



Center for  
**COMMUNITY PROGRESS**  
Turning Vacant Spaces into Vibrant Places

# Restoring Properties, Rebuilding Communities

**TRANSFORMING  
VACANT PROPERTIES IN  
TODAY'S AMERICA**



Jennifer R. Leonard and Alan Mallach



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# Preface

The Center for Community Progress was created in 2010 to help local and state governments seize the opportunity to reuse vacant and abandoned properties for the economic and social benefit of their communities. Including some of the nation's leading practitioners, policy architects, and advocates, Community Progress is the national resource for policy, information, capacity building, training, and technical assistance on the reuse and redevelopment of vacant, abandoned, and problem properties.

Community Progress grew out of two organizations that came into being during the early years of the past decade, the National Vacant Properties Campaign and the Genesee Institute, which brought public attention to the issue of vacant and problem properties and demonstrated that effective public and private action can have a transformative effect on the problem.

As Community Progress starts its work, this paper sums up the experience of the Campaign and the Institute in recent years, reflecting our understanding of the many factors that cause properties to become vacant and abandoned, and putting forward a new body of tools and policy initiatives that communities can use to return vacant and abandoned properties to productive use. We highlight some of the successful efforts of communities around the country, and show how they fit into a larger, comprehensive approach.

The present recession and foreclosure crisis threaten communities with rates of vacant and abandoned properties many have never seen before. Our experience teaches us, though, that bold, swift action coupled with policy reforms designed to further the long-term health of communities can turn this time of crisis into one of opportunity. Achieving such a transformation will require collaboration between the public and private sectors, and a thorough understanding of how populations and economic

activity are shifting across America. It will require reworking state and local laws to ensure that municipalities have the tools they need to acquire, manage, and reuse land and buildings to make possible the quick return of vacant and abandoned properties to uses that benefit the community. This report sets forth a series of principles, and outlines the specific roles that different levels of government and different private sector stakeholders can play, in making this opportunity a reality.

The Center for Community Progress stands ready to help guide policymakers and community leaders, practitioners, and developers, in their efforts to eradicate vacancy and abandonment and forge the path to building stronger, healthier American communities.



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Policymakers and community leaders are committing themselves to transforming the way we intervene to **turn abandoned properties into vibrant places.**



# Introduction

America's urban, suburban, and rural communities have struggled for decades with vacant, abandoned, and problem properties.<sup>1</sup> Today's environment is unique, however, as powerful forces—most notably the foreclosure and economic crises—threaten to undo decades of growth, development, and reinvestment in our communities.

As people across America face the presence of boarded-up homes that strip properties of their value and owners of their equity, play near factories that loom lifelessly over their neighborhoods, or walk by vacant storefronts on once-busy commercial streets, policymakers and community leaders are slowly committing themselves to transforming the way we intervene to turn abandoned properties into vibrant places.

In the face of a dramatically changed landscape, they are starting to recognize that our communities will not thrive if we continue to use the strategies of the past, going project by project, deal by deal. To stem the flow of abandonment, and reverse that trend in order to use tens of thousands of properties in productive ways, every sector—the public, private, and “third” (nonprofit and philanthropy) sectors—will have to play a strategic and intentional role to reshape how we deal with properties, how we acquire land, manage it, and dispose of it for reuse.

While indicators point to continued stress in the housing market and continued elevated rates of

foreclosures and vacancy in the immediate future, we can point to proven examples of success in tackling these issues. As leaders adopt new policies to further comprehensive community revitalization, local stakeholders are working together to address their problems, and build strategies capable of leading to long-term sustainable change.

This report is grounded in our experience working throughout the country with nonprofit organizations, grassroots leaders, public officials, and others who have championed comprehensive solutions to vacant property challenges. As we have travelled to their communities, we have learned from them how local strategies can catalyze change, and seen how their efforts can transform communities. We hope through this report to encourage all those concerned with this issue to build a truly effective agenda to turn vacant, abandoned, and problem properties into productive places in our communities, based not on one-off deal-oriented transactions, but on true systemic reform. Let us make sure that the unique moment of opportunity that we have today is not wasted.



**Behind every  
vacant property  
there is a story.**

The trick is to find that story and  
address the underlying issues.

# The Challenge and Opportunity

Despite isolated successes and community innovations, vacant and underused properties present a long-term challenge that shows no sign of lessening. Yet with rare exceptions, both governments and private entities have approached vacant and abandoned properties as a case-by-case, transactional issue, rather than looked at the underlying systemic issues that perpetuate the cycle of neglect. To break that cycle, we must first understand the issue. Success will depend on our understanding of what vacant and abandoned properties are, why they become vacant, and the different trends that affect communities.

Every vacant property is different. As San Diego's Chief Deputy City Attorney, Diane Silva-Martinez, says, "Behind every vacant property there is a story. The trick is to find that story and address the underlying issues." Still, vacant properties fall into a limited number of categories along different dimensions that, taken as a whole, are likely to define their future. The type of ownership, property type, physical characteristics, geography, and more all affect their potential for revitalization and reuse.

While single-family houses account for the largest number, vacant properties can be residential, commercial, or industrial, and the inventory of large, potentially environmentally contaminated properties known as brownfields are often the

most troublesome because they may require remediation before reuse.

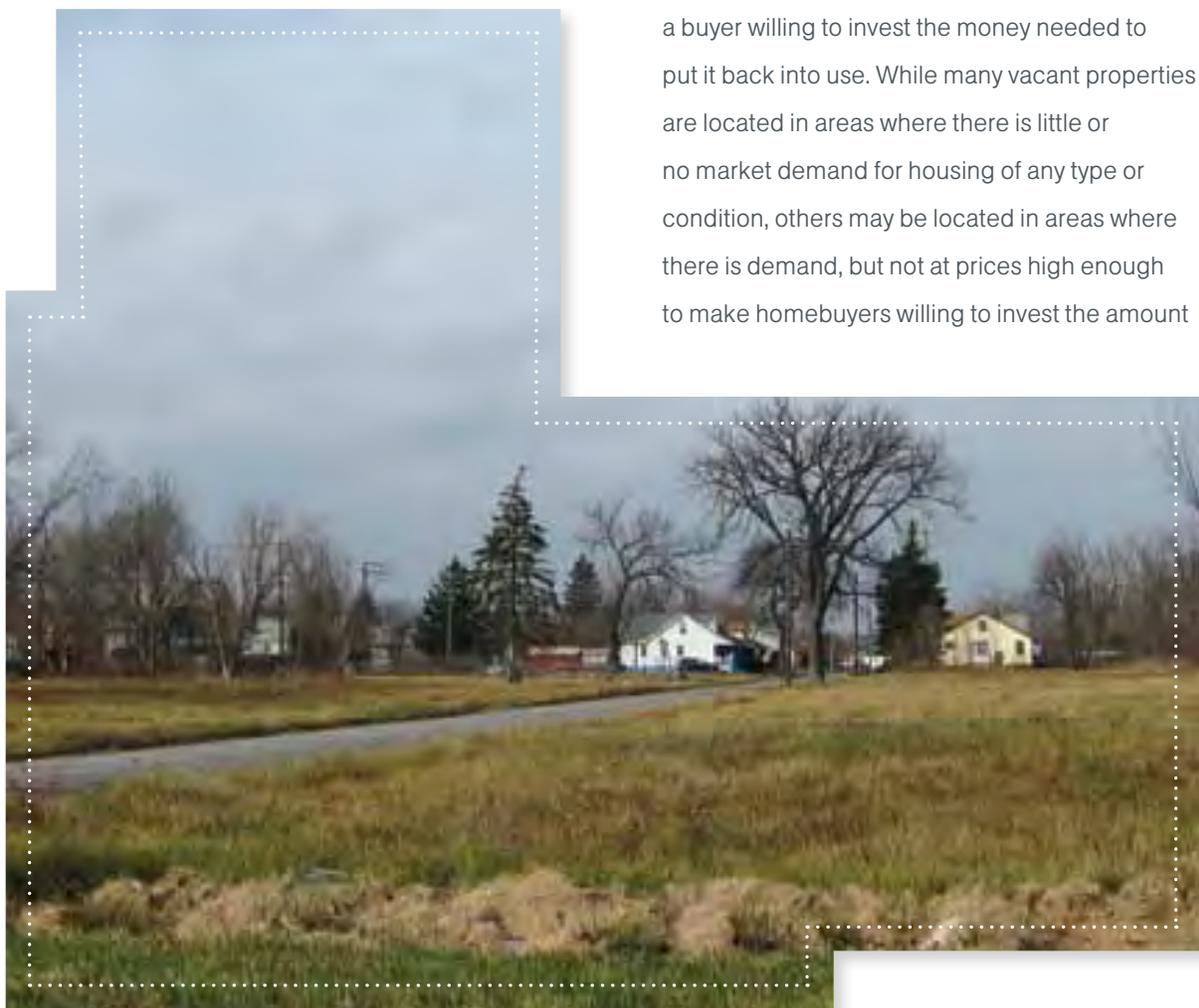
Not all vacant and abandoned properties are buildings. Older cities are dotted with land where homes, factories, or stores once stood; cities like Flint or Philadelphia contain tens of thousands of vacant lots where buildings used to be. Although generally considered less of a nuisance than vacant, abandoned buildings, unmanaged vacant lots can also be a problem, becoming dumping grounds and blighting their neighborhood.

In some cities vacant properties can be found in most neighborhoods, on almost every block. These cities, like Detroit or Youngstown, have recently attracted intense national media

**Data show that the number of vacant properties measured by vacancy rates have risen steadily for over 40 years.**

attention.<sup>2</sup> In other cities, like Philadelphia or New Haven, there may be a serious vacancy problem in some neighborhoods but not citywide. And in yet other cities, one sees only spot abandonment, where a particular building has been abandoned for particular, unique reasons.

Where a vacant property is located may determine its ultimate fate. While a vacant house in many parts of Detroit is likely to stay empty, be abandoned, and ultimately torn down, a similar house in Los Angeles might readily find a buyer willing to invest the money needed to put it back into use. While many vacant properties are located in areas where there is little or no market demand for housing of any type or condition, others may be located in areas where there is demand, but not at prices high enough to make homebuyers willing to invest the amount



of money needed to restore an abandoned property to sound, usable condition. Still others are economically sound propositions, but are hung up by legal, procedural, or other problems. Understanding these differences is critical to being able to come up with sound, effective strategies.

Finally, vacant and abandoned properties can be distinguished by their legal status, which can be as important in ultimately determining the future of a property as its type or location. While nearly all vacant buildings start out in private ownership, either by an owner-occupant or investor, abandonment and foreclosure often go hand in hand—either abandonment leads to foreclosure, or foreclosure leads to abandonment. That can mean either tax foreclosure, where a municipality or county takes the property or puts it up for sale for the owner's failure to pay property taxes; or mortgage foreclosure, where the lender or mortgagee takes the property or puts it up for sale for the owner's failure to make mortgage payments.

In the end though, the legal status of a property never drives its future by itself—local market conditions, coupled with the legal status, local

government policies and the practices of the public or private entity responsible—the owner, the lender or the local government—that ultimately determine the property's fate.

## A snapshot

It is not easy to accurately assess the number of vacant or abandoned properties in a city or region, let alone the United States. However, data show that the number of vacant properties measured by vacancy rates—not just abandoned properties, but also those properties being actively marketed for sale or rent—have risen steadily for over 40 years (Figure 1). Although some vacant housing is needed in any housing market (houses for sale, or apartments for rent are needed to offer choices to people who are moving), it is when vacant houses do not readily find buyers or tenants that they become a problem, and begin to turn into abandoned properties.

Homeowner vacancy rates today are approaching three percent, while rental vacancy rates are nearing 11 percent. Although the majority of these vacant properties are *not* problem or abandoned properties, the dramatic increase in overall

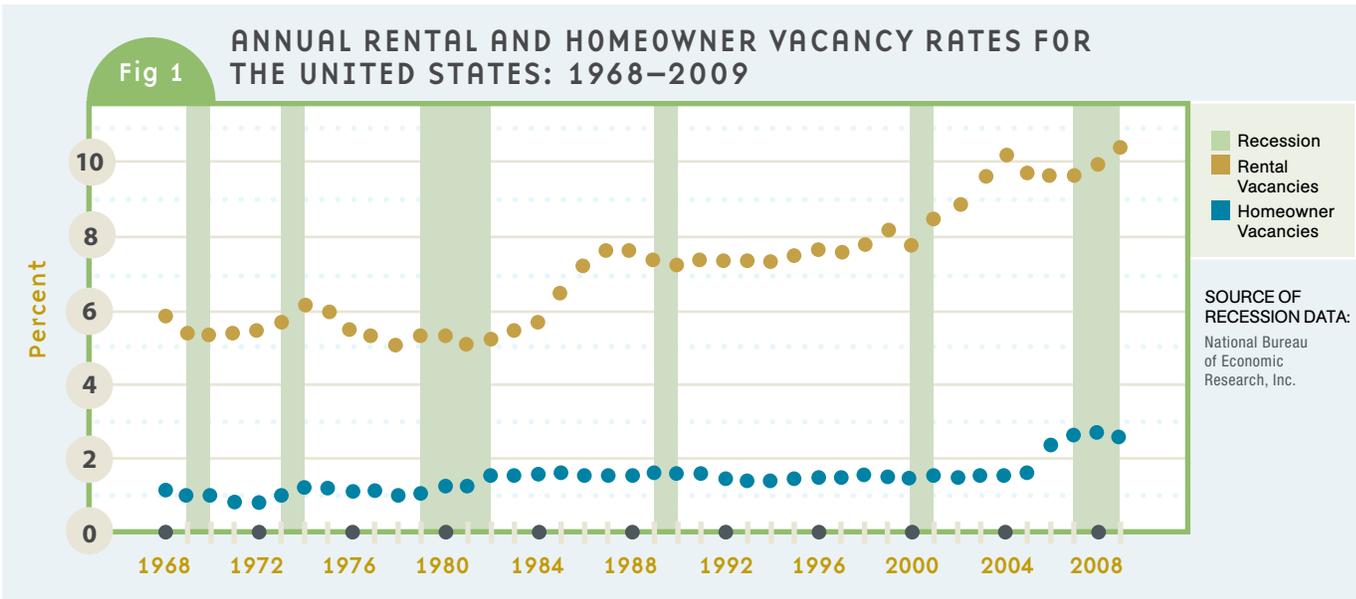
**Local market conditions, coupled with legal status, local government policies, and practices of the public or private entity responsible ultimately determines the property's fate.**

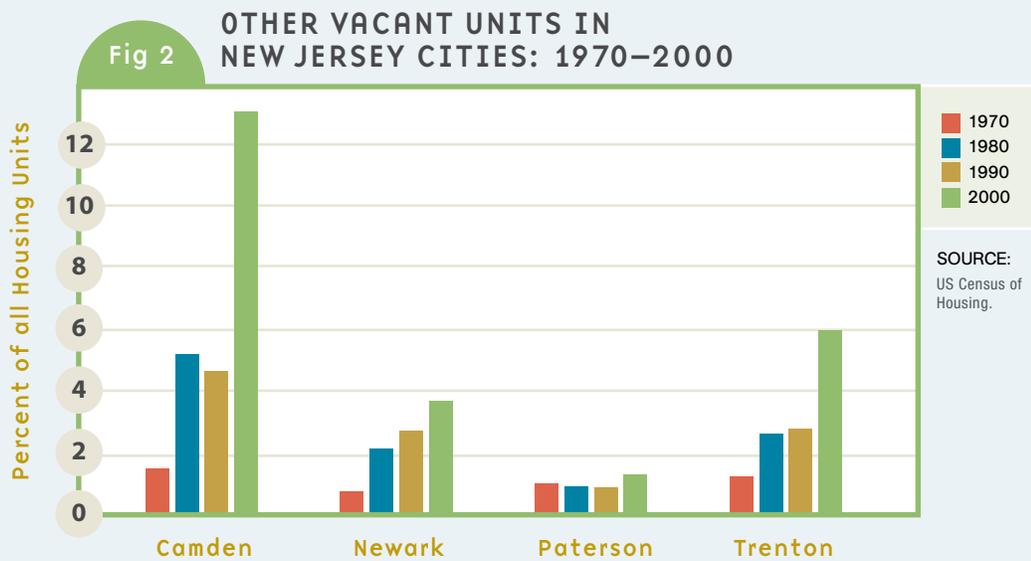
vacancies, particularly since 2000, is likely to be associated with a parallel increase in abandoned properties.

Corroboration for this is found in the census count of *other vacant* properties. *Other vacant* properties are those that are neither being offered for sale or rent, held for occupancy, or used for seasonal or migrant housing. This is as close a surrogate for abandoned vacant properties as the census offers. Between 1970 and 2000, the number of *other vacant* properties more than doubled, going from just under one million units to 2.3 million. During the same period, the total number of housing units in the United States increased as well, but only by roughly two-thirds, from 69 to 116 million. *Other vacant* properties made up one out of every 50 dwelling units in the country. According to the 2008 American Community Survey, the number doubled again between

2000 and 2008, by which year *other vacant* properties nationally totaled 4.7 million or one of every 28 dwellings.<sup>3</sup>

Similar trends can be found in many cities. Figure 2 shows the *other vacant* percentage for four older cities in New Jersey. Only Paterson, which saw a large immigrant influx during this period, failed to see a sharp increase in the number and percentage of *other vacant* properties. While until recently the communities most visibly affected by vacant properties were found mainly in the older cities and towns of the Northeast and Midwest, the combination of the foreclosure crisis and the recession has spread the problem across the country. Although it is hard to pin down precisely how the foreclosure crisis has affected vacancy and abandonment, United States Postal Service (USPS) vacancy data<sup>4</sup> can offer some idea.

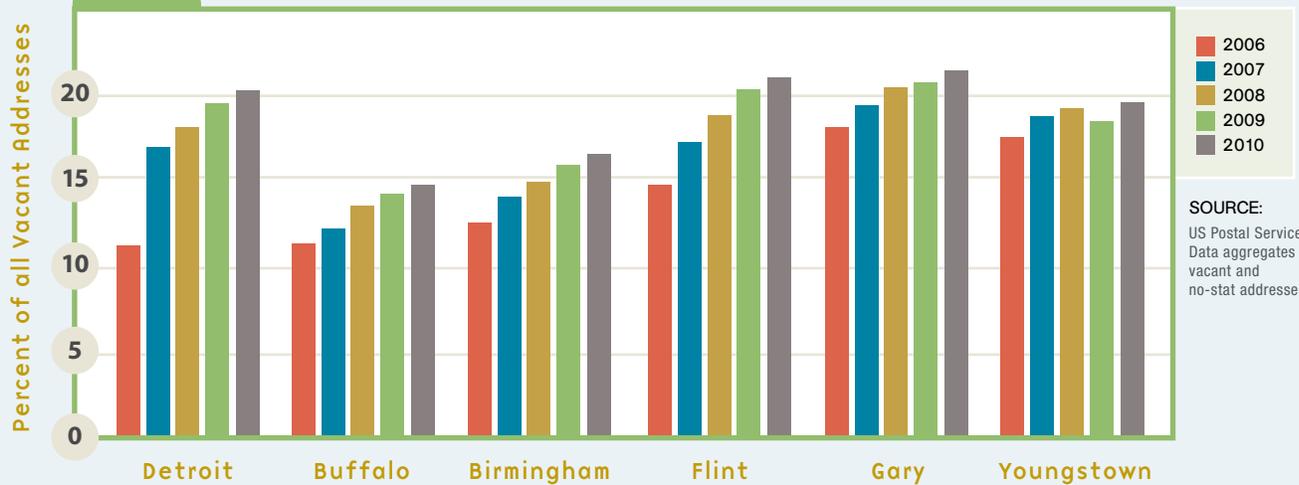




The USPS data show a devastating picture, particularly for traditionally weak markets, where the number of vacant properties is high and continuing to rise, as shown in Figure 3 (following page). In cities like Flint, Gary, and Detroit, more than one out of every five addresses is vacant. In these cities, the combined vacant and no-stat data are a good reflection of abandonment since the no-stat data likely include properties that are uninhabitable or unable to be occupied. With a single exception (Youngstown between 2008 and 2009), the percentage of vacant addresses has risen *every year in each of these cities*. The one-year drop in Youngstown is probably the result of the many demolitions carried out by the city that year.

**It is clear that, although vacancy conditions are less severe in Sunbelt cities, the data shows a trend that is much the same as in the distressed older cities.**

**Fig 3 VACANT PROPERTIES IN SIX OLDER CITIES: 2006–2010**



**Fig 4 VACANT PROPERTIES IN FIVE SUNBELT CITIES: 2006–2010**

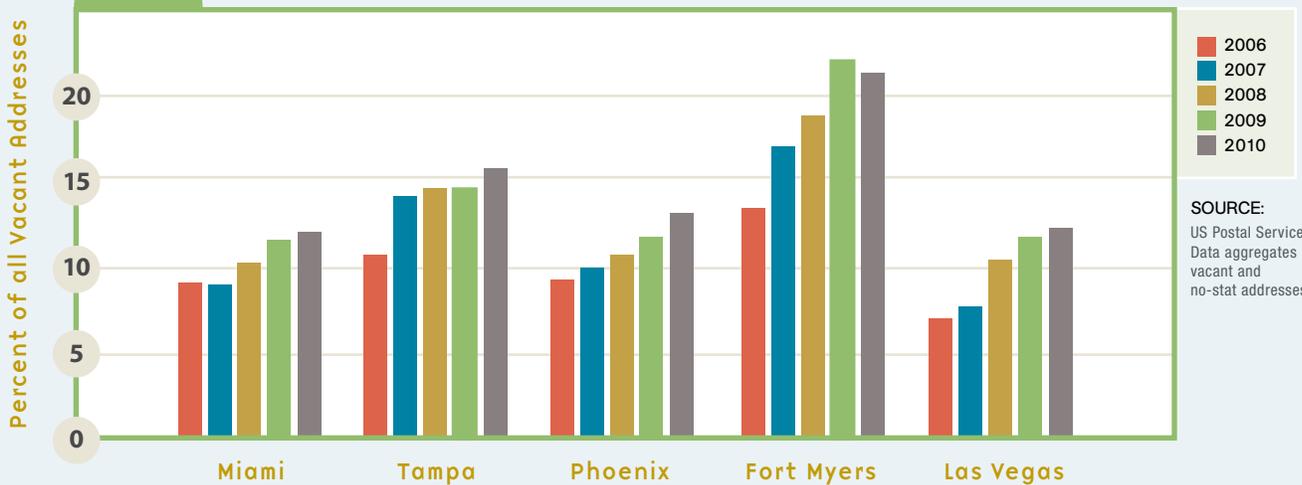
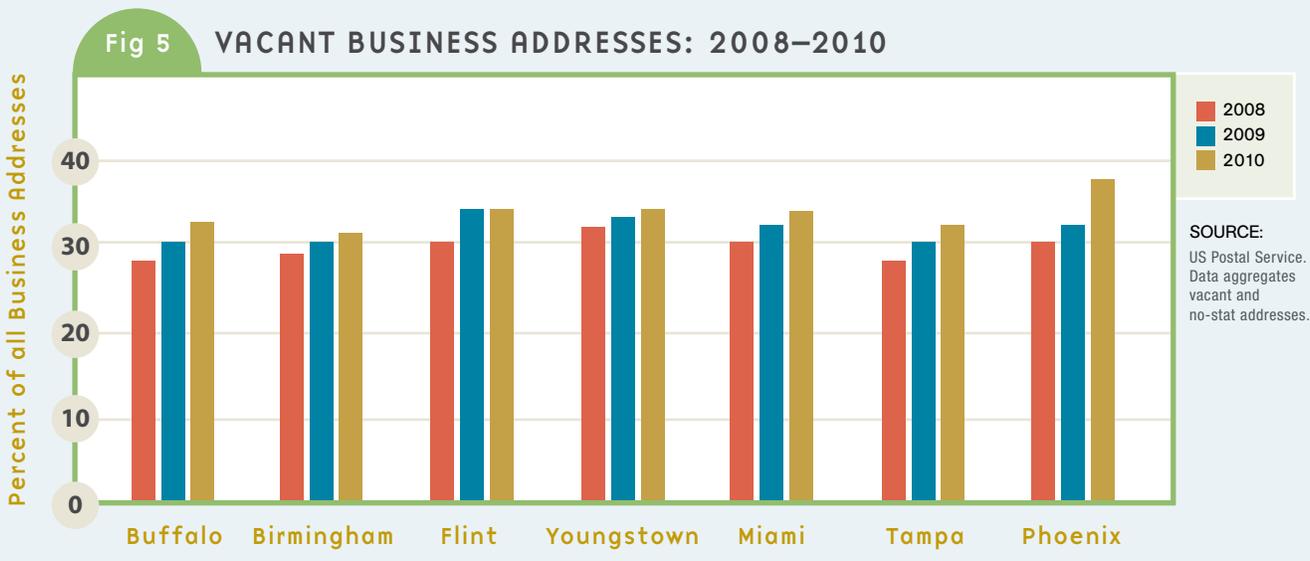


Figure 4 shows similarly combined vacant and no-stat data for five Sunbelt cities. In these cities, vacant or no-stat properties include seasonal homes as well as houses under construction—or, in today’s market, houses where construction

has been halted before completion. Even with that qualification, it is clear that although vacancy conditions are less severe, the data shows a trend that is much the same as in the distressed older cities.



Only limited data on the amount of vacant, abandoned, or underutilized commercial and industrial properties is available. As with the residential real estate market, the USPS evidence indicates that these inventories are likewise experiencing exceptionally high levels of vacancy and abandonment. Figure 5 shows a steady increase in vacant and *no-stat* business addresses over the past three years<sup>5</sup> in both Rustbelt and Sunbelt cities, with a similar trajectory.

While no historic data set is available for comparison, the data in Figure 5 is consistent with reports of increased vacancies coming from the commercial real estate industry. According to data released by the real estate research firm Reis Inc., the vacancy rate at American strip malls reached 10.6 percent in the fourth quarter of 2009, an eighteen-year high, and shopping mall

vacancy was the highest in at least 10 years, reaching 8.8 percent.<sup>6</sup> At the same time, the vacancy rate of commercial office space in the U.S. rose to 17.2 percent, a level unseen since 1994.<sup>7</sup>

Vacancy rates for industrial properties in many parts of the country have also reached peak levels, with Chicago at 12.2 percent in the fourth quarter of 2009 (the highest in 19 years);<sup>8</sup> Washington D.C. at 15.8 percent in the fourth quarter of 2009 (the highest in 16 years);<sup>9</sup> and the Twin Cities at 16.7 percent in the first half of 2010 (the highest in ten years).<sup>10</sup>



While all of the factors leading to abandonment are related, **market or economic forces are usually the ones that most powerfully determine the outcomes of vacant properties.**

## Putting the pieces together:

# Understanding the Problem, Crafting the Solution

Abandonment rarely flows from a single cause; instead, it can be triggered by economic and population shifts, regional market forces, personal financial problems, or quality of life decisions. Existing obsolete or ineffective legal systems often exacerbate these triggers by making it hard for properties, once abandoned, to return productively to the market.

### It's the economy

As James Carville famously said, "it's the economy, stupid." While all of the factors leading to abandonment are related, market or economic forces are usually the ones that most powerfully determine the outcomes of vacant properties, whether they will be reused or abandoned, and perhaps ultimately demolished. Abandonment reflects economic and demographic shifts in American society, including disinvestment in older cities, migration from the Midwest to the Sunbelt, loss of manufacturing in the Rustbelt, and in recent years, the foreclosure crisis and the recession that have led to millions of Americans losing their homes.

Many of America's older cities have been losing both population and jobs since the 1950s and 1960s, as their population and business activity moved to the suburbs and to growing Sunbelt regions. Cities that were dependent on manufac-

turing, like most in the industrial Midwest, were particularly hard-hit, as their industries contracted or disappeared entirely.<sup>11</sup> These cities include major iconic cities of American history like Detroit and Pittsburgh, as well as hundreds of smaller communities. While at first, the suburbs of these cities grew—largely by absorbing people and firms from their central cities—in recent years, many suburban areas, particularly the inner or "first ring" suburbs, also lost jobs and population. Between 1970 and 2000, Cuyahoga County, which contains Cleveland, lost nearly 20 percent of its population. Seven of its suburban communities each lost more than 20 percent of their population during this period.

Some cities that lost population and saw widespread abandonment in the 1970s and 1980s began to gain back population in the last two decades. Two good examples are New York City

and Boston, both of which have experienced dramatic economic turnarounds. Both had large numbers of vacant properties in the 1970s and few today.

Other cities and suburbs, though, have continued to steadily lose population and jobs. These places have a vast oversupply of homes, apartments, stores, and factories compared to today's demand. Simply stated, there are not enough people who want to live in these homes and apartments, or operate businesses in these stores and factories (or convert them to other uses) to use up the supply. These communities will not be able to find users for many of the properties that were built, when these cities were growing and thriving.

As property owners realize that they can't find buyers for their properties, or if they can, that those buyers can't afford to pay enough to cover their costs, they abandon their properties. As most of these cities continue to lose jobs and population, they will have to recognize that they are unlikely to return to the days of the 1950s. While well-designed and consistently enforced legal systems can help maintain the properties and minimize the harm they do to the community, a weak market can only begin to maintain values when it stabilizes at a population level that can be supported by its economic activity and population trends. Shrinking cities in weak market regions will have to fundamentally rethink how they use the land and

buildings before their real estate markets are likely to return to vitality.

Physical obsolescence is closely related to the geographic factors of weak market demand. Many properties that met demand in 1910, such as small row houses in Philadelphia or multi-story factories in Cleveland, are no longer interesting either to homebuyers or manufacturers.

These properties are disproportionately located in America's older cities. While they are sometimes converted to other uses when located in a strong market city like Boston, they languish elsewhere.

Job losses also affect communities due to a resident's inability to maintain a home in good condition, pay the rent or mortgage, and pay the property taxes. Although there are signs that economic growth is resuming nationally, the increase is modest and the unemployment rate remains at dangerously high levels. While the national unemployment rate in the spring of 2010 hovers close to ten percent, it is around 15 percent in the Flint and Detroit areas, 18 percent or higher in much of California's Central Valley, and 25 percent in the city of Detroit.

If significant private-sector job growth does not take place soon and high unemployment continues, as experts fear it will, communities around the country will destabilize further. The destabilization of the housing market that has taken place, and is continuing, is likely to

slow down the economic recovery. As Federal Reserve Chair Ben Bernanke noted in June 2010, housing activity continues to be “weighed down, in part, by a large inventory of distressed or vacant existing houses.”<sup>12</sup>

### The municipal fiscal crisis

The headlines in this recession have been about job loss and factory closings, but an equally significant crisis is the erosion of the fiscal health of America’s states and cities. The bursting of the real estate bubble and the recession has led to an unprecedented, simultaneous drop in all three of the principal sources of public revenue: income tax, sales tax, and property tax receipts. This loss has triggered massive deficits for state and local budgets across the country, with dire consequences. The National League of Cities surveyed its members to find that “7 in 10 city officials indicated they are responding to the economic crisis by making personnel cuts, including layoffs, hiring freezes and furloughs. Many cities are also cutting public safety spending and healthcare benefits.”<sup>13</sup> Meanwhile, hard-pressed states are cutting back on the assistance they once provided their local governments. Even though the recession may be ending, as the NLC report notes “city budget shortfalls are predicted to become more severe as tax collections, which lag the overall economy, catch up with economic conditions.”

**Cities are being forced to lay off building inspectors, firefighters and police officers, and cut back on critical activities such as property maintenance, nuisance abatement and demolition...these actions may allow these problems to get worse, compromising many communities’ future.**

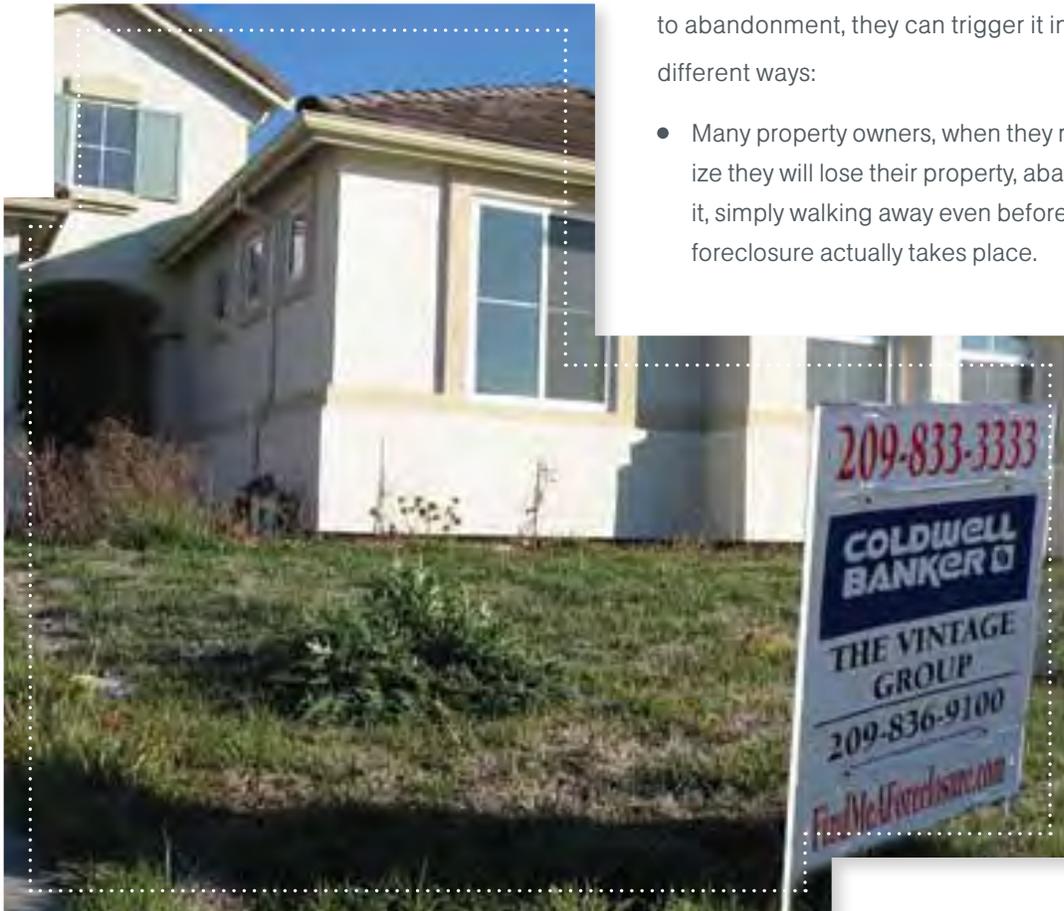
From the perspective of abandoned properties, this fiscal crisis comes at a particularly difficult time. As the number of abandoned properties grows, and more neighborhoods are destabilized by foreclosures and vacancies, cities need to be able to address these issues in order to rebuild confidence, preserve sound neighborhoods, and keep once-vital neighborhoods from complete collapse. Instead, cities are being forced to lay off

building inspectors, firefighters, and police officers, and cut back on critical activities such as property maintenance, nuisance abatement, and demolition. Recognizing that cities have little choice in the matter, the fact remains that these actions may allow these problems to get worse, compromising many communities' future. In several cities, non-profit foundations and organizations have tried to fill the gap, but their resources are far too limited to offset the massive loss in state and local resources being felt around the country.

## Foreclosures: compounding a complex situation

The recent wave of mortgage foreclosures since 2007 has had a devastating effect on many regions across the country. Cities and towns with formerly strong housing markets and those with long-term weak markets alike are struggling with the questions of how to maintain stable neighborhoods in the face of widespread vacant and foreclosed houses. We believe that mortgage foreclosures are the main reason that vacancies have increased so consistently during the past five years. While foreclosures do not always lead to abandonment, they can trigger it in many different ways:

- Many property owners, when they realize they will lose their property, abandon it, simply walking away even before the foreclosure actually takes place.



- When the foreclosure sale (sheriff's sale or trustee sale) takes place, if the owner is still living in the property, the lender almost always immediately evicts the owner, rendering the property vacant and at risk of vandalism or arson.
- In some weak market areas, the lender may not even take control of the property, a phenomenon sometimes called a "bank walkaway."

During the foreclosure process, if the property is abandoned, it goes into a sort of legal limbo: the owner is no longer around, but in most cases the lender has no responsibility for the property until the foreclosure is final and the deed is recorded. In most states, this process can take more than a year; in some it takes more than two years. Meanwhile, the properties may deteriorate and become a blight on the community.

Once a property is taken by the lender, it becomes what is known as REO (Real-Estate-Owned) property. It may be put up for sale through a local broker, or it may be sold by the lender as part of a bulk sale to an investor. Either way, the outcome is uncertain, and there is no assurance that the property will be maintained, or will end up in responsible hands.

The short-term outlook is not positive. Although the number of REO properties appeared to stabilize during 2009, many experts believe that over the coming year or two the number of REO properties

will increase dramatically as a massive "shadow inventory" of properties in default or foreclosure, but not yet foreclosed upon, moves through the process and into REO status.

However, market forces impact outcomes and foreclosures do not *always* lead to abandonment. Many properties are bought and put back to use, either by homebuyers or investors, particularly in communities where people expect property values to begin rising again in the next couple of years.

In relatively strong market areas such as Phoenix or Las Vegas the market is absorbing much of the REO inventory, principally through the activities of absentee investors. This may not last. Market rents are dropping in these areas, making them less attractive to investors, while—as a result of the influx of rental single-family homes onto the market—multifamily vacancies have increased to the point where many garden apartment complexes may be at risk of abandonment. A similar problem afflicts South Florida, where the collapse of condominium associations as a result of the large number of foreclosed units has raised questions about the survival of entire complexes. A further risk factor in these areas is the presence of thousands of "underwater" homeowners, who owe more on their mortgage than their homes are worth. If large numbers of these owners engage in "strategic default," that could further destabilize the market in these areas.

Although foreclosures are occurring everywhere, recovery will take different forms. In many weak market cities and regions, foreclosures have compounded long-term abandonment problems, often undoing years of progress made by cities and CDCs in turning around once-disinvested neighborhoods and restoring abandoned properties to use. These cities are confronting the need for a sustained, long-term effort to rebuild the shattered confidence of homebuyers and investors in the value of their properties and the stability of their neighborhoods, without which neighborhoods destabilized by foreclosure may never recover their vitality. Even in strong market areas, many destabilized urban neighborhoods will take years to recover from the ravages of the foreclosure crisis.

### **Laws and public policies make a difference**

Halting and reversing the cycle of abandonment requires thoughtful, deliberate intervention based on a clear understanding of the unique combination of factors affecting vacant and problem properties, and the tools available to deal with them.

Some of the interventions undertaken recently to tackle the problem are described later in this report. Whether dealing with recently foreclosed properties or long-abandoned industrial parcels, many of these interventions have relied on transactional efforts that have shown some

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level of success. But to address the scale of the challenge we face today, we need to look more closely at the political and legal systems that govern property and land reuse.

Many different legal systems, primarily defined by state law and local ordinances, determine how property is treated, from zoning and building codes to foreclosure procedures. Many of those laws actually contribute to the epidemic of abandonment, as they neither prevent foreclosures or abandonment nor foster the efficient return of property to the market or to a responsible holding entity.

Government policies and practices can also exacerbate the challenges posed by high rates of abandonment. Local governments that sell tax liens and tax-foreclosed properties to speculators rather than holding them for future use are mortgaging their future for short-term gain. The problem is also

compounded by a diffusion of responsibility.

In many local governments, responsibility for the decisions and actions that affect properties—from code enforcement, policing, and demolition to planning, acquisition, tax collection, disposition, and project financing—is spread across multiple agencies that rarely coordinate their efforts, and often don't even talk to one another. Commentator Mark Alan Hughes wrote that “the responsibility for vacant property in Philadelphia is divided among 15 separate agencies.”<sup>14</sup> Ten years later, the city is only now mobilizing to develop a coordinated vacant property strategy.

Zoning and building codes can make the reuse of abandoned properties burdensome. Antiquated zoning codes require time-consuming and expensive processes for even minor changes in use, while strict building codes discourage self-help improvement and sweat equity. State and local land use regulations generally favor building on greenfield sites, building new publicly-financed infrastructure at the metropolitan periphery and exacerbating the costs of vacancy in the center.

State tax foreclosure laws are also problematic.

Designed to maximize short-term revenues to the city or county, they often disregard the community's long-term fiscal or social health. Rather than being a means of rescuing properties from abandonment, these laws often compound the problem, adding to the inventory of abandoned, dilapidated properties.

Federal programs and policies have also contributed to the problem, from the days when urban renewal undermined many still-vital communities, and interstate highways helped accelerate the movement to the suburbs, to today. Other federal programs, like the Low Income Housing Tax Credit program, continue to encourage development of new housing units in neighborhoods with a surplus of affordable rental housing, increasing the risk of abandonment for thousands of privately owned rental properties.





# Shifting perceptions about vacant properties

create the opportunity to turn  
scattered, piecemeal approaches  
into a comprehensive strategy.

# Progress and Challenges

As of mid-2010, the growing number of vacant and abandoned properties presents a daunting challenge to the nation, and powerful dynamics in the economy threaten to make the situation worse in the coming years. Yet, there is cause for hope. For the first time in many years, the federal government has begun to look seriously at these issues, while the foreclosure crisis has unleashed a wave of creativity at the state and local levels. State legislatures have enacted valuable policy reforms, while city governments, CDCs, foundations, and others have all taken up the challenge. While the coming years will be difficult, they will also be years of opportunity.

Successful efforts across the country show what communities can do to prevent abandonment and restore vacant properties to productive use. After years of effort, we are learning how best to respond to the challenges posed by vacant and abandoned properties at the local level. The time calls for these efforts to take on a larger, more ambitious scale, and shifting perceptions about vacant properties create the opportunity to turn scattered, piecemeal approaches into a comprehensive strategy that links federal, state, and local laws and practices with private and non-profit initiatives.

In this section we will briefly sketch some of the successful efforts that have laid the groundwork

for this comprehensive strategy, as well as the reasons we believe that this is a time of hope, rather than despair.

## Signs of progress

State legislatures have taken important steps to change the laws surrounding property acquisition and disposition:

- In 2003, Michigan enacted pioneering legislation authorizing counties to create land bank authorities and giving those authorities strong tools to acquire, maintain, and transfer ownership of tax foreclosed, vacant properties. Today, following the lead of Genesee County, there are over 30 county land banks in

## Promoting Economic Development through Crime Prevention

In the early 2000s, the neighborhood surrounding Franklin Avenue in Minneapolis was one of the most blighted and crime-ridden areas of the city. The area was better known for nuisance businesses or illegal activities—such as adult bookstores, open drug dealing, and prostitution—rather than meeting basic residential needs, like a shop for groceries or medicine. Efforts to redevelop the community were met with skepticism, the prevailing wisdom being that no legitimate businesses would take a chance on the troubled neighborhood.

A local CDC, the American Indian Neighborhood Development Corporation (AINDC), saw opportunity where others saw none. When AINDC Executive Director, Theresa Carr, discovered that a local store was a front for prostitution, she “realized that, in some respects, real estate owners have much more power over crime than the police do.”

From then on, the AINDC set to work, prioritizing safety and crime reduction as key elements to its redevelopment effort.

The AINDC started by forging a partnership with the police department and emphasizing the safety that would come with bricks and mortar development. Building on the idea that busy streets are safer streets, the AINDC sought businesses that would stay open past 5 p.m. When the Franklin Street Bakery, a neighborhood, 24-hour industrial bakery, was searching for a new location, including in safer suburban neighborhoods, the AINDC persuaded the owners that the jobs it could bring to the community where its employees lived would have a significant and positive impact on the neighborhood. The bakery then took over an abandoned gas station—a crime hotspot that accounted for more than 500 police calls in a single year—and two neighboring properties. To further make the area pedestrian friendly, the AINDC did away with the long, dark corridors that characterized the area’s troubled shopping center and replaced them with a spacious, well lighted plaza with a fountain, public art and ambient music.

The AINDC’s strategy had enormous payoffs. The combined effects of the bakery taking a chance on expanding on Franklin Avenue and the AINDC’s focus on designing for safety catalyzed the resurgence of the commercial district that now boasts a health clinic, florist, grocery store, drug store, police safety center, and popular coffee shop. The investments made by these new businesses led to increased foot traffic and lower levels of crime, and the decrease in crime has resulted in a boon to economic and civic activity in this once troubled neighborhood.

Michigan, as well as a statewide land bank and a municipal land bank in Detroit.

- Other states are following Michigan's lead in introducing land bank legislation. Ohio followed suit in 2009, authorizing the establishment of a land bank authority in Cuyahoga County, the largest city of which is Cleveland. That body, the Cuyahoga County Land Reutilization Corporation has taken the lead role in the county's successful NSP2 application and in 2010, the state expanded its legislation, authorizing counties with more than 60,000 residents to create land banks. Land bank legislation has also been recently introduced in New York and Pennsylvania.
- In 2009, Texas enacted a new law allowing community groups to file receivership actions against dangerous properties and to transform the properties into decent, safe, and affordable housing. The law also helps communities and cities obtain clear title to the properties. Similarly, in 2009, Pennsylvania enacted a state conservatorship law, giving local governments and non-profits a powerful tool to gain control of neglected, abandoned properties. New Jersey and Ohio also have strong vacant property receivership laws, while a recent Massachusetts court decision has allowed that state's receivership law to be used for vacant as well as occupied properties.
- In 2009, New Jersey passed innovative state legislation to hold lenders who initiate foreclosure actions legally responsible for maintaining the properties from the beginning of the foreclosure process if they are abandoned by their owners.

## This is a time of hope, rather than despair.

A new paradigm for revitalizing America's older industrial cities has taken hold. Since Youngstown, Ohio first broke the ice with its Youngstown 2010 plan, more and more cities have begun to plan their future around the idea that a smaller city can be a stronger, healthier, and greener city:

- Rochester, New York has announced Project Green, "a bold plan that would change the look and feel of Rochester by replacing vacant properties with vast swaths of green space."
- Under the rubric of Re-Imagining a More Sustainable Cleveland, a partnership of government, foundations, universities, and non-profit organizations has come together to foster new ways of using Cleveland's vacant land, while knitting together the fabric of its viable neighborhoods.
- The city of Detroit, under the leadership of its energetic new mayor Dave Bing, has formed a partnership with local foundations and others to develop a new strategy for that city, integrating land use, economic development, transportation, and schools, based on the smaller-city paradigm.

New information technologies are also helping local actors address their property issues more effectively:

- NEO CANDO, a property information system for Northeastern Ohio based at Case Western Reserve University, has enabled organizations

## Building a Neighborhood Stabilization Team Effort

Although the steady loss of population in Cleveland is one contributing factor to the substantial level of vacant properties in the city, the foreclosure crisis, which started earlier here than in many other communities, threatens to abrogate decades of success and investment in the city's hardest hit neighborhoods.

The level of abandonment found in Cleveland today is unprecedented, even to many community development veterans. However, community developers in Cleveland have a long history of devising innovative responses to difficult challenges and they are working with stakeholders in the city to formulate a coordinated response that effectively targets and leverages available resources.

To overcome the obstacles to stabilization (trouble acquiring REO and post-REO properties, presence of multiple blighted properties within a neighborhood, and worry that nearby occupied homes may become vacant), a number of stakeholders created a "neighbor-

hood stabilization team"—local intermediary, Neighborhood Progress Inc., Case Western Reserve University, 14 CDCs, and Empowering and Strengthening Ohio's People (ESOP, a local foreclosure prevention agency)—to regularly meet and solicit input from CDCs working directly in the field. The effort is a comprehensive approach aimed at both ends of the stabilization challenge—preventing abandonment through strategies such as foreclosure prevention and converting abandoned properties for productive use. The team aggressively employs all available federal, state, and local resources. This customized approach surpasses the scope of much of the work considered neighborhood stabilization today, applying strategies and activities that may not be eligible for funding through the federal Neighborhood Stabilization Program. These critical yet ineligible activities include acquiring privately owned property, commencing nuisance abatement and receivership proceedings, and aggressively enforcing housing and building codes.

The team holds monthly meetings with CDCs in order to:

- Identify, map, and research potential acquisition/renovation targets

- Identify and map blighted properties that threaten to undermine existing assets and renovation projects.
- Identify and map occupied homes at risk of foreclosure and abandonment.
- Prioritize and categorize destabilizing properties.
- Link properties with an appropriate intervention.
- Organize the stabilization work—assigning tasks and reporting back.
- Track outcomes through NEO CANDO.<sup>15</sup>

During the team meetings, each CDC maps and juxtaposes its assets with NEO CANDO data about particular neighborhoods' destabilizing factors including at-risk mortgages, foreclosures, upcoming foreclosure sales, bank or investor-owned property, delinquent taxes, and vacancies. Case Western University updates the NEO CANDO data used by the team regularly, so the team can spend time making strategic intervention decisions rather than collecting information. The team meets with individual neighborhood groups to identify destabilizing forces that may harm community assets and to target limited resources near neighborhood anchors.

Working with the NST, the Slavic Village Development CDC leveraged investment in one of their new projects—a 90-unit single family housing complex located on an abandoned industrial site—to revitalize the surrounding area, which was also adjacent to a regional bank’s new headquarters. Slavic Village had identified the three-block area with a 40 percent vacancy rate in order to mutually strengthen these new anchors and those blighted blocks. With the help of the NST, Slavic Village began a property-by-property analysis and developed strategies for each. The CDC acquired 27 of the vacant properties and rehabbed the homes (offering some for sale and some for lease), demolished nearly 40 properties, landscaped vacant lots, filed receivership suits to eliminate nuisances and offered home repair loans and light posts to the existing residents.

Less than three years later, the rehabbed properties are almost completely occupied; green spaces flourish where once there were vacant and abandoned lots; the dirty industrial site is gone; an old rail line was replaced with a bike trail, and a community garden greets visitors and residents alike on the neighborhood’s main avenue. These efforts stabilized the market in an area that was once severely distressed and are a hallmark of the results possible by working together.

in Cleveland and elsewhere to target their foreclosure prevention and neighborhood stabilization efforts.

- Driven by the needs of Chicago’s Neighborhood Stabilization Program, Mercy Portfolio Services developed Community Central, a system to manage the program. Community Central is a powerful web-based tool that Mercy uses to run a reuse program involving thousands of vacant and foreclosed properties. Mercy is licensing the system to other cities and non-profit organizations.
- PolicyMap, developed by The Reinvestment Fund, provides a wide range of data and maps at the census tract level through a user-friendly interface to support local planning and research efforts.

A number of other local initiatives have emerged to strengthen nuisance abatement and code enforcement outcomes, and leverage municipal services and private resources to support redevelopment:

- The City of Chula Vista, California enacted a local ordinance requiring lenders to take care of vacant properties during foreclosure.<sup>16</sup> The city’s ordinance has become a model for as many as 100 other localities around the country, mostly in California but also in other states such as Florida and Connecticut.
- The City of Cleveland has initiated an innovative program that makes the city’s community development corporations its code enforcement partners to leverage limited municipal resources.

## Individual Transformations through Land Bank Efforts

**Policymakers and practitioners examining the successes of the Genesee County Land Bank often focus on the fiscal impact of its programs and large-scale initiatives.**

The demolition and clean and green programs, for example, have recently shown that together, a \$3.5 million investment returns an impressive increase—over \$109 million—on surrounding property values. Another victory comes from the Land Bank Center’s rehab on Saginaw Street, a \$4.1 million mixed-use investment that launched revitalization of the blocks adjacent to the University of Michigan’s campus: following the substantial rehab of the land bank building, seven vacant buildings were rehabbed providing approximately 150 new residential units and 60,000 square feet of leasable commercial space; approximately \$60 million was invested in the blocks immediately around the Land Bank Center; in September the long-vacant Durant hotel will open as new student housing.

But less known, and equally important, are individual transformative

outcomes of the Genesee County Land Bank efforts. The story of life-long Flint resident, Roger Mimms, highlights the importance of these impacts.

Mr. Mimms remembers how the Flint community he lived in for over 20 years changed as his neighbors moved or passed away. As absentee owners and other negative influences took over and replaced his friends, he couldn’t sleep well in his rented home and felt like he needed a weapon nearby for safety. Like homes in similar neighborhoods across the country, the owner of the house abdicated responsibility for its upkeep and Mr. Mimms contended with health and safety nuisances including mice and roaches.

When the owner ignored another critical responsibility of property ownership and failed to pay property taxes in 2003, Mr. Mimms’s house went through the tax foreclosure process initiated by the Genesee County Treasurer, and became part of the inventory owned by the Genesee County Land Bank. That’s when Mr. Mimms’s life changed.

Most often, the properties transferring to the GCLB are vacant lots or empty buildings. But approximately

14 percent of the buildings that actually go through foreclosure are occupied, and the land bank staff first inspects the property to ensure it meets code and then determines what happens next, including determining if the occupant could enter a rent-to-own contract or if it can be a land bank rental. The land bank operates a rental management program of about 100 properties throughout the city.

Because Mr. Mimms’s home was uninhabitable and in a neighborhood that was becoming abandoned, the land bank property manager asked if he would consider moving into another land bank property. Although Mr. Mimms’s neighborhood and house were unsafe, it was the home he knew and initially he wanted to stay where he was; but he agreed to look. Upon entering one of the houses, Mr. Mimms described having a “spiritual moment” and was overcome with the feeling that he’d been there before. A short time later Mr. Mimms relocated to that land bank property. It’s been seven years since the land bank foreclosed on the landlord of his old house, and Mr. Mimms reports being “as happy as happy can be. I’m home. This is where I need to be.”

- Baltimore's Healthy Neighborhoods Initiative focuses on strengthening the city's viable but at risk "middle market" neighborhoods through a variety of confidence-building strategies. Also in Baltimore, the city's Code Enforcement Division is partnering with private developers to stabilize areas around rehabilitated homes.
- The Green Impact Zone in Kansas City is concentrating federal, state, and local resources to transform a 150-block area, focusing on housing rehabilitation, weatherization, community policing, and job training.
- The city of Indianapolis has designated the Smart Growth Redevelopment District, a comprehensive community and economic development planning initiative, to coordinate brownfield cleanup activities, create new housing and transit opportunities, and revitalize a 540-acre blighted area of the city.
- San Diego employs a vacant property coordinator to work with property owners to address nuisance activities and problem properties in the city.
- In Minnesota, the Family Housing Fund took the lead to bring a diverse group of public and private entities together in the Minnesota Foreclosure Partners Council. Since 2007, the Council has fostered a coordinated approach to the foreclosure crisis, linking foreclosure prevention, neighborhood stabilization, and policy reform.
- By targeting its federal Neighborhood Stabilization Program resources carefully, through programs that rehabilitate vacant housing and

foster homeownership, Minneapolis has reversed the decline and significantly stabilized the Northside neighborhood, the city's most severely distressed area.

- Community organizations in Detroit, spearheaded by Community Legal Resources, created the Detroit Vacant Property Campaign, which has galvanized the city's policies and practices with respect to vacant and abandoned properties.

Partnerships that bring together the central city, inner-ring suburbs, and counties in a shared effort were once exceedingly rare. Now they are becoming more common. Cities and suburbs are starting to realize that they are in this together, and will have to work together if they are to reverse the tide of deterioration and abandonment that threatens all of them.

### Are new ways of thinking emerging?

The increase in the number and scale of effective and creative state and local initiatives is not a fluke. We believe it is a sign of a real change in how people are beginning to think about vacant property and land use issues.

### A fresh look at the nation's older industrial cities

Only a few years ago, to suggest that cities like Cleveland or Detroit should rethink traditional growth models and concentrate on becoming smaller but stronger cities would have been

## Leveraging Public and Private Sectors

Vigorously enforcing housing and building codes is a critical component of any local government effort to maintain the health of transitional neighborhoods. In those with concentrated blocks of vacancy and abandonment however, getting real outcomes through code enforcement can be a challenge. But even in those areas, a well-thought out combination of remedies can help encourage responsible ownership, keep properties from becoming nuisances, and facilitate the transfer of properties from investors who will not rehabilitate them to others who will. However, like many municipal agencies, code enforcement departments are often short-staffed and under-resourced, and directors must determine the most strategic deployment of their resources.

Over the years, Baltimore has developed a sophisticated array of systems and remedies to remediate its vacant and abandoned properties, including a new initiative to transform properties *From Vacants to Value*. Although the private development sector is not always viewed as an ally in the effort to combat blight, the initiative seeks to incentivize responsible, private development by deploying the city's code enforcement tools for the benefit of developers who commit their own capital to revitalize significantly abandoned neighborhoods.

On blighted blocks, code enforcement attorneys work with capitalized private developers to minimize investment risk by tailoring a remedy for each vacant property. Remedies include: engaging in criminal and civil prosecutions; issuing pre-payable civil citations in significant dollar amounts; acting as a receiver for a property for sale; demolishing and stabilizing as necessary; and bringing effective nuisance abatement actions to deter and punish property-based criminal activity. Together, developers and the city identify blocks that are likely good candidates for whole block renovation and determine

how multiple sites will connect to form "islands of development." Baltimore's Housing Code Enforcement Division also partners with high-capacity, nonprofit organizations to bolster the number of tools available through the *From Vacants to Value* program.

Carried by the strength of these partnerships, the city developed impressive goals for the first year of the initiative: rehab 1,000 privately-owned vacant buildings in some of the city's most distressed neighborhoods, leverage private investment in housing stock, create affordable housing opportunities for residents at various income levels, increase the property and income tax base, and create community stewarded green space.

In transitional areas, where vacant buildings are not concentrated but may be limited to only a few per block, *From Vacants to Value* uses automated business systems to generate \$900 citations to the owners of vacant properties that are otherwise capable of either selling or rehabilitating them. In this way, attorney resources can be shifted to areas of concentrated vacancy where their skills and code enforce-

ment tool kit are most required.

First year goals in these transitional areas include the rehabilitation of another 1,000 vacant buildings

In August 2008, Baltimore's Housing Code Enforcement Division began working with the Westport Community Association and a private developer in the 2000-2400 blocks of Annapolis Road. After an initial survey identified 36 vacant structures along the four-block area, the program set about using resources to leverage the revitalization. The city initiated code enforcement litigation resulting in twenty-five of those vacant properties being placed under court order; three of the properties have been sold to new owners and two of those owners have already received occupancy permits. The city demolished one vacant structure that presented an immediate hazard and the remaining owners have initiated rehabilitation work without being placed under court order. Over the next six months, 80 percent of the target area is expected to be revitalized from a source of blight to a source of value for the surrounding neighborhood and the city.

unthinkable.<sup>17</sup> Times have changed. Many cities now recognize that they will not return to their one-time peak populations, nor to their history as manufacturing centers. This admission has fundamentally changed how they think about themselves and their future; it has unleashed, as we suggested above, a host of creative initiatives that challenge traditional ideas of city planning, and open the door to a new way of thinking about these cities. Because of the demographics of these cities, and the ways in which population and job loss has disproportionately affected minority and low-income communities, the issue also raises critical questions about social and racial equity.

### **Different approaches to environmental and land use issues**

A new awareness of environmental issues triggered by climate change is changing the way we think about land use and its relationship to the environment. State climate action plans have begun to look at ways infill development can promote higher densities and reduce automobile travel, while there is a growing focus on preserving farmland and open space by directing development to existing communities. The newly-released LEED for Neighborhood Development (LEED-ND) rating system recognizes the environmental benefits of locating projects on previously developed or formerly contaminated land, while recently introduced federal legislation would

## Leading the Way in State Policy

**In January 2010, the State of New Jersey passed legislation known to advocates as the Creditor Responsibility Law, a valuable tool to combat the challenges faced by communities reeling from a glut of foreclosures.**

Cities throughout the country have suffered the deterioration that occurs in neighborhoods while lengthy foreclosure proceedings wind their way through the courts. While the legal process has its own inherent delays, lenders are sometimes guilty using tactics to stall proceedings, often without recourse, because they have little incentive to take possession of vacant or abandoned properties. This new law gives local governments authority to require the foreclosing entity to take responsibility for the property from the day the entity initiates the foreclosure process, even before it takes title to the property. The lender must notify the municipality that it has initiated foreclosure proceedings, and provide contact information for whoever is responsible for maintaining the property.

If the property subsequently becomes vacant, and the lender fails to correct a code violation or abate a nuisance, and the municipality spends its own funds, the municipality may place a lien on the property. The law also gives the municipality authority to go after any other asset of the creditor to obtain repayment, imposing on the lender the same obligation that a titleholder owes to its creditor.

As municipalities become more familiar with the law, stakeholders will be encouraging them to incorporate it into a more holistic neighborhood preservation system. Although it's too soon to point to results yet, it looks like the law is encouraging some municipalities to develop partnerships with CDCs and civic organizations—crime watch groups, block clubs, etc.—to help monitor when properties become vacant and, therefore, the lender's responsibility to maintain. The law also encourages municipalities to create real property information systems that allow them to accurately track foreclosures as they become vacant. By mapping foreclosure notices, cities can recognize clusters of

properties and neighborhoods at risk of abandonment, and work with neighborhood-based organizations to monitor or gain control of the properties.

This law is likely to be replicated in states confronting the challenge of vacant, foreclosed, and unmaintained properties in their communities that contribute to blight and lower property values. In New Jersey, community development advocates are encouraging municipalities to incorporate use of the law into a comprehensive local strategy that uses other state laws, including the nuisance abatement laws, and the Abandoned Property Rehabilitation Act (which authorizes cities to accelerate tax foreclosure, pursue vacant property receivership, and use spot blight eminent domain) as part of an aggressive effort to stave off the effects of the foreclosure crisis.

provide incentives for siting new renewable energy facilities on brownfield sites.

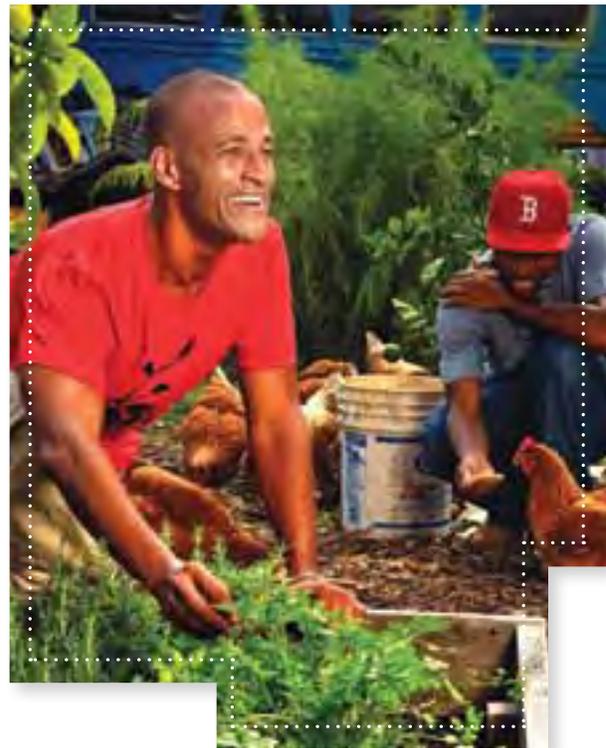
Stormwater management offers a good example of new thinking. Many older cities are under orders from the EPA to replace their combined storm and sanitary sewage systems, whose recurrent overflow problems pollute streams and waterways. Rather than spend billions of dollars building massive new separate sewer systems, cities like Philadelphia are working with the EPA to use their vacant land to filter water runoff, while creating neighborhood amenities such as parks and rain gardens in the process.

The era of the “drive until you qualify” philosophy of housing, in which people moved farther and farther away from the city center in search of homes they could afford, may be ending. Greater housing affordability is often offset by higher transportation costs in “location-inefficient” areas<sup>18</sup> while households living in infill and transit-accessible locations have much lower transportation costs. With a growing national awareness of the benefits of transit-oriented development and rising market demand for transit-proximate housing, vacant properties located along transportation corridors are increasingly being seen as opportunities by localities, states, and the federal government. Recent EPA studies show a dramatic increase in the share of new construction taking place in central cities and older suburbs in several regions, particularly in the past five years.<sup>19</sup>

## A new federal policy climate

Finally, one of the most promising opportunities for a future comprehensive and strategic vacant property policy agenda lies in the recent changes in federal thinking.

In the summer of 2008, Congress enacted the Neighborhood Stabilization Program (NSP)<sup>20</sup> to help communities address the effects of foreclosed and abandoned properties in their neighborhoods. Practitioners across the country appreciated the new federal funding, and welcomed the federal government’s recognition of the damage caused by the growing inventory of vacant, foreclosed properties. Despite high expectations, the results of the initial NSP program



## Coordinating Responses to Vacancy

By helping unlock the unique story of problem properties and understanding how a structure becomes vacant, the City of San Diego Code Enforcement Department is able to more efficiently dispatch effective tools and direct resources to help property owners comply with codes and relieve the neighborhood of nuisances affecting residents' quality of life.

Whether a vacant structure can be revived, and how quickly, depends on available resources, the comprehensiveness of the response, and the strength of existing ordinances. While there are numerous building blocks to the approach used in San Diego, including an effective vacant property ordinance, a code enforcement prosecutor, strong partnerships, and an array of enforcement strategies, a unique element is the use of a Vacant Property Coordinator.

Although a coordinator's work may be more manageable in a smaller

city, a liaison between the city and the public that helps find remedies for problem properties is a valuable resource in any community. The Vacant Property Coordinator in San Diego is tasked with creating an inventory and profile of vacant properties, and with being the first responder to a complaint of an unsecured building. The Coordinator makes sure both the city and the owner follow through with their responsibilities; the city may need to stabilize any crime and nuisance activity, and each owner is required by San Diego Municipal Code to develop a plan for maintenance and rehab.

A good coordinator is trained in building code and land development regulations and has a solid working knowledge of available economic development programs, agencies, and grants in the community. If the property needs to be ushered through probate or the owner needs a loan to rehabilitate the property, the Coordinator can assist by identifying pro bono legal assistance or determine if the owner qualifies for loans from the Housing Commission or nonprofit agencies. With the owner's permission, the Coordinator can also help

find investors who might buy the property. The experience in San Diego has shown that money is not the only obstacle to rehabilitation. More complex challenges include sentimental attachments, family disagreements over disposition of a property, mental illness or other incompetency, title disputes, zoning changes that hinder a commercial property's potential, litigation over insurance proceeds, hesitancy to rebuild a fire-damaged unit due to concerns that doing so will cause the owner to lose a previously conforming right.

One success achieved recently was facilitating the reuse of a longstanding vacant home in the Golden Hills area, known for beautifully renovated Victorian style homes and for the work of noted architect Irving Gil. After the owner's death, the home had become a source of blight and crime. The Coordinator tracked down a surviving niece who stood to inherit the property, and assisted her with assessing the property and following through with a probate action. Simultaneously, the Coordinator developed a relationship with members of the real estate industry with funds

and expertise to complete historical preservation projects. Despite the interest of many investors and local historians, the niece would not sell; the niece wanted her aunt to be honored and feared that her unique history with the property would be lost. By understanding the niece's motivations, the Coordinator was able to propose a win-win course of action. She suggested that when the niece found an investor she felt comfortable with, she could request that a plaque with her aunt's name be affixed to the structure. The Coordinator also ensured that the community was involved during the renovation process. Once the property was renovated, there was an open house so the preservation committee and the community could see the finished renovation. Today, a plaque honoring the previous owner adorns the home, which has been restored to its former beauty.

(known as NSP1) are likely to be modest. This is a reflection of many factors, including the nature of the program—which encouraged transactional, property-by-property interventions rather than long-term, strategic approaches. Additionally problematic was the distribution of NSP funds, which used a formula that sent large amounts to high-foreclosure but low-capacity Sunbelt communities that had difficulty spending their money in a cost-effective and strategic fashion. As of May 2010, recipients had four months left to commit the federal funds, yet over one-third of the grantees had committed less than half.

The new HUD leadership that came in with the Obama administration recognized many of these problems. The second round of NSP funding in 2009 was allocated on a competitive rather than a formula-driven basis, with criteria that looked explicitly at each state's or city's plan for strategic, market-based, targeting of federal resources. The percentage of funds that went to areas with systemic abandonment was considerably higher than in the first round. HUD has also changed some of the program rules to give local governments and CDCs greater flexibility in their property acquisition efforts<sup>21</sup> and has begun to explore creating a targeted program to address the issues of cities with long-term population loss and systemic abandonment issues, although the timing and scope of any such program are still uncertain.

## Leveraging Community-based Action

Vacant and abandoned lots, homes, and commercial and industrial buildings have been present in Detroit for years. But the combination of pre-existing vacancy, large numbers of foreclosures, and a sharp decline in the housing market has led to unprecedented instability across the city's neighborhoods. Although every sector in the city is pitching in to help make Detroit's neighborhoods thrive again—including the city leadership, which is developing a comprehensive strategic framework to guide efforts—residents and community organizations are taking action today to hold their neighborhoods together.

One organization that is helping to provide support to, and build the capacity of, these critical grass-roots efforts is Community Legal Resources and the Detroit Vacant

Property Campaign, which they staff. Through the Community and Property Preservation Program (CAPP), CLR/DVPC operates a grant program that provides supplemental financial assistance to community-based organizations that are engaged in community-initiated vacant property maintenance.

Since launching in 2009, CAPP has served 34 organizations and funded a range of activities, including alley clean-ups and landscaping, vacant property surveys and mapping, and even solar light installations. Although the grants are not large, community-based efforts to reverse blight often are stalled by the costs of equipment and labor. The resources provided through the program are sufficient and are flexible so the organizations can develop the right strategy for their neighborhoods.

One organization used their grant to work with a "clean corps" of neighborhood youth to conduct a vacant property survey. Through photographs and documentation of the conditions, the team was able to refer 283 properties to the city departments responsible, where many are now in line for demolition.

The survey, plus boarding, painting, and cleanups targeted toward an area surrounding an elementary school, have had a substantial impact on the safety of children traveling to and from school.

As Detroit and other cities allocate resources based on where the assets are located in the community, it's important to remember that engaged citizens are a tremendous asset that can be multiplied. In addition to leading to measurable outcomes, the CAPP grants are also a way to focus on building the capacity of residents who are willing to spend the time and energy to work together to deal with the problems brought on by vacancies. One grantee organization noted that the program is "designed to engage—and subsequently—empower residents to utilize creative remedies to abate nuisances..."

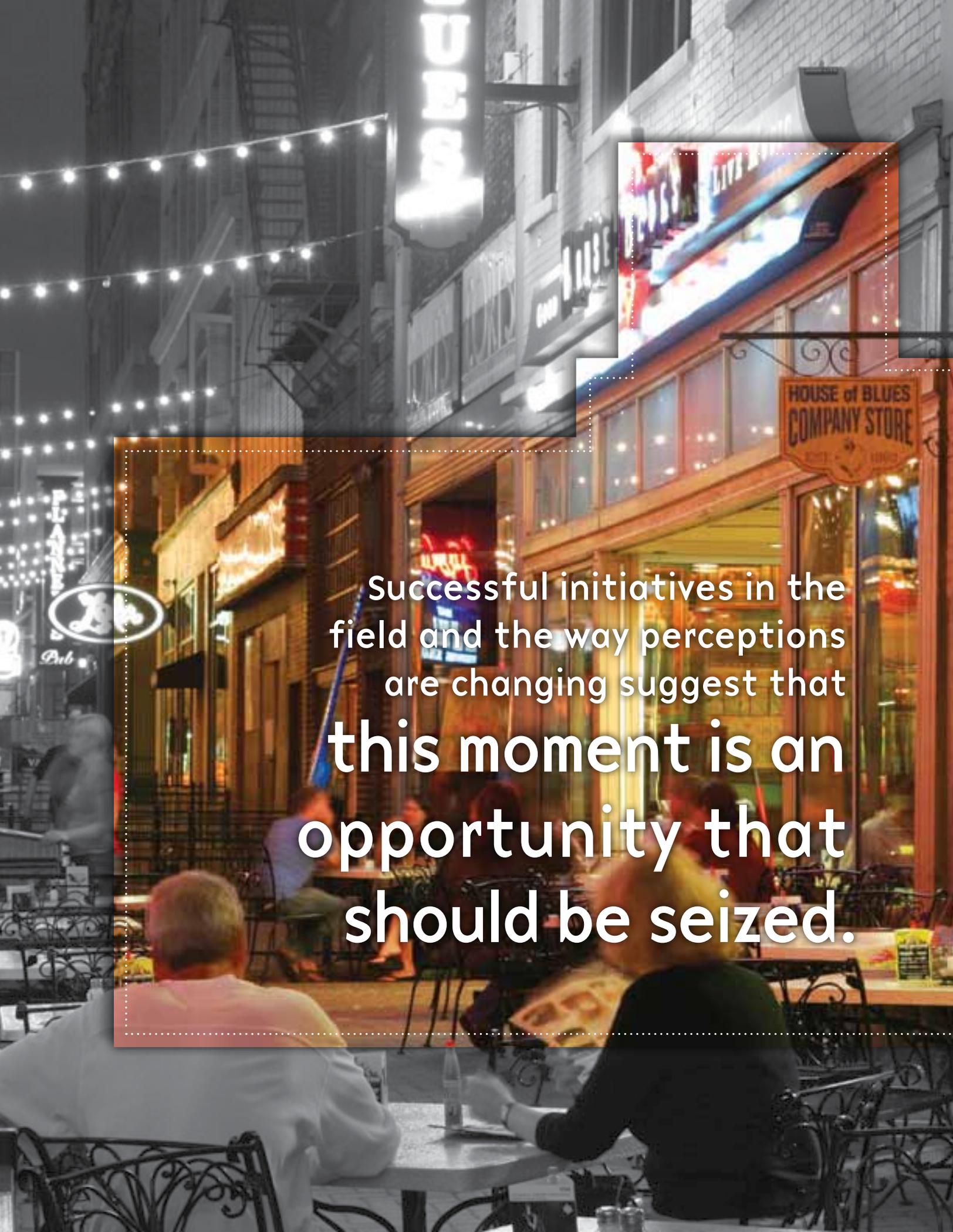
An engaged and empowered community is one of the most important elements of any redevelopment project. With the CAPP program in place and the dedicated work of the city and community organizations, Detroit may be able to achieve the successes found in other communities across the country.

Despite the limitations of the NSP program, overall it has had a positive effect. Although some communities may have had difficulty spending funds effectively, others like Chicago and Minneapolis have risen to the challenge with creative, innovative strategies. Far more needs to be done to supplement their efforts, including the leveraging other federal resources to complement the NSP efforts, and aligning management and disposition practices of federally-controlled housing.

Recognizing that the economic crises has compounded long-term disinvestment in auto manufacturing communities the federal government recently announced a commitment to provide over \$800 million to pay for environmental remediation and re-conditioning of 90 brownfield sites created as a result of the restructuring of General Motors, giving a shot in the arm to the cities where those derelict sites are located.<sup>22</sup>

Although some of the initial federal programmatic efforts may prove to show a modest start, we see the potential of more fundamental change in the future. The Obama Administration is showing a readiness to attack some of the systemic barriers to vacant property revitalization, and for the first time, move away from the traditional "one size fits all" federal approach to focus directly on the issues of the severely impacted older, industrial cities as well as to look broadly at the larger regional issues affecting towns and cities.

The Partnership for Sustainable Communities, launched in June 2009 by HUD, EPA, and DOT, represents a major change in federal policy, by linking housing, transportation, and environmental protection with the goal of creating more livable, equitable, and sustainable communities. For the first time ever, these three agencies are working together to advance agreed-upon goals: aligning federal policies, removing barriers to collaboration, and leveraging interagency funding sources to promote better communitywide outcomes. An initial round of \$150 million in sustainable communities planning grants is expected to be awarded by HUD, working with its partners, late in 2010.



Successful initiatives in the field and the way perceptions are changing suggest that **this moment is an opportunity that should be seized.**

# Framing a Policy Agenda

## For Vacant And Abandoned Properties

Both the successful initiatives in the field and the way perceptions are changing suggest that this moment represents not just a crisis, but also an opportunity that should be seized by America's towns and cities. At the same time, the challenges ahead are great. There is no single strategy that can address the variety of problem property situations. Multiple strategies for prevention, acquisition, maintenance, disposition, and financing must be employed to promote the productive reuse of vacant properties; these strategies, moreover, are most effective only when they are part of a comprehensive, well-designed system. Patience, forethought, collaboration, long-term thinking, sophisticated mixtures of carrots and sticks, and a transparent process that invites rather than screens out participation and criticism, are all critical to the success of any strategy that seeks to rebuild communities rather than simply fix scattered individual properties.

Based on the experience of states, cities, non-profit organizations, for-profit developers, and other stakeholders, we offer the following principles (see page 40) and recommendations to guide future policy in encouraging and incentivizing change in the underlying systems for land revitalization.

### Recommendations

No single entity, sector, or industry can solve a community's vacant and abandoned property problems on its own. Success takes many partners and points of attack; it takes what Chicago's Housing Commissioner Ellen Sahli calls the "all hands on deck" approach. At the same time,

# Ten Principles to Guide the Vacant Property Agenda

- 1 Vacant and abandoned property issues are complicated, and require complex, multifaceted strategies.** No single tool, program, or “silver bullet” will fix the problem.
- 2** Communities are different, the forces triggering abandonment are different, and the solutions are different. **We need to move away from “one size fits all” programs and strategies.**
- 3** These problems have taken years, in many cases decades, to emerge, and often reflect deeply-rooted underlying problems. **Addressing the vacant properties problem requires a long-term, sustained commitment.**
- 4** Similarly, **a systemic approach is needed to address the forces driving abandonment and reuse of properties,** rather than disconnected building-by-building or transactional approaches.
- 5 All levels of government can and should play a strong role in addressing vacant property issues,** and must coordinate their efforts, both among agencies at the same level of government, and among federal, state, and local agencies. While the state and federal governments can provide resources, tools, and support, local government must be at the center, taking responsibility for their community’s future.
- 6 Taking responsibility for the future of a community means being willing to take responsibility for properties,** taking control of properties when necessary to determine their outcomes and be able to plan for the future.
- 7 Property ownership is a combination of rights and responsibilities that go together.** Property owners who neglect their properties and allow them to blight their surroundings and harm other property owners and residents cannot hide behind “property rights” rhetoric. They should be held accountable for their behavior.
- 8** Government must lead, but cannot solve the problems of vacant and abandoned properties by itself. **Solutions require that the private sector, particularly the real estate and financial industries, the nonprofit sector, residents and community-based organizations, all be engaged.**
- 9** Vacant and abandoned properties affect their neighbors most of all. **Residents of affected communities must be engaged in framing strategies to deal with the problem,** particularly where those strategies (as in older industrial cities) may involve major changes to the direction of public policy.
- 10 Vacant property strategies should be driven by solid data and information,** to make sure that scarce resources are used effectively, that progress can be tracked, and strategies constantly refined to reflect changes in economic and other conditions.

different entities, sectors, and industries have unique assets and need to play different roles. Getting the roles straight, and working effectively together, is the key step to making solutions possible.

### Roles for the federal government

- Design programs that reflect the differences between communities and markets, including the difference between systemic and transitional abandonment. Federal housing and community development policy should focus on the larger goals of revitalizing communities, not transactions for their own sake.
- Focus directly on planning and community regeneration through programs that encourage local innovation and partnerships. Federal incentive programs should include support for reconfiguration of land uses in cities with large amounts of surplus vacant land and buildings.
- Align federal programs to leverage each other, such as linking neighborhood stabilization and energy-efficiency funds, or CDBG and brownfields programs, aligning timetables and funding criteria.
- Help cities and states get the information they need to make good decisions by providing usable data and supporting the creation of real property information systems.
- Establish performance objectives for programs such as neighborhood stabilization. These objectives should be based on sustainable neighborhood change goals rather than on transactions, and encourage creative local strategies to reach the goals.
- Use federal discretionary funding programs to leverage system change at the state level, following the model of the Department of Education's "Race to the Top."



- Help build the capacity of local governments and other stakeholders through technical assistance, training, and staffing support.

### **Roles for state government**

- Enact legislation to enable municipalities to take control over vacant properties in their communities, through tools such as land banking, tax foreclosure reform, or vacant property receivership.
- Change state policies that fuel abandonment; for example by reforming state laws that govern mortgage foreclosure and lender responsibility.
- Facilitate intergovernmental cooperation and regional strategies by providing incentives for cooperative efforts.
- Target state assistance programs to advance local and regional strategies that discourage sprawling greenfield development and incentivize reuse and redevelopment of vacant and underutilized urban land.

### **Roles for local government**

- Frame a clear vision of the community's future that includes a strong role for land and building reuse and reconfiguration.
- Engage the community's residents in the process of thinking through vacant property reuse and land reconfiguration strategies, being up front about the challenges ahead.
- Avoid "quick fix" transactions that offer little long-term benefit, and focus instead on systemic change for long-term transformation.
- Build the technical and managerial capacity in city government to frame and implement multi-dimensional plans for revitalization and change.
- Partner with CDCs, community-based organizations, and others to leverage limited public sector resources.
- Encourage redevelopment by modernizing land use, zoning, and building regulations, and creating streamlined "one stop" permitting systems.

### **Roles for CDCs and other community-based organizations**

- Go beyond transactional housing development activities to focus on comprehensive, market-driven, and sustainable neighborhood stabilization and revitalization, building healthier communities with strong social capital.
- Build working partnerships among CDCs and other nonprofit organizations to leverage available nonprofit resources by dividing tasks and responsibilities, sharing information, and skills, and coordinating priorities.



# No single entity, sector, or industry can solve a community's vacant and abandoned property problems on its own.

- Give vacant and abandoned properties priority in neighborhood strategies, focusing both on prevention of abandonment and reuse of vacant properties.
- Partner with city government agencies and others to plan and execute strategies to prevent abandonment and address vacant properties within the community.

## Roles for foundations and other private sector funders

- Coordinate with other stakeholders to ensure that each foundation's investments in community revitalization complement and leverage public sector and nonprofit efforts, reflecting shared geographic and programmatic priorities.
- Help build capacity in local government and the nonprofit sector to plan and implement effective multi-faceted vacant and abandoned property initiatives, integrated into larger revitalization strategies.
- Make a commitment to long-term support for these initiatives, recognizing that these are long-term efforts, and that adequate alternative funding resources are unlikely to become available in the foreseeable future.
- Link funding decisions to grantees' willingness to create effective partnerships and address systemic challenges.

## Roles for the real estate, finance, and development sectors

- Developers: partner with local government and nonprofits to develop properties in ways that advance neighborhood stabilization and revitalization efforts.
- Realtors: partner with local government and nonprofits to identify potential uses for vacant properties, and develop market-building strategies for communities and target neighborhoods.
- Lenders and servicers: work with local governments and nonprofits to ensure that foreclosed properties are maintained during foreclosure, and are conveyed to responsible owners after foreclosure sale.
- Lenders: ensure that adequate mortgage capital is available to support creditworthy homebuyers and finance sound community and economic development projects.



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# Conclusion

Vacant and abandoned properties are eroding the economic and social fabric of communities across the United States. Like no time in American history, the confluence of disasters in the economy, housing, and employment markets ensure that no community is immune from the threats of foreclosure, vacancy and abandonment. At the same time, the magnitude of the crisis, as well as the infusion of new resources such as the federal Neighborhood Stabilization Program, have unleashed a wave of creative energy on the part of local governments, community development corporations, and many others confronting the crisis in their communities.

The scope and determination of thousands of local stakeholders is little short of awe-inspiring. At the same time, it is not enough. Their efforts are often scattered, small in scale, and unlikely to lead to long-term, sustained change. Policymakers and community leaders across the country need to go beyond these efforts, recognize the magnitude of the problem, and focus on the fundamental changes in laws, policies and practices that are needed if we are to tackle the problem at the scale it demands.

Above all, we need to focus on vacant and abandoned properties not just as a problem, but as a resource, one that we can use to build stronger, healthier communities. In many cities, vacant houses can be turned back into homes

for families rich and poor, while obsolete factories and office buildings can become lofts and apartments, or incubators for small businesses and emerging technologies. Older cities that have been losing population may become smaller, but they can become healthier and greener cities, with community spaces, farms, and stream corridors replacing blighted areas.

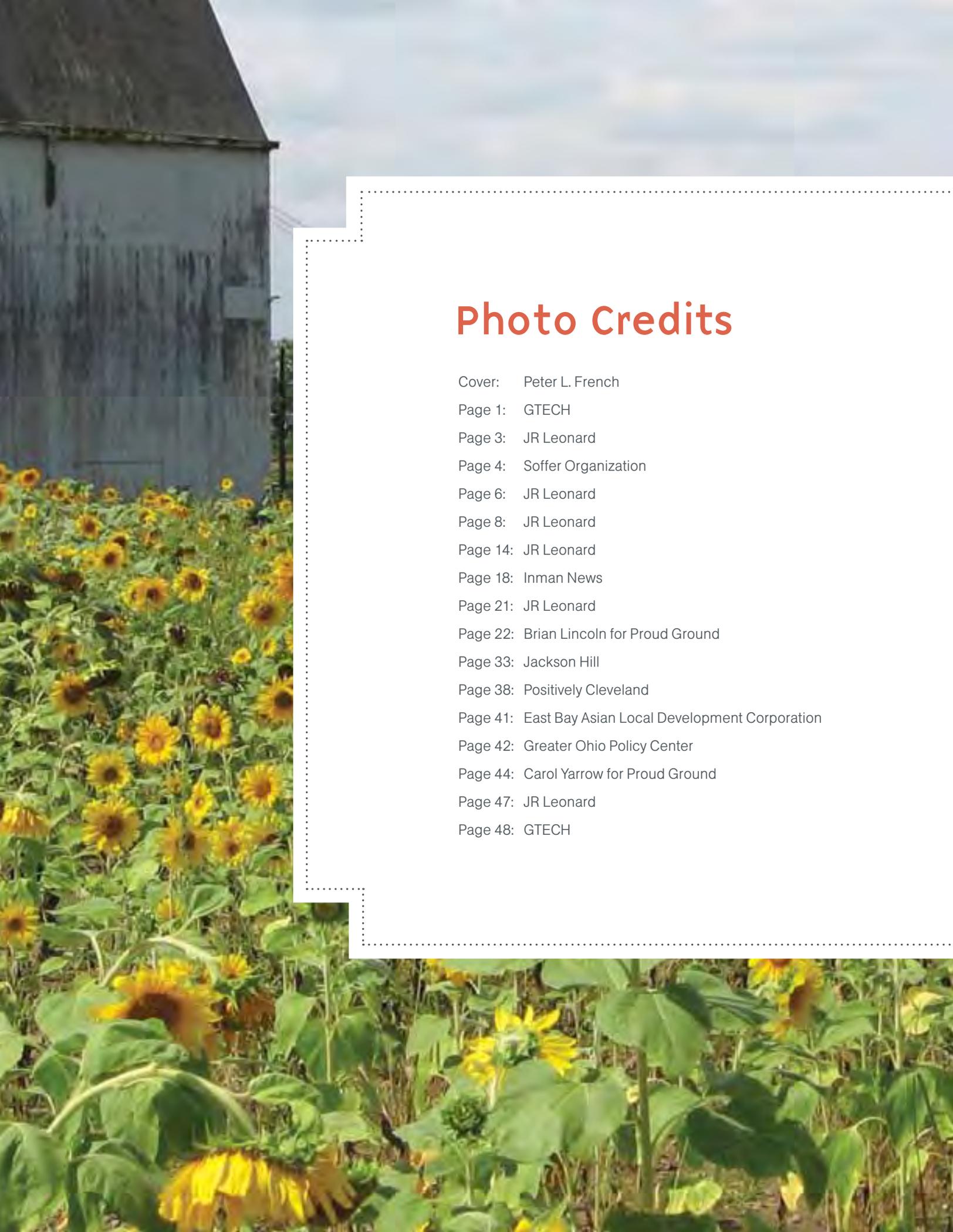
This can be a reality, not just in a handful of places, but in cities and neighborhoods throughout the United States. If we forge strong, vital partnerships for systemic reform, engaging the public and private sectors and cutting across municipal boundaries, we can transform America's communities, coming out of today's crisis a stronger, healthier nation.

# Endnotes

1. We use the terms vacant, abandoned and problem properties to refer to the properties that are our concern, but these terms are often used to mean very different things. *Vacant* merely conveys that the property is empty, but many vacant properties still have a use or a responsible owner taking care of it. Examples of such vacant properties include are vacation homes that are temporarily unoccupied, houses between owners while actively being marketed, or houses about to be rehabilitated by a non-profit. Being vacant is a condition of the property, not a legal status. *Abandoned* properties are the properties whose owner has stopped taking responsibility for the property, such as not maintaining it or failing to pay property taxes. *Abandoned* properties are usually vacant as well, but not always, as when a landlord walks away from a building which still has tenants living in it. In contrast to vacancy, abandonment has a legal as well as descriptive meaning. *Problem* properties are properties that are causing problems for their neighbors and the community. While many problem properties are vacant or abandoned, others, such as properties where criminal activity is taking place, may not be. Still, occupied problem properties are more than likely to be on a path to abandonment if not dealt with in time. In this report, though, we will use these terms interchangeably. When we talk about vacant properties, though, we will not be referring to those “innocent” vacant properties like second homes, but to those that are also problems for the community.
2. Detroit, in particular has benefited (or suffered) from media attention in the past year or two, including a cover story in Time magazine. A writer for a local online magazine recently wrote that “Detroit is being descended on by a plague of reporters. If you live on a block near one of the city’s tens of thousands of abandoned buildings, you can’t toss a chunk of Fordite without hitting some schmuck with a camera worth more than your house.” (Quoted in John Gallagher, *Reimagining Detroit*, forthcoming later in 2010). Cleveland was also the subject of a cover story, in the *New York Times Magazine*.
3. Although some increase between 2000 and 2008 can be expected, the increase reflected in these data appears unusually large. This is hard to interpret, since the definitions used in both datasets are comparable.
4. These data are gathered quarterly by the U.S. Postal Service under an agreement with the Department of Housing & Urban Development. Posted on the HUD User web site, the data are aggregated from forms submitted by postal workers; while it is subject to variability, it offers a usable data base, but one that is subject to important qualifications. The data distinguishes between vacant properties, which have been vacant for 90 days or more, and no-stat properties, which include (1) addresses for businesses or homes under construction and not yet occupied and (2) addresses in urban areas identified by a carrier as not likely to be active for some time. In cities like Flint or Detroit, the sum of those two categories is a good reflection of vacant—and in most cases abandoned—properties. In cities with large amounts of construction under way, or with large concentrations of second homes, however, the data are less meaningful for these purposes. For more information see <http://www.huduser.org/portal/datasets/usps.html>.
5. Although the USPS started providing vacancy data sets in 2005, business addresses were only separated starting in 2008.
6. *Reuters* (January 2010) <http://www.reuters.com/article/idUSN058150520100106>.
7. *Reuters* (April 2010) <http://www.reuters.com/article/idUSTRE6340FH20100405>.
8. *Crain’s Chicago Business* (January 2010) <http://www.startribune.com/business/99630514.html>.
9. *Washington Business Journal* (March 2010) <http://washington.bizjournals.com/washington/stories/2010/03/15/story8.html>.
10. *Star Tribune* (August 2010) <http://www.startribune.com/business/99630514.html>.
11. The problem is not unique to the large industrial cities of the Midwest. Many smaller communities around the country, including mill towns in the south, mining towns in the West, or farm market centers in the Prairie states have experienced similar population loss as they lost the activity that provided them with an economic base.

12. Testimony to the Committee on the Budget, U.S. House of Representatives, June 9, 2010 available at <http://www.federalreserve.gov/newsevents/testimony/bernanke20100609a.htm>
13. National League of Cities, "Significant Budget Shortfalls Could Mean More Job Losses," Press Release, May 24, 2010, available at <http://www.nlc.org/PRESSROOM/PRESSRELEASEITEMS/SoACJobsEcon5.10.aspx>
14. "Dirt into Dollars: Converting Vacant Land Into Valuable Development." *Brookings Review*, 18 no.3, Summer 2000.
15. NEO CANDO is a free and publicly accessible social and economic data system that allows users to access data for the entire 17 county Northeast Ohio region, or for specific neighborhoods within Cleveland, maintained by the Case Western Reserve University's Mandel School of Applied Social Sciences Center on Urban Poverty and Community Development.
16. Chula Vista took this action on the basis of its powers under the California home rule statute, which gives cities broad discretion to enact ordinances to further health and safety. In many states, a municipality would not have the legal authority to enact such an ordinance in the absence of a state enabling statute. New Haven enacted its ordinance without a state law. Subsequently, the Connecticut legislature enacted a law which effectively prevented cities and towns from enacting such ordinances, but grandfathered New Haven's ordinance.
17. In 1993, the then Detroit City Ombudsman, the well-respected civic leader Marie Farrell-Donaldson, suggested that large vacant areas of the city return to green uses. Her suggestion was greeted with a mixture of ridicule and outrage, and quickly shelved. Today, this is official city policy.
18. Center for Housing Policy, "A Heavy Load: The Combined Housing and Transportation Burdens of Working Families," October 2006, available at [http://www.cnt.org/repository/heavy\\_load\\_10\\_06.pdf](http://www.cnt.org/repository/heavy_load_10_06.pdf)
19. U.S. Environmental Protection Agency, "Residential Construction Trends in America's Metropolitan Regions," available at [http://www.epa.gov/piedpage/construction\\_trends.htm](http://www.epa.gov/piedpage/construction_trends.htm)
20. Sec. 2301 of the Housing & Economic Recovery Act of 2008, entitled in the legislation "emergency assistance for the redevelopment of abandoned and foreclosed homes" and subsequently renamed the Neighborhood Stabilization Program (NSP) by HUD, appropriated \$3.92 billion for this purpose. After an additional \$2 billion was appropriated for similar activities (but under different ground rules) in the American Recovery and Reinvestment Act (ARRA), also known as the economic stimulus bill, the first program came to be known as NSP1 and the second as NSP2.
21. An example of this comes from the July 2010 Wall Street Reform and Consumer Protection Act. The initial NSP program only allowed rehabilitation or redevelopment of foreclosed or abandoned properties to qualify for the required low-income set-aside. The financial reform bill made it possible to include vacant properties as well, opening up the potential to develop multi-family units and other affordable housing on vacant land and other vacant properties.
22. National Economic Council, "Auto Communities and the Next Economy," Remarks, May 18, 2010, available at <http://www.whitehouse.gov/administration/eop/nec/speeches/auto-communities-next-economy>





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The mission of the Center for Community Progress is to create vibrant communities primarily through the reuse of vacant, abandoned, and problem properties in America's cities and towns. Community Progress helps local and state governments seize the potential of these properties for the economic and social benefit of their communities. We help leaders advocate for and implement the policy changes to prevent abandonment and to reuse these properties.

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