of Indiana from participating in the tax sale.

in which the City might find a way to leverage this position to direct problem properties. For example, Illinois law allows Taxbuyers to assign their interest in a tax certificate to any party.[75] If the right compromise can be negotiated, it might make sense for the Taxbuyer to simply assign its interest in the certificate to the City or the Trustee rather than letting it lapse and be subject to the tax sale process cycle again.

- *Tactic 31* – Conversations with the Treasurer's office, the City, and with community stakeholders identified the role of the County Trustee as a prime opportunity to work together and determine a set of strategies to help direct problem properties. One initial idea to consider would be for the City to create a publicly available, transparent, pre-qualification process for prioritizing purchasers of publicly-owned property. Such a process should prioritize those non-profits or individuals with the ability and intent to utilize the property consistent with neighborhood needs. This process (and/or previously qualified purchasers) could be shared with the Trustee. Another idea for the City to consider would be to communicate and inform the Trustee of ongoing strategic, neighborhood planning so that the Trustee can attempt to tailor its marketing attempts to achieve local needs. Additional collaboration may also be considered to explore how the Trustee might help ease the City's burden of mowing and otherwise maintaining the current inventory.

- *Tactic 32* – Explore the possibility of the Trustee further expanding its role as a potential land banking partner. As the Community Progress website indicates, the core powers that a traditional land bank might have include the ability to:
    1. Obtain property at low or no cost through property tax foreclosure proceedings.
    2. Hold land tax-free.
    3. Clear title and/or extinguish back taxes.
    4. Lease properties for temporary uses.
    5. Negotiate sales of the property based not only on the highest bid but also on the outcome that most closely aligns with community needs, such as workforce housing, a grocery store, or green space.[76]

The Trustee in Winnebago County, who is an agent of the County acting on behalf of all taxing districts, arguably already has the authority to exercise the first three powers listed above.[77] Because the role of the Trustee is almost entirely governed by the agreement it enters into with the County Board of Commissioners, that agreement could also conceivably authorize the Trustee to exercise the powers listed in four and five of the list above.

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[75] 35 ILCS 200/21-250.

[76] See the Community Progress website at: http://www.communityprogress.net/land-banking-faq-pages-449.php#What are some of the core powers of a land bank?.

[77] See 35 ILCS 200/21-90, which confers the power to represent all the taxing districts on the County for certain tax sale processes, and allows the County to appoint an "officer or person" to act on its behalf, which in Winnebago County has become the Trustee. Important to remember is that the authority to perform all these functions lies with the County, not the Trustee individually. The authority to exercise the powers enumerated above is primarily derived from the agreement between the County and the Trustee.

Thus, the Trustee is in the unique position to partner with other taxing bodies in Winnebago County, including the City of Rockford, to discuss ways in which it could act as a land banking partner and look for responsible ways to direct property in its inventory in a manner closely aligned with community needs. In addition, the law does not limit who the Trustee may be, it only requires that it be an "officer or person" appointed by the County Board. A review of the County's agreement with the current Trustee to determine how the agreement might be better tailored to account for the community needs of all taxing districts in Winnebago County could be an optimal opportunity for the City, County, and other local taxing districts to explore laying a foundation for land banking in the region.[78]

LAYER 6: STATE LAW RECOMMENDATIONS AND CHANGES

Research and conversations with stakeholders revealed an awareness that state law presented a number of barriers to adequately address problem properties in Rockford. As we have highlighted throughout the report, those barriers are, in many cases, significant. The underlying message these laws convey to taxpayers is that the legal system in Illinois has a clear preference for the private, investor markets to dictate the reuse of property in Illinois and, particularly, in Rockford. The conundrum is that the majority of the problems discussed in this report relate to properties that have been rejected by these private markets.

In most cases, the primary goal of an investor is to recoup his or her (or its, as the investor may very well be an LLC or other investment vehicle designed to limit the liability of its creators) investment and turn a profit. In many cases, and especially in the case of an investment in tax certificates in Illinois, this may mean that it is to the investor's benefit to delay the foreclosure of a highly tax delinquent (and potentially harmful) property to maximize the potential interest that could be collected where the property is redeemed. In Illinois, this dynamic is exacerbated by the fact that the purchaser of a tax certificate can simply walk away from his or her investment after waiting more than three years,[79] and in some cases, recoup all or part of their investment through the sale in error petition. Meanwhile, the fact that taxes have not been paid over three plus years is a strong indication that the property might be vacant or otherwise deteriorated, and unless the property is slated for demolition or condemned by the City, the local government has no realistic method of directing the path of the property. This lack of a clear path is in stark contrast with the neighborhood's need for property to not just be safe and secure, but to also to have the potential to become community assets that encourage confidence in and help to stabilize the neighborhood market.

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[78] One of the main roles the Trustee will have to play if its role is expanded, is to simply clear title, hold, and maintain that subset of parcels that have been rejected by the private market until market conditions dictate that the parcels are once again in demand. No matter what the market dictates, however, it will be key for the City, County, Trustee, and other taxing bodies to continue to discuss through the Working Group or some other forum how such properties should be responsibly directed in a manner that prioritizes neighborhood stabilization.

[79] A very rough estimate provided by the Treasurer's office revealed that potentially only 30% of tax certificate purchasers actually pursue a deed for unredeemed properties. It is presumed that the properties where a deed is not pursued simply cycles back into the pool of properties eligible for tax sale in subsequent years, further lengthening the time these properties may sit before being transferred to a new owner.

The following possible state law changes offered for consideration derive from the reality that while local governments may not own or even be able to acquire problem properties, they certainly own the problems those properties create.

- *Tactic 33* – Consider conducting further research to clarify whether Illinois law allows code liens, particularly those acquired through an administrative body, to be fully enforced *in rem*, or against the property. As a part of that research, identify whether the addition of fully loaded costs to building code violations, referred to in *Tactic 19*, might make the resultant code lien more or less likely to be able to be enforced and collected *in rem*. One practical way to test this would be to identify those problem properties that already contain a significant number of code liens and to conduct a pilot "foreclosure" program. Recognizing that the process to foreclose can be time-consuming and expensive, consider only piloting the program on those properties where a private challenge is unlikely (i.e., where there is a low likelihood of a foreclosing entity or Taxbuyer contesting the foreclosure) *and* where a partner can be identified to either rehab or responsibly control the property.

- *Tactic 34* – Consider amending state law to provide that code liens that reflect the fully loaded costs of both enforcement and abatement might be added to the property tax bill to ensure maximum leverage and secure payment for government resources expended.

- *Tactic 35* – Consider amending state law to limit the redemption period for "abandoned" properties, as defined by Illinois law, from two years to one year or less.[80] There is a current amendment in Illinois law, 2015 House Bill 3350, sponsored by State Rep. Don Moffitt which is seeking to allow a municipality to petition the court for a declaration of abandoned if the property has abated code violations three or more times in a twelve-month period.[81] The bill also allows the County to transfer its interest in vacant (non-farm) property to adjacent property owners for no cost. Consider exploring whether this amendment adequately addresses the ability to move vacant and abandoned property through the delinquent tax enforcement process any better than existing provisions.

- *Tactic 36* – Consider amending state law to allow a local municipality the ability to offer a trump or credit bid at the tax sale for those properties declared abandoned. A trump bid can allow a local municipality to get in front of the private, bidding market at the tax sale to enter a winning bid, while a credit bid would essentially allow a municipality to bid its claim for unpaid taxes in place of making payment at the tax sale. Both tools ensure that the municipality enters a winning bid at the tax sale and would be awarded the tax certificate. This authority, for example, could enable the City to prevent a dangerous property from being subjected to a sight-

[80] See, for example, 35 ILCS 200/21-350.

[81] See 2015 Ill. HB 3350 at: https://legiscan.com/IL/bill/HB3350/2015.

unseen investor who may not have the ultimate purpose of trying to improve the property for the purposes of neighborhood stabilization.

- *Tactic 37* – Continue to explore the possibility of state-wide land bank enabling legislation. The creation of a regional land bank among neighboring municipal partners is a topic that has previously been discussed in Rockford. These conversations may have been spurred, in part, by the creation of two land banks in Illinois: The Cook County Land Bank Authority (created pursuant to Cook County's home rule authority[82]), and the South Suburban Land Bank Authority (created pursuant to an intergovernmental agreement among several South Suburbs of Chicago that accessed the home rule authority of its partner cities[83]). While both the Cook County and South Suburban solutions are creative in the absence of state-wide enabling legislation, Rockford's lack of home rule authority adds an extra layer of complication to those discussions. For a complete discussion on land banks and land banking programs, including model land bank enabling legislation, see Frank S. Alexander's *Land Banks and Land Banking, 2nd Edition 2015*.[84]

CONCLUSION

It is clear that the focus and drive with which local and community leadership in Rockford approaches the issue of problem properties provides an incredible foundation upon which to build. It is our hope that this report will help to lay the foundation necessary to ensure that local leaders are fully aware of the systemic challenges in Rockford in order to build a more informed and strategic set of tools and systems to address problem properties. Once that comprehensive set of tools is established, the tools can be deployed to create a more predictive and outcome-driven approach to dealing with problem properties that takes advantage of and builds on partnerships with stakeholders throughout the City – including neighborhood residents most impacted by vacancy and abandonment. There is little doubt that Rockford faces an uphill climb to address problem properties, but as the City begins to build its capacity to understand and plan for new and strategic approaches to code enforcement and delinquent property tax enforcement, it must remember that success is dependent on the holistic approach demonstrated in its TASP application and throughout our engagement.

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[82] See the report that gave rise to the enacting of the ordinance enacting the Cook County Land Bank Authority at: http://www.cookcountylandbank.org/wp-content/uploads/2014/09/Land-Bank-Advisory-Board-Reccomendations-Nov-21-2012.pdf.

[83] See the South Suburban Land Bank Authority's website for details at: http://www.sslbda.org/about-us.

[84] Available at: http://action.communityprogress.net/p/salsa/web/common/public/signup?signup_page_KEY=8679.

APPENDIX A: LIST OF STAKEHOLDERS INTERVIEWED

Over the six-month TASP engagement, beginning in April 2016, Community Progress visited Rockford three times, conducted numerous telephone conferences, and held bi-weekly meetings with local stakeholders. The following is a complete list of parties consulted throughout our time working with Rockford.

City of Rockford		
Carrie Eklund	Acting Finance Director	City of Rockford
James Ryan	City Administrator	City of Rockford
Brian Bracken	Building Inspector	City of Rockford, Department of Community & Economic Development
Nelson Sidstrom	Building Inspector	City of Rockford, Department of Community & Economic Development
Rob Wilhelmi	Neighborhood Standards Supervisor	City of Rockford, Department of Community & Economic Development
Scott Capovilla	Zoning and Land Use Administrator	City of Rockford, Department of Community & Economic Development
Thaddeus Mack	Building Code Official	City of Rockford, Department of Community & Economic Development
Todd Cagnoni	Director	City of Rockford, Department of Community & Economic Development
Vicki Manson	Manager, Neighborhood Development	City of Rockford, Department of Community & Economic Development
Jessica Sheetz	Neighborhood Enforcement Specialist	City of Rockford, Department of Community & Economic Development
Zach Andrews	Neighborhood Enforcement Specialist	City of Rockford, Department of Community & Economic Development

Melissa Masso	Property Standards Clerk	City of Rockford, Department of Community & Economic Development
Luke Miller	Community Development Intern	City of Rockford, Department of Community & Economic Development
Erika Akinsson	Information Technology Specialist	City of Rockford, Department of Information & Technology
Glenn Trommels	Director	City of Rockford, Department of Information & Technology
Tara DeRosa	GIS Coordinator	City of Rockford, Department of Information & Technology
Angela Hammer	Assistant City Attorney	City of Rockford, Department of Law
Lafakeria Vaughn	Assistant City Attorney	City of Rockford, Department of Law
Matt Knott	Chief, Fire Prevention	Rockford Fire Department
Karla Redd	Lieutenant	Rockford Police Department
Matt Givens	Lieutenant	Rockford Police Department
Winnebago County		
Sandra Martell	Public Health Administrator	Winnebago County Health Department
Todd Marshall	Director of Environmental Health	Winnebago County Health Department
Michelle McKenna	Senior Account/Office Manager,	Winnebago County Treasurer
Sue Goral	Treasurer	Winnebago County Treasurer
Community Stakeholders		
Robert Opperman	Senior Vice President	Alpine Bank
Paul Fehrenbach	Vice President, Community Investments Group	BMO Harris Bank
Kerry Knodle	Executive Director and CEO	Comprehensive Community Solutions, Inc.

Dana Northcott	Executive Director	Economic Development District of Northern Illinois, Inc.
Sandra Belman	Director of Fundraising and Strategic Partnerships	Economic Development District of Northern Illinois, Inc.
Connor Brown	Governmental Affairs Officer	Illinois Association of Realtors
Jared Fewell	Mortgage Sales Manager	Illinois Bank & Trust
Kathleen Ferrero	Executive Director	Jeremiah Development
Cyndie Hall	Executive Director	Neighborhood Network
Dee Valentino	Mortgage Originator	Northwest Bank
Dan Kelly	Owner	River City Rentals
Keri Nelson	Executive Director	Rockford Area Habitat for Humanity
Anthony Moczynski	Senior Vice President & Chief Credit Officer	Rockford Bank & Trust
Mike Schablaske	Executive Director	Transform Rockford
Paul Logli	President and CEO	United Way of Rockford River Valley
Robert Esmond	President	West Gateway Coalition
John Holmstrom	Vice President	William Charles Investments, Inc. (Rockford Corridor Improvement, Inc.)
Erik Lindberg	Associate Counsel	William Charles, Ltd. (Rockford Corridor Improvement)
Tammy McNeany	Branch Manager	Wintrust Mortgage (Rockford)
Bob Campbell	Executive Director	Zion Development

APPENDIX B: LIST OF INFORTMATION TECHNOLOGY OPTIONS PROVIDED TO ROCKFORD

Headquarters:
111 E. Court St.
Suite 2C-1
Flint, MI 48502

National Office:
1001 Connecticut Ave. NW
Suite 1235
Washington, DC 20036

877.542.4842
communityprogress.net

September 22, 2016

Todd Cagnoni
Director, Department of Community & Economic Development
City of Rockford
Todd.Cagnoni@rockfordil.gov

Dear Todd:

As part of the deliverable for the TASP engagement with the City of Rockford, Community Progress highlighted the City's need for additional Information Technology capacity. As our written report will highlight, Rockford has a capable and sophisticated IT staff, but lacks sufficient resources to (a) help define problem properties in Rockford, (b) identify the true inventory of such properties, and (c) assist in the development of new strategies to address problem properties. We hope that the following list[85] provides some examples of organizations that might offer the types of products that could prove helpful in achieving the objectives outline above.

- ✓ **Loveland Technologies**
  Example: Detroit, MI
  Website: https://makeloveland.com/
  (Webcast Demonstration completed August 10, 2016)

- ✓ **OpportunitySpace**
  Example: Providence, RI; Louisville, KY; South Bend, IN
  Website: https://www.opportunityspace.org/
  (Webcast Demonstration competed August 10, 2016)

[85] The listing of organizations/entities in this letter is in no way intended to communicate that the Center for Community Progress is endorsing, recommending, or favoring the acquisition, purchase, or use of any of the products offered by these organizations/entities over any other related products that may or may not be listed in this letter. The purpose of the list is to provide examples to the City of Rockford of the availability of certain technologies that may help the City achieve the objectives outlined above. Community Progress makes no warranties as to the quality or effectiveness of any of the products offered and any decision to work with or purchase products from any of the listed organizations/entities must be made solely at the discretion of the City of Rockford or its authorized partners.

- ✓ **Civic Insight**
  Example: New Orleans, LA (BlightStat)
  Website: http://civicinsight.com/

- ✓ **ePropertyPlus**
  Example: Cook County Land Bank Authority (Chicago)
  Website: http://www.epropertyplus.com/epppub/

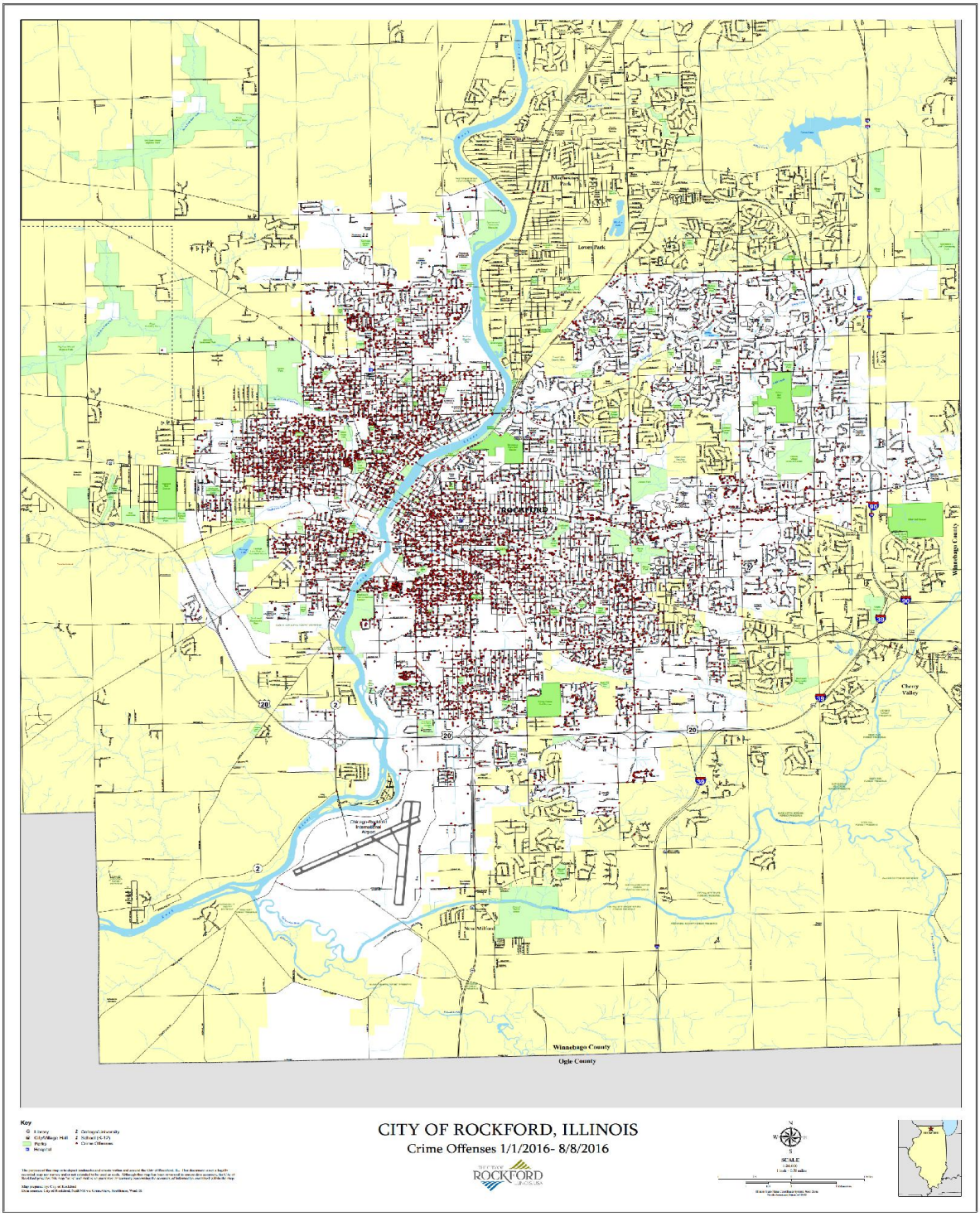
- ✓ **Local Data**
  Example: Gary, IN
  Website: http://localdata.com/

Thank you, and please let me know if you have any questions.

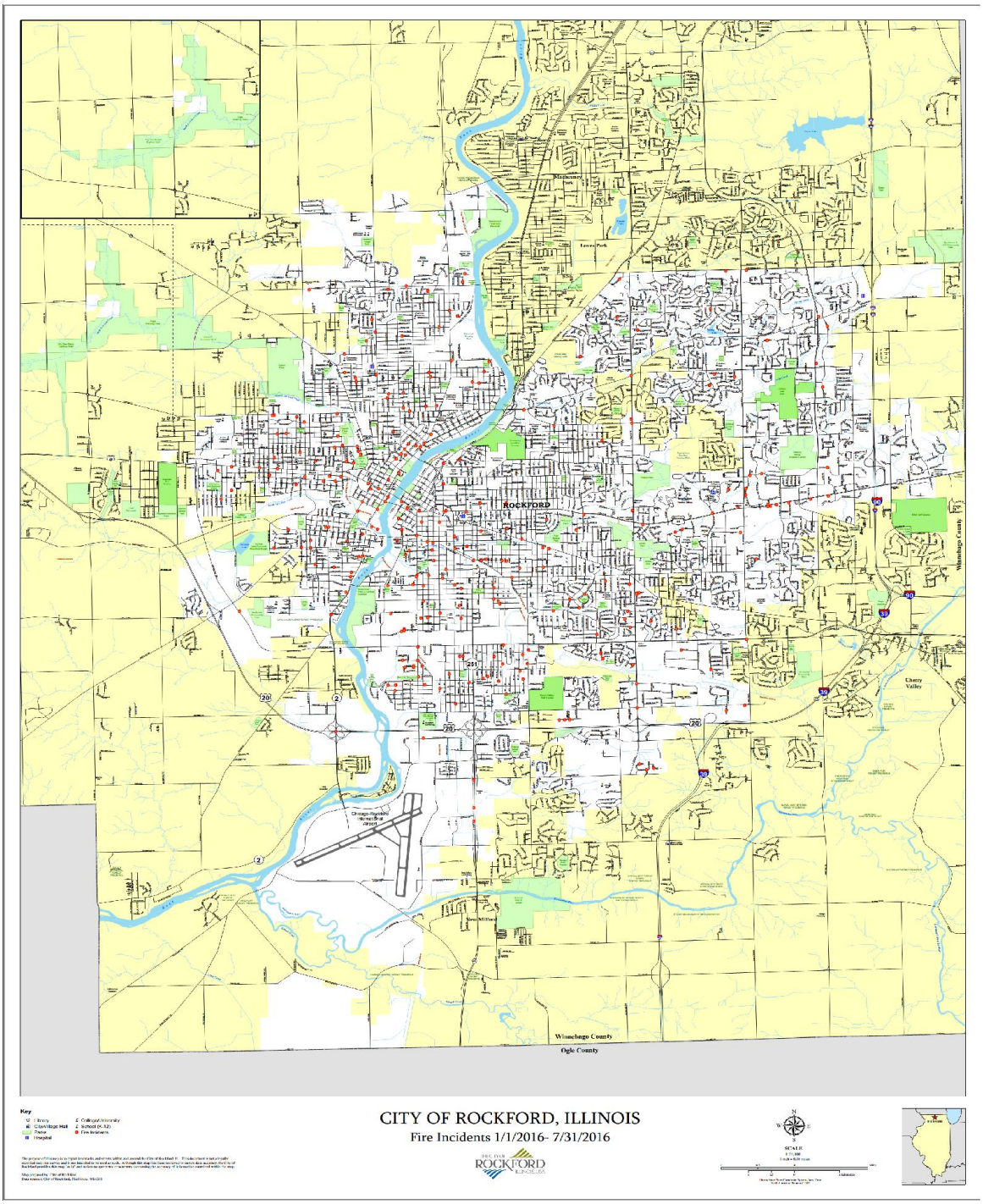
Sincerely,
Matthew Kreis
Assistant General Counsel for National Initiatives

cc:
Glen Trommels
Director, Information Technology
City of Rockford

APPENDIX C: MAP OF 2016 ROCKFORD POLICE INCIDENTS



APPENDIX D: MAP OF 2016 ROCKFORD FIRE INCIDENTS



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PROGRESS
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