Tackling Vacancy and Abandonment: Strategies and Impacts after the Great Recession
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Publication Team

Editors
Robert E. Finn, Center for Community Progress
Lisa Nelson, Federal Reserve Bank of Cleveland
Sarah Stein, Federal Reserve Bank of Atlanta

Project Manager
Sherilyn Narker

Designer
Peter Hamilton

Copy Editors
Sally Burke
Jim Greene

Managing Editor
Nancy Condon

Managing Designer
Odie Swanegan

Communications Liaison
Jennifer Leak

Acknowledgments
The publication team would like to acknowledge the following individuals, whose expertise, support, and insight were critical to the development and completion of this volume: Ann Carpenter of the Atlanta Fed’s Community and Economic Development Department; the Atlanta Fed’s Public Affairs Department; and Justin Godard, Kathy J. Guillaume-Delemar, Nia Bolden, Danielle Lewinski, Payton A. Heins, and Janell O’Keefe of the Center for Community Progress.

About the Center for Community Progress
The mission of Center for Community Progress is to foster strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods. Founded in 2010, Community Progress is the leading national, nonprofit resource for urban, suburban, and rural communities seeking to address the full cycle of property revitalization. The organization fulfills its mission by nurturing strong leadership and supporting systemic reforms. Community Progress works to ensure that public, private, and community leaders have the knowledge and capacity to create and sustain change. It also works to ensure that all communities have the policies, tools, and resources they need to support the effective, equitable reuse of vacant, abandoned, and deteriorated properties.

About the Federal Reserve System
The Federal Reserve System (the Fed) is made up of 12 Reserve Banks that, together with the Board of Governors in Washington, DC, serves as the central bank of the United States. As the US central bank, the Federal Reserve conducts monetary policy, promotes financial stability, provides payment services to financial institutions, supervises banks, and promotes community and economic development.

About the Federal Reserve Bank of Atlanta
The Federal Reserve Bank of Atlanta sits in the Federal Reserve’s Sixth District and covers all of Georgia, Florida, and Alabama and portions of Louisiana, Mississippi, and Tennessee. The Atlanta Fed’s Community and Economic Development Department supports the Federal Reserve’s mandate of stable prices and maximum employment by working to improve the economic mobility and resilience of people and places for a healthy economy. To do this, we conduct research and create data tools to uncover the barriers to and opportunities for improved economic mobility as well as to make the data easily accessible for community and organization planning and decision-making. We engage stakeholders to help organizations and communities understand relevant issues and undertake cross-sector solutions. And we track and elevate issues facing the lower-income resident of the Southeast.

About the Federal Reserve Bank of Cleveland
The Federal Reserve Bank of Cleveland, the Federal Reserve’s Fourth District, covers all of Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. The Cleveland Fed’s community development team promotes the economic resilience and mobility of low- and moderate-income people and communities throughout the Fourth District. We conduct research and engage with stakeholders on issues affecting access to credit, quality jobs, education, small business, and housing with the goal of increasing economic opportunity and helping people and communities thrive.
More than 10 years have passed since the Great Recession and the foreclosure crisis it spawned. This crisis saw millions of Americans lose their homes and many neighborhoods left with concentrations of foreclosures, resulting in vacancy, disinvestment, and the unraveling of their local social fabric. Minority communities were particularly hard hit.

The foreclosure crisis led to a proliferation of vacant and abandoned properties, presenting surrounding communities with deep-rooted challenges. This publication, a joint effort of the Federal Reserve Bank of Atlanta, the Federal Reserve Bank of Cleveland, and the Center for Community Progress, was created to explore and highlight some of the strategies implemented to address these challenges. In pursuit of this goal, these three institutions engaged a number of national experts in the field of neighborhood revitalization, representing a diverse set of backgrounds and perspectives, and asked them to respond to the following questions:

- What does the vacant and abandoned property problem look like today? How does this problem vary across markets? Are the scale and patterns of the problem much changed from how they existed 10 years ago or 50 years ago?
- What public, private, and community-based interventions have been successful in tackling challenges associated with vacant and abandoned properties?
- What innovative financing and legal mechanisms have emerged to address the issues associated with these vacant and abandoned properties and what effect have they had?

The papers in this volume are the result of their reflections on these questions. Their responses chronicle a rich set of approaches to strategic code enforcement, vacant land reuse, land banking, the implementation of land use policies, and the application of climate resiliency strategies that advance neighborhood revitalization goals. They send a clear message about the importance of taking a racially equitable approach to developing and pursuing community-based strategies. They also highlight the need to involve multiple and disparate stakeholders to tackle both historical discriminatory housing policy and the cumulative effects of years of neighborhood neglect and disinvestment.

We are pleased to present this publication and hope that it spurs new efforts to mitigate the negative effects of vacant and abandoned properties and promote neighborhood revitalization. Given that the economic crisis spurred by the COVID-19 pandemic has affected many of the same neighborhoods damaged by the foreclosure crisis, such efforts are needed more than ever.

We hope you find this compendium useful and thought-provoking, and we encourage you to share it with your communities.

Dr. Akilah Watkins
President & CEO
Center for Community Progress

Dr. Raphael W. Bostic
President & CEO
Federal Reserve Bank of Atlanta

Dr. Loretta J. Mester
President & CEO
Federal Reserve Bank of Cleveland
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Next Steps
Frank S. Alexander
Introduction

Communities across the United States struggled to withstand the devastation of the Great Recession and the collapse of the residential mortgage market in 2007-2010 but did not have the means to respond. Building on the work of a number of America’s leading vacant property revitalization advocates, including the National Vacant Properties Campaign and the Genesee Institute, the Center for Community Progress endeavored to arm communities around the country with the policies, tools, and resources they needed to support the effective, equitable reuse of vacant, abandoned, and deteriorated properties. Since opening its doors in Flint, Michigan, in 2010, Community Progress has provided technical assistance and direct support to hundreds of communities and educated tens of thousands of people through its Reclaiming Vacant Properties conferences and other educational institutes and programs.

To examine how the neighborhood stabilization field has evolved and grown since its founding, Community Progress engaged the community and economic development teams at the Federal Reserve Bank of Atlanta and the Federal Reserve Bank of Cleveland as its partners in undertaking a joint research publication. The urban, suburban, and rural communities in these Federal Reserve Bank Districts experienced many of the worst effects of the mortgage crisis, including the crush of foreclosure-related vacancies and abandoned properties.

In 2019, our three organizations conceived this volume to reflect on the challenges associated with vacant and abandoned properties, learn from the approaches implemented to address these challenges in the decade since the mortgage crisis, assess the effectiveness of strategies and interventions, and offer lessons for future policies and strategies as the field of community development and neighborhood stabilization moves forward.

The researchers and practitioners selected to share their work in this publication represent a range of professions, employ different methodologies, hold distinct perspectives, and speak in a variety of voices. This diversity is intentional, to provide readers with an examination of the effects of vacancy and abandonment intervention strategies from multiple vantage points. We drew editorial inspiration from a joint Federal Reserve Bank research volume published in the early days of the mortgage crisis, entitled REO & Vacant Properties: Strategies for Neighborhood Stabilization. This 2010 volume presented prospective articles from a similarly disparate group of authors addressing the then-emerging, unprecedented foreclosure and vacancy crisis. Assembling this publication in 2019, with the economy roaring (for some) and many communities seemingly on the road to recovery from the 2007-2009 recession, we originally thought this volume would merely be a bookend to this earlier Fed publication.

And Then It All Changed
Little did we know that as these authors began drafting their work for publication, a new global crisis was emerging. By March 2020, the novel coronavirus had spread to the point of creating a global pandemic, threatening people’s lives and livelihoods as the world wrestled to control the virus. As we prepared to publish what we had styled as a retrospective on the last recession, the country slipped into a new one. Writing from within this new recession, many of the authors have taken the opportunity to connect the work they discuss to the uncertain future that lies ahead.

COVID-19 has thrown existing inequities—particularly racial inequities—into stark relief, striking Black and Brown communities hardest, in terms of both the impact of the disease and a shattered economic footing. These communities have lost jobs and experienced housing insecurity as a result of COVID-19 at rates significantly higher than those of White Americans. Alongside the resoundingly uneven impact of the pandemic, our nation also witnessed the violent deaths of Ahmaud
Arbery, Breonna Taylor, George Floyd, and Rayshard Brooks. For many, the deaths of these and many other Black Americans laid bare the racism embedded in the law enforcement and criminal justice systems, at a time when new dimensions of racially disparate pandemic effects emerged daily.

The needless deaths of these Black Americans inspired protests across the country demanding that America transform systems of governance, justice, and private enterprise to root out racial inequities. The same systemic racism is built into the housing, zoning, lending, and land use systems that have kept American communities racially segregated, denied Black and Brown Americans access to housing and lending, and destabilized Black and Brown neighborhoods for generations.

Many of the articles in this volume explicitly reflect on the role that these racial inequities play and have played in the emergence and management of vacant and abandoned properties.

As we write this introduction, we face a particularly uncertain future. The lessons that we take from the Great Recession provide us with valuable context and tools for evaluating how vacancy and abandonment might be assessed and managed. However, we cannot know how COVID-19 might affect the existing challenges of vacancy and abandonment. Opinions differ widely: Some experts predict widespread foreclosures that could be compounded into abandonment issues. Others predict that home equity levels will largely prevent an onslaught of foreclosures, presumably because struggling homeowners will be able to sell their homes before they are foreclosed on. Whatever the result, the articles included in this volume provide insights that may help practitioners, advocates, political leaders, and researchers understand the contours of vacancy and abandonment as it continues to affect communities across the country.

We have loosely organized the 12 articles in this publication into three subsections. In the first grouping, authors approach the scope and drivers of vacancy more broadly, analyzing the history of public discourse around vacancy and abandonment, digging into data showing the racially and geographically uneven recovery from the mortgage crisis, and addressing place-specific vacancy dynamics. The remaining articles can be categorized collectively as strategic approaches to vacancy from a variety of vantage points, including property disposition, land banking, and the identification of the different challenges presented by rural communities and how to meet them. Within these strategic approaches, we have carved out a separate section on partnership-focused vacancy strategies, which include land bank and community land trust partnerships, community developer and community development financial institution partnerships, and engagement-based partnerships with community residents.

**Scope and Drivers of Vacancy**

Alan Mallach provides a historical look into the treatment of vacant property as an issue for public concern and policy intervention. He traces the ebb and flow of widespread vacancy since the 1970s, placing it within a context of political and social circumstances that affected its visibility as an issue and ultimately led to the rise of many of the solutions-oriented organizations and projects highlighted in this volume.

Although overall housing vacancy levels have dropped nationwide since the 2007-2010 mortgage crisis, Austin Harrison and Dan Immergluck’s research reveals the uneven contours of that recovery. Conducting a comparative analysis of neighborhood-level vacancy between Sun Belt and Rust Belt cities across the United States from 2012 to 2019, Harrison and Immergluck find that vacancy has persisted in the Rust Belt to a greater extent than in the Sun Belt. However, within both types of cities, persistent and extreme vacancy rates align with patterns of racial and economic segregation, and Black neighborhoods appear to bear a disproportionate share of the costs of vacancy.

Drawing upon her extensive knowledge and experience, Margaret Dewar of the University of Michigan explains in detail the factors contributing to the tax foreclosure problem in Detroit, including population loss, the city’s fiscal emergency, residents’ financial hardships, and local officials’ failure to implement relief provisions for residents. While tax foreclosures have declined since 2015, in large part due to the efforts of community residents, nonprofit organizations, the government, and the private sector, challenges remain. The resource-intensive tax foreclosure processes and lack of funds for initiatives to abate foreclosures remain issues as do some legal and administrative burdens that work against low-income owners and community stability. The author offers some approaches that city, county, and state officials could adopt that might lead to longer-term solutions to the tax foreclosure problem in Detroit.

Looking back on the past decade, the American story of vacancy and abandonment cannot be told without examining the impact of catastrophic natural disasters, from wildfires along the Pacific Coast to the relentless 2017 storms Harvey, Irma, and Maria that ravaged the southern states and Caribbean territories. Ivis Garcia and Luis Gallardo report on San Juan, Puerto Rico’s economic and environmental challenges in the aftermath of Irma and Maria and consider how to create
opportunities for affordable housing development as the archipelago works toward recovery. Garcia and Gallardo detail Puerto Rico’s frustrating legal and administrative landscape related to abandoned properties and nuisance abatement that creates obstacles for acquisition and rehabilitation. The authors provide recommendations and urge policy reforms to transform vacant properties into climate-resilient affordable housing.

**Strategies for Addressing Vacancy**

David Sanchez and Andrew Jakabovics conduct a retrospective analysis of the National Community Stabilization Trust’s First Look program, exploring its impact in abating vacancy and revitalizing communities hit hardest by the foreclosure crisis, particularly higher minority and low-income census tracts. They follow the path of properties sold through the First Look program to assess whether the program was likely to stabilize these neighborhoods by increasing owner occupancy and, where properties were owned by investors, fostering more localized investor ownership.

Emily Dowdall and Ira Goldstein of Reinvestment Fund offer a data-driven case study contrasting urban and rural property remediation challenges and strategies in Pennsylvania’s Lehigh Valley. Reinvestment Fund conducted market value analyses for the City of Bethlehem, as well as for Northampton County, consisting of 38 municipalities ranging from small boroughs in rural areas to suburban townships and cities. Through detailed data analysis and stakeholder interviews, Dowdall and Goldstein describe the unique challenges associated with vacancy and abandonment in small towns and rural areas and offer insight into what tools work where and how counties can support communities with limited capacity.

Gus Frangos, longtime president and general counsel of the Cuyahoga Land Bank, gives a first-person, in-the-trenches account of how dedicated public servants, community development professionals, and lawyers in Ohio took action in response to the 2008 mortgage foreclosure crisis. Frangos guides readers through numerous legislative initiatives to reform the tax foreclosure process and revolutionize Ohio’s land bank laws to meet the challenges of a catastrophic market collapse and describes the impact of these efforts. Given his direct experience in developing these legislative solutions and in building and leading one of the nation’s largest land banks, Frangos offers a valuable perspective for community leaders working in real time to prepare for the economic aftermath of the COVID-19 crisis.

When vacant and abandoned properties are discussed, urban places often come to mind. Yet rural places struggle with these properties too. Ann Eisenberg, professor of law at the University of South Carolina, highlights the unique challenges associated with vacant properties in rural places and discusses three approaches being used or considered to tackle these challenges, including establishing regional land banks, using creative code enforcement, and anticipating end uses to streamline processes and strategies for property acquisition. Given the limited research on rural property vacancy, Eisenberg concludes that more research is needed to better understand the extent of the vacancy problem, the barriers to addressing it, and the strategies that show the most promise in rural areas.

**Vacancy Strategies that Emphasize Partnerships**

Kim Graziani examines emerging partnerships between community land trusts and land banks that are working together to support neighborhood revitalization and prevent displacement of vulnerable residents. Drawing on lessons learned in Albany, New York, Atlanta, Georgia, and Columbus, Ohio, Graziani discusses five factors that are most common in these partnerships: they build strong political and community leadership with a commitment to racial equity; they recognize the importance of quality affordable housing and a commitment by leaders to direct resources to its production and preservation; they engage with residents and community stakeholders to build trust and manage expectations; they leverage the unique powers of each entity; and they ensure dedicated funding and capital. Although these partnerships are evolving, the lessons learned thus far can inform organizations looking to support communities, particularly given the potential for further instability in the aftermath of the COVID-19 crisis.

John O’Callaghan and Mandy Eidson of the Atlanta Neighborhood Development Partnership Inc. (ANDP) describe their organization’s growth since the widespread foreclosure crisis drove the nonprofit to pivot operations from multifamily to single-family affordable housing development. They describe how the organization first built capacity and relationships to develop scalable single-family affordable housing through its federally funded Foreclosure Response program. When federal funds began to dwindle, the ANDP leveraged that capacity to strategically transition its model into one that centers on risk-sharing partnerships with local private developers. O’Callaghan and Eidson discuss the risks and rewards of each step in the process and provide an outline of organizational development and agility that may be of tremendous value as practitioners plan the long-term trajectories of COVID-19 response programs currently being launched with federal funds.

As the recovery from the Great Recession has evolved, communities that experienced significant residential
Introduction

Demolition have been forced to confront the challenge of maintaining and beautifying their growing inventories of vacant lots. A team of researchers led by Laney Rupp and Alison Grodzinski of the University of Michigan School of Public Health conducted a national survey of greening and land management organizations in 2019. Through deep analysis of the survey’s findings and an examination of scholars and practitioners in the field, the authors make the case for why resident engagement is critical to successful greening programs and why support and funding are needed for robust resident engagement programs, as well as the need for further research devoted to the effective management of vacant lots.

Finally, in an Afterword, Frank S. Alexander highlights thematic patterns in the movement to address vacancy and abandonment and turns the conversation to the future. He describes the growing threat of climate change as a widespread challenge that will create novel issues for areas with vacant and abandoned properties, particularly climate-vulnerable Black and Brown coastal communities. He suggests that lessons learned over the past generation of interventions—many of which appear in this volume—offer vital tools for addressing challenges presented by vacancy and abandonment.

Conclusion

The articles in this volume provide a glimpse into the ongoing challenges posed by vacancy and abandonment in disparate places throughout the United States and beyond. But, along with those challenges, there are signs of promise and success among initiatives developed and undertaken by the authors featured in this publication. Including every challenge and lesson learned over the past decade in one volume would have been an impossible task; we acknowledge that these 12 articles are only a starting point, and we fervently hope that this volume opens doors to additional research. While we could never have predicted the tumultuous events that coincided with this volume’s creation, we are grateful to have had the opportunity to work with authors who endeavored to connect real-time happenings of the world around them with the retrospective reflections of their writing and practice. They have made this a much stronger collection of articles than we could have hoped for when the idea to compile them arose.

Robert E. Finn
Center for Community Progress

Lisa A. Nelson
Federal Reserve Bank of Cleveland

Sarah Stein
Federal Reserve Bank of Atlanta

Endnotes


2 https://www.communityprogress.net/blog/unprecedented-opportunity-covid-relief-neighborhood-transformation

3 https://www.urban.org/urban-wire/predicted-foreclosure-surge-likely-wont-happen-even-among-financially-vulnerable-borrowers
Scope and Drivers of Vacancy
Introduction
In the past 10 years, the issue of vacant and abandoned properties has been high on the agendas of many cities, counties, and states in the United States, as well as a frequent topic for newspaper pieces, blogs, and scholarly papers. The enactment of land bank legislation by many states, along with the proliferation of vacant property registration ordinances, demolition strategies, and other state and local activities, testifies to the extent to which this topic is recognized as an important public policy issue and addressed accordingly. During those years, the Center for Community Progress has contributed significantly to both the conversation and the growth of local activism around vacant and abandoned property issues. Yet the wellsprings of that activism are deep and diverse and hardly limited to older industrial cities in the Rust Belt with which it is most often associated.

Given the magnitude of the problem that vacant and abandoned properties represent, it seems unsurprising that it should be treated as an issue of importance. And yet, the widespread presence of such properties and their corrosive effects on urban and rural communities has been a reality in the American urban scene for far longer than the past 10 years. In 1970, Robert Embry, then commissioner of Housing and Community Development for the City of Baltimore, at a U.S. Senate hearing, characterized abandonment as a “long ignored but most critical of problems” (Subcommittee on Housing and Urban Development 1970, p. 796). Two years later, a senior official of the U.S. Department of Housing and Urban Development (HUD) suggested that “the abandoned neighborhood may become the Sputnik of the Seventies” (Goldbeck, 1972).

Yet for all the attention that abandoned properties received in the 1970s, they largely fell off the national radar in the 1980s, only to reemerge some two decades later. That unusual trajectory of rise, fall, and rise again is the subject of this chapter. In the course of this exploration, I look both at the incidence of vacant and abandoned properties and their effect on their surroundings and also at the discourse on vacant and abandoned properties, and under what circumstances people conclude that they are important and call for action. Such an exploration is, of course, speculative, given both the nature of the question and the limited and inconsistent information available. Thus, what I am trying to do is to create a mosaic by drawing together many small pieces of information, so that when taken together they will add up to a larger, more coherent picture of how vacant
properties have been perceived and addressed as a public issue in the United States over the past 50 years.

The first section talks about how vacant and abandoned properties became a public issue in the 1970s and how that was part and parcel of the urban crisis narrative of that era. The second section then steps back and looks at the long trajectory of the incidence of vacant properties since the end of World War II to the present day. The third section looks at the decline in attention to vacant properties during the 1980s and 1990s, while the fourth looks at their reemergence as a public issue around the end of the millennium. In the conclusion, I look at how vacant and abandoned properties have been both perceived and addressed during the last 20 years and speculate about what this unusual trajectory might mean for the future and its implications for public policy.

When I discuss vacant and abandoned properties in these pages, I am addressing a subset—small in some places, large in others—of vacant properties overall. Leaving aside the millions of properties that are vacant at any point because they are used only seasonally or intermittently, a certain amount of vacancy is not only not a problem but an essential condition of any functioning housing market. Problems arise when too many properties become vacant, are not reoccupied or reused, and are eventually abandoned by their owners, whether in the literal sense or in the constructive sense of ceasing to maintain them, even though they may continue to pay property taxes. These are the vacant properties that are the subject of this chapter and this volume.

The Sputnik of the 1970s?
Properties were being abandoned in large numbers in cities like New York, Philadelphia, and St. Louis in the 1960s or earlier. The fact that an author could write in 1970 that “the conspicuous problem of abandoned housing — 100,000 units in New York, 30,000 in Philadelphia, and 10,000 in St. Louis—caused HUD, early in 1970, to carefully and seriously examine the nature of abandonment in American cities” (HUD, 1970, p. 5) makes clear that the problem had long been gathering steam. Despite that, it is notable that the Housing and Urban Development Act of 1968, one of the most comprehensive bills ever enacted to address issues of housing and urban decline in the United States, which incorporated extensive changes to the Urban Renewal program as well as creating two large-scale, new subsidized housing programs (Sec. 235 and Sec. 236), was all but silent on the subject of abandoned properties, addressing them only in two minor tweaks to the demolition provisions in the 1949 Housing Act. This reflects the fact that while vacant properties were already a problem, in the sense that they were already affecting the quality of life in cities across much of the country, they had not yet meaningfully become part of the larger national discourse on the urban crisis that had begun in the 1950s.

The year 1970 appears to have been a watershed. U.S. Senate hearings that summer had called attention to the issue (Subcommittee on Housing and Urban Development, 1970), while, also in 1970, HUD commissioned a series of studies of vacant and abandoned housing. Activity continued throughout the 1970s. A major HUD-funded research project charted in detail the course of abandonment in Newark, New Jersey (Sternlieb and Burchell, 1973), while, in 1977, HUD funded a Rutgers University research center to conduct a massive research effort on abandoned properties, including an in-depth telephone survey of 150 cities around the United States. That led to the preparation of The Adaptive Reuse Handbook, a detailed catalogue of abandoned property reuse strategies (Burchell and Listokin, 1981). Although the more recent period of abandoned property activity has brought forward a number of handbooks and strategy guides (Mallach, 2005), no survey of comparable scope has been undertaken since.

Although it is impossible to chart the full extent of local abandoned property efforts during the same years, they were clearly extensive. The 1970s saw the creation of the first land bank agencies, in St. Louis and Cleveland (Alexander, 2015), as well as the invention of urban homesteading (Hughes and Bleakly, 1975). By 1975, 25 urban homesteading programs, under which vacant houses were sold at nominal cost to individuals and families who committed to restore and occupy them, were under way; by the end of the decade, at least 90 cities had such programs (Mother Earth News, 1980). Along with providing pilot funding appropriated in 1974, HUD commissioned an Urban Homesteading Catalogue to smooth the path for prospective homesteaders (Urban Systems Research & Engineering, 1977).

The creation of the federal Community Development Block Grant (CDBG) program in 1974 reflected this emphasis. The first two of its purposes can be reasonably seen, in part, as a response to the increased concern about abandoned properties:

1. The elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income; and

2. The elimination of conditions which are detrimental to health, safety, and public welfare, through
The same legislation also included an Urban Homesteading Demonstration Program. However, the Abandonment Disaster Demonstration Relief Act, introduced by Senators Hart, Mondale, and Cranston in 1974 and again in 1975, which would have led to an aggressive direct federal response to abandoned properties, was strongly opposed by HUD and never became law.

There is no single explanation for why abandoned properties emerged as a compelling issue during the 1970s; instead, many different strands coalesced for that to take place. This is a separate question from that of why vacant and abandoned properties emerged as a problem in individual cities during the preceding decades, which I will discuss in the next section. At the forefront, most probably, is the fact that the number of abandoned properties in older cities steadily grew during the 1960s, ultimately, as suggested by Embry and others at the Senate hearings, to the point that they could no longer be ignored. That was arguably a necessary, but not sufficient, condition. We can identify at least three separate strands that contributed to the outcome, including the widespread racial violence of the 1960s, the recognition of the extent of urban population loss and the “planned shrinkage” issue, and last but not least the debacle of HUD’s Section 235 program, which I describe below.

The urban uprisings of the 1960s, most notably in the aftermath of Dr. Martin Luther King Jr.’s assassination in 1968, fundamentally changed how the nation perceived the cities and what they represented. While in the early 1960s, some contemporary observers saw a sense of progress on the urban scene, as a U.S. News and World Report article of 1964 asserted, writing that “slums and old buildings across the United States are being demolished—the beginning of a massive drive to halt decay in major cities and reshape urban America” (quoted in Beauregard, 1993, p. 194), that attitude shifted during the 1960s to one in which that optimism could no longer be sustained.

As Robert Beauregard writes in his invaluable book Voices of Decline, “…Urban renewal seemed less and less a panacea. More projects than ever were under way, but urban decline had not abated and the riots had made the cities even less attractive to investors. Redevelopment was not gaining ground over the slums” (p. 195). As George Romney, Nixon’s HUD Secretary, commented in 1972, despite the federal government having spent nearly $160 billion since 1960 on inner-city problems, “none of this has made a dent in the overall problem of the central cities” (quoted in Beauregard, 1993 p. 197).

These comments at the time reflect an elite discourse wedded to a vision of urban renewal that was widely at variance with its reality on the ground. By the late 1960s, people were increasingly realizing that the urban renewal program, which was largely predicated on the assumption that cities could be “saved” by large-scale demolition of older downtowns and disinvested neighborhoods, and their replacement with more “efficient,” lower-density, automobile-oriented development, was not only a failure but was often pernicious in its effects on low-income communities, particularly African American communities (Anderson, 1964; Gans, 1966). At the same time, the Kerner Commission report, which called attention to the systemic racial discrimination and inequality that pervaded America’s cities, made clear—perhaps for the first time for most readers—that the problems of the cities went far deeper than how they were understood by the nation’s political or business leaders (National Advisory Commission on Civil Disorders, 1968).

The pervasive pessimism that dominated the discussion of the cities at the end of the 1960s was reinforced by accelerating urban population loss. Prior to World War II, with a few minor exceptions like New England mill towns or played-out mining towns, American cities had grown, not shrunk. While many cities lost population in the 1950s, in many cases the population losses were modest, allowing local boosters to believe that the decline could be reversed by tinkering with the urban fabric through housing projects and urban renewal.

When the 1970 census came out, it became clear that that was not the case. Virtually every major city outside the Sun Belt lost population during the 1960s, largely through white flight, with St. Louis, Chicago, Cleveland, and Detroit all losing over 100,000 people. It was in that climate, compounded by the 1973-1975 recession, that then-New York City housing administrator Roger Starr notoriously called for “planned shrinkage,” suggesting that New York City “accept the fact that the city’s population is going to shrink, and [...] cut back on city services accordingly” (Starr, 1976). In the racially charged climate of the time, not unlike our current era, Starr’s comments triggered vehement criticism, which still reverberates today (Mallach, 2017a).

The third strand, which provided much of the impetus for HUD’s promotion of urban homesteading as well as for the unsuccessful abandonment disaster demonstration relief bill, was the Section 235 fiasco. Few federal
Before moving on, it is worth noting that many of these same strands, while highlighting the extent to which urban neighborhoods were increasingly facing disinvestment and deterioration, also contributed to a growing awareness of their importance as the building blocks of cities and of social life. Those concerns had arguably been of little interest to policymakers during the 1950s and 1960s, preoccupied with urban renewal on the one hand and construction of often barren housing developments on the other. Both formed the framework for Jane Jacobs’ famous critique (1961). The renewed recognition of the importance of neighborhoods in the 1970s brought a spate of books on neighborhood revitalization (Albrandt and Brophy, 1975; Goetze, 1979) but, more importantly, led to major and lasting federal policy changes, including the 1975 Home Mortgage Disclosure Act, the 1977 Community Reinvestment Act, and the creation of the federally chartered Neighborhood Reinvestment Corporation in 1978. All were far more the product of grassroots efforts than of Washington policymakers.

**Counting Vacancies**

As American troops demobilized after World War II, they came home to towns and cities that had few vacant homes to offer them. A decade and a half of the Great Depression and wartime austerity had stifled housing production and discouraged more than routine maintenance and repairs. The 1950 census, which came after postwar production had already begun to ramp up (Levittown broke ground in 1947), showed severe housing shortages in nearly every urban area in the United States. In cities like Boston, Chicago, Cleveland, and Milwaukee, rental vacancy rates were barely 1 percent. In Cleveland, a city with over 110,000 homeowners, there were barely 500 units listed for sale that year. While the census found half a million “dilapidated” vacant units—probably a reasonable proxy for abandoned properties—roughly 1 percent of the national housing stock, they were disproportionately located in rural areas. Few cities except for the very largest had more than a few hundred such units.

In this environment, it was the shortage of vacant properties that was the problem, and the response, both in central cities and in the suburbs, was a massive increase in housing production during the late 1940s and 1950s. From 1950 to 1960, the national housing stock grew by 27 percent, and by 1960, the number of vacant housing units available for sale or rent had more than doubled compared with 1950. The total vacant inventory, as well as the number available for rent or sale, fluctuated within a relatively moderate range from that point through 2000, while the number of “other vacant” units, after rising from 1960 to 1970, stayed relatively constant through 1990, as shown in Table 1. “Other vacant” is the residual category used by the Census Bureau to denote units that do not fit into any of their other categories. While it can include a variety of uses (or non-uses) other than abandonment, including units that may be held off the market for speculative purposes by their owners, it is the closest proxy for abandonment offered by census data.

The question must be asked: Why did the number of vacant and abandoned units rise so greatly between 1950 and 1970? While a detailed analysis is beyond the scope of this paper, some discussion is appropriate in order to place the issue in a meaningful historical context. After all, from the earliest years of American urban history through the end of World War II, concern about slums or blight had to do with housing that may have been shabby, unsafe, or dilapidated, but was always occupied. Now, for the first time in American urban history, an excess of vacant urban housing started to become a matter of significant concern.

Reflecting both the shortage of urban housing that existed at the end of the war and the general shabbiness of many urban neighborhoods after the lack of investment during the Depression and the war years, families began to leave the cities in large numbers in the late 1940s, the beginning of “White flight.” It was White flight in part because far more White urban families had the means to buy the new suburban houses, but even more because of overt racial discrimination not only by developers but also by government, particularly through the racial segregation dictated in new suburban subdivisions by the two key federal lending agencies, the Federal Housing...
Administration (FHA) and the Veterans Administration (VA) (Jackson, 1985; Rothstein, 2017).

Continued Black migration to the cities, however, took place simultaneously with sweeping changes to the physical form of older cities, a process driven by two federal initiatives—first urban renewal, and, on its heels, the interstate highway system—with devastating effects. In the course of making cities more “efficient,” urban renewal respected no race, creed, or ethnicity, but Black families were disproportionately affected. Suffering from the worst housing conditions, often located strategically close to downtowns, and their residents lacking political power or connections to effectively challenge powerful White politicians and business interests, Black neighborhoods became disproportionately the targets of urban renewal and the construction of urban links in the interstate highway system, which carved through many of the neighborhoods that had been spared by urban renewal. They were also disproportionately poor, blocked by racial discrimination not only from housing but also from employment and educational opportunities.

Black neighborhoods, already bursting at the seams after the in-migration of the war years, were bulldozed, their residents dispersed. With the suburban option largely closed to them, Black families began to move into neighborhoods where much of the population was already leaving or predisposed to leave. Efforts to foster stable racial integration were few and far between. Instead, blockbusting, the practice of spreading racial panic in order to induce White families to sell their homes to speculators at low prices, who would then resell them at inflated prices to Black buyers, was widespread (Orser, 1994). Millions of White families picked up and left urban neighborhoods, as the pace of departure accelerated. Meanwhile, undermined by urban re-

### Table 1. Vacant Housing in the United States, 1950 to 2018 (all figures in thousands)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All housing units</td>
<td>45983</td>
<td>58326</td>
<td>68672</td>
<td>88411</td>
<td>102264</td>
<td>115905</td>
<td>131705</td>
<td>137407</td>
</tr>
<tr>
<td>All vacant units</td>
<td>1980</td>
<td>3560</td>
<td>4254</td>
<td>5227</td>
<td>7234</td>
<td>6821</td>
<td>8964</td>
<td>11640</td>
</tr>
<tr>
<td>% of inventory</td>
<td>4.3%</td>
<td>6.1%</td>
<td>6.2%</td>
<td>5.9%</td>
<td>7.1%</td>
<td>5.9%</td>
<td>6.8%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Sold or rented, not</td>
<td>732</td>
<td>1975</td>
<td>2167</td>
<td>3127</td>
<td>4307</td>
<td>3819</td>
<td>5406</td>
<td>4784</td>
</tr>
<tr>
<td>Sold or rented, not</td>
<td>235</td>
<td>334</td>
<td>808</td>
<td>714</td>
<td>808</td>
<td>702</td>
<td>628</td>
<td>666</td>
</tr>
<tr>
<td>Vacant for sale or</td>
<td>967</td>
<td>2309</td>
<td>2975</td>
<td>3841</td>
<td>5115</td>
<td>4521</td>
<td>6134</td>
<td>5450</td>
</tr>
<tr>
<td>Vacant for sale or</td>
<td>2.1%</td>
<td>4.0%</td>
<td>4.3%</td>
<td>4.3%</td>
<td>5.0%</td>
<td>3.9%</td>
<td>4.7%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Sold or rented, not</td>
<td>1069</td>
<td>980</td>
<td>2087</td>
<td>1386</td>
<td>2085</td>
<td>2299</td>
<td>3653</td>
<td>6190</td>
</tr>
<tr>
<td>% of inventory</td>
<td>2.3%</td>
<td>1.7%</td>
<td>3.0%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>1.4%</td>
<td>2.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Sold or rented, not</td>
<td>54.0%</td>
<td>27.5%</td>
<td>39.9%</td>
<td>26.5%</td>
<td>22.4%</td>
<td>16.8%</td>
<td>25.5%</td>
<td>35.7%</td>
</tr>
</tbody>
</table>

**Source:** Decennial census for 1950 through 2010; One-Year American Community Survey for 2018.

* Differences in methodology between the ACS and decennial census data mean that the ACS overestimates the number of vacant units relative to the decennial census. A comparison conducted by the Census Bureau of the 2010 decennial census and 2010 ACS found that the overestimation was approximately 15 percent. Assuming one adjusted the 2018 figure for total vacant units downward by 15 percent, the total would be 15,093,000, or only slightly higher than the figure for 2010. The variation, however, was significantly higher for the “other vacant” category than for other vacancy categories, higher in the ACS by approximately 45 percent. That, in turn, applied to the 2018 data would suggest that the 2018 figure is in the vicinity of 4,265,000, much lower but still a nonnegligible increase over 2010.
n eval, highway construction, and finally, the outward movement of the Black middle class, the vibrant Black neighborhoods of the prewar years gradually became a thing of the past.

While all of the above factors contributed to the rise of abandonment in cities like Detroit and Philadelphia, it is rooted in a simple arithmetical equation. During the course of the “urban crisis” years from 1950 to 1980, far more people left the cities than came in, as shown for selected cities in Figure 1. UCLA economist Leah Boustan has estimated that “each Black arrival was associated with 2.3 to 2.7 departures” (Boustan, 2010). In the end, this led to the creation of a seemingly permanent reservoir of vacant houses in the hearts of America’s older cities.

The increase in “other vacant” units from 1960 to 1970 shown in Table 1 can be seen as a proxy for the increase in abandoned properties that played a critical role in making the issue of vacant and abandoned properties a matter of public attention during the 1970s. Similarly, the increase after 1990 in this same metric, modest during the 1990s and more substantial thereafter, is consistent with the way in which the issue reemerged with the new millennium.

The principal reason for the increase in abandoned properties after 1990, however, was less economic than demographic. Housing vacancy, at its most fundamental, is a function of the relationship between the number of housing units and the number of households, defined as one or more people who live in a housing unit. As can be seen in Figure 2 and Table 2, the average size of the American household dropped steadily from 1890 to 1990, with the greatest drop taking place between 1970 and 1980. After 1990, however, the average household size remained effectively the same for the next two decades, until 2010. Many factors go into changes in average household size, including shifts in family type from multigenerational to nuclear families, the number of children in the typical nuclear family, the increase in single-parent households, and increases in life expectancy and the age of first marriage, both of which mean people spend a greater part of their life cycle as single-person households. All these factors were present, to varying degrees, throughout the postwar period.

The decline in household size has powerful implications for the spread of vacant and abandoned housing. In an environment with a static population but a declining household size, the demand for housing will grow because the same number of people will form a larger number of households. Similarly, in a city with a declining population as well as a declining household size, if

\[
\text{the decline in average household size is equal to or greater than the population decline, no structural surplus in housing will emerge.}
\]

For example, between 1950 and 1990, the city of Rochester, New York, lost 101,000 people, or roughly 30 percent of its population. During the same period, because of the simultaneous decline in the average household size in the city, the number of households in Rochester declined by only 6,000, representing only a 6 percent
decline in the number of households. As a result, the number of abandoned properties in Rochester in 1990 was far less than what it would have been had Rochester lost 30 percent of its households over that period.

When we investigate the decline in public attention to vacancy and abandonment in the 1980s, the subject of the next section, the fact that the 1970s saw the sharpest drop in average household size of any decade in modern American history, a drop that similarly affected both White and Black households, is far from irrelevant. As we will see later, the stabilization of household size in the 1990s contributed to the resurgence of vacancy and abandonment, both in substance and as a matter of public concern.

**Morning in America**

In Ronald Reagan’s inaugural address on becoming president in 1981, he delivered the famous line: “Government is not the solution to our problem, government is the problem.” While the decline of the governmental role as a would-be solver of social problems had already begun under President Carter, under Reagan it took on a far more prominent, ideologically charged role than the somewhat apologetic, almost sub rosa character it had under the Carter administration. In that climate, since issues of neighborhood decline and property abandonment had never been central to the mission of HUD, let alone the federal government writ large, it was unsurprising that they would pull back from whatever limited involvement they had shown in the 1970s.

Over and above the governmental pullback, however, the eclipse of abandonment as a public issue was driven by important shifts in the urban discourse as well as the emergence of a critical new public policy issue on the national scene. The Reagan administration’s approach to urban policy, reflected in the 1982 President’s National Urban Policy Report, was described by one scholar at the time as:

> Minimal federal direction would be forthcoming for cities and urban America would improve and prosper only if the Reagan economic and federalism reforms succeeded. Thus, U.S. urban policy, such as it is, exists only as derivative of these larger, more comprehensive domestic initiatives (Cohen, 1983, p. 384).

Federal policy toward the cities was, in many respects, privatized. Cities were encouraged to pursue public-private partnerships, while the only significant urban proposal that emanated from the Reagan administration was a proposal, modeled on a British program initiated by Prime Minister Margaret Thatcher, to designate a series of enterprise zones in which tax breaks and regulatory relief would encourage businesses to invest. The enterprise zone proposal, however, although actively promoted by then-Congressman Jack Kemp, was not enacted into law.10

The Reagan administration’s policies both led and reflected a significant shift in the public’s and the media’s framing of the urban discourse taking place at the same time and a shift in the priorities of many urban mayors and their corporate counterparts. As Beauregard observes, “Through most of the 1980s the discourse on urban decline virtually disappeared. Dominant was revival, revitalization, renascence and rediscovery; decline was thrust to the rear of the stage (p. 247).” As Neal Peirce, a longtime observer of urban politics, wrote with hyperbolic fervor in 1979, “The inner cities of America

<table>
<thead>
<tr>
<th>Year</th>
<th>Household size</th>
<th>Change from previous decade</th>
<th>Household size</th>
<th>Change from previous decade</th>
<th>Household size</th>
<th>Change from previous decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>5.0</td>
<td>NA</td>
<td>1940</td>
<td>−7.3%</td>
<td>1990</td>
<td>−4.7%</td>
</tr>
<tr>
<td>1900</td>
<td>4.8</td>
<td>−4.0%</td>
<td>1950</td>
<td>−7.9%</td>
<td>2000</td>
<td>−0.4%</td>
</tr>
<tr>
<td>1910</td>
<td>4.5</td>
<td>−6.3%</td>
<td>1960</td>
<td>−4.9%</td>
<td>2010</td>
<td>−1.1%</td>
</tr>
<tr>
<td>1920</td>
<td>4.3</td>
<td>−4.4%</td>
<td>1970</td>
<td>−5.7%</td>
<td>2019</td>
<td>−3.1%</td>
</tr>
<tr>
<td>1930</td>
<td>4.1</td>
<td>−4.7%</td>
<td>1980</td>
<td>−12.1%</td>
<td>2019</td>
<td>−3.1%</td>
</tr>
</tbody>
</table>

**SOURCE:** Decennial Census for 1890 through 2010; One Year American Community Survey for 2019
are poised for a stunning comeback, a turnabout in their fortunes that could be one of the most significant developments in our national history” (quoted in Beauregard, 1993, p. 247).

With the end of the 1981-1982 recession, fueled by ample capital and generous depreciation rules, investment flowed into the cities, including glass-walled high-rise office buildings, retail malls adapted from their suburban counterparts, and waterfront developments mixing retail with entertainment and recreation led by the Rouse Corporation’s highly successful “festival marketplace” projects in Boston and Baltimore. The sight of gleaming new downtown towers and shopping malls obscured the fact that beneath the surface, most of the nation’s older cities were still hemorrhaging population, and far more neighborhoods were in decline than the minute handful that were, in the term popularized in the 1970s, gentrifying. While the majority of the families leaving the cities were still White, a number of cities, including Chicago, Newark, and Cleveland, were beginning to see significant Black flight as well.

Mayors, governors, and urban policy thinkers embraced the seeming revival of the cities, as attention moved from the neighborhoods to the downtowns, and a vision of government as facilitator for private investment rather than as initiator of social change became the norm. Intellectual justification for that role was provided by Harvard political scientist Paul Peterson, who wrote in his influential 1981 book, City Limits, that “policies and programs can be said to be in the interest of cities whenever the policies or programs maintain or enhance the economic position, social prestige, or political power of the city, taken as a whole” (Peterson, 1981, p. 20) and that those policies should be “limited to those few which can plausibly be shown to be conducive to the community’s economic prosperity” (p. 30).

As what might be called the “leadership constituency” for abandoned properties shifted gears to embrace the new privatized paradigm of urban development, many members of what could similarly be called the “housing advocacy constituency,” particularly those who shared what might be called a generic concern with housing issues rather than a focus on specific neighborhood concerns, turned their attention toward an issue that first emerged as a major public concern in the 1980s: homelessness. While it is impossible to prove a direct causal link between the growth of advocacy around homelessness and the decline in attention to neighborhoods and vacant properties, the connection appears to be a strong one.11 It should be stressed that this was not a conflict between neighborhood advocates and advocates for the homeless, so much as a decline in attention by external actors to vacancy concerns, reflecting both the greater visibility of homelessness as an issue and the shift in public funding priorities that followed.

Homelessness first emerged as a major public issue in the 1980s. As Sommer writes, “The increased visibility and size of the homeless population during the 1980s motivated media coverage, public concern, and advocacy on behalf of the homeless” (Sommer, 2001, p. 3). That issue emerged at that point as a result of the conjunction of many different factors, including the cumulative effects of de-institutionalization of the mentally ill and the absence of adequate treatment facilities, unemployment and extreme poverty, the decline in the number of low-priced single-room occupancy (SRO) buildings in American cities, and a shortage of affordable housing alternatives, as well as, in some cases, personal factors (Jencks, 1994; Foscarinis, 1996). Whatever the reasons, once having emerged, homelessness became the dominant housing policy issue of the 1980s, absorbing a large part of the energy and resources of both housing advocates and public officials. Notably, the only major federal housing initiative of the Reagan era to become law was the McKinney-Vento Homeless Assistance Act of 1987.12

This does not mean that all efforts to address vacant and abandoned properties ground to a halt. While such properties may have faded from the national agenda, in city after city, local officials, community development corporations, and others were moving forward to address these issues, often focusing on their backlog of vacant properties from the 1970s. New York City was particularly notable in that regard. In 1985, Mayor Edward Koch announced a massive multiyear plan to restore the city’s vacant housing stock, as well as upgrade older occupied housing and build new affordable housing. By 2003, New York City had restored nearly 50,000 abandoned units to productive use while rehabilitating another 125,000 substandard occupied units. The great majority of the funds used in this program came from local sources (Furman Center, 2006).

While New York’s efforts vastly exceeded those of any other city, many other cities continued to restore and reuse vacant and abandoned properties during the 1980s and 1990s, including creative programs such as Richmond, Virginia’s, Neighborhoods in Bloom program (Schilling, 2001). Many of the other strategies that saw increased visibility after 2000 were first initiated during these years, such as community gardens on vacant parcels (Bonham, Spilka, and Rastorfer, 2002), while local governments and CDCs in many cities were devoting considerable efforts to rehabilitating vacant houses, often as a vehicle to encourage lower-income
homeownership. This reflects the reality that for many local governments and Community Development Corporations (CDCs), vacant property strategies were often secondarily about vacant properties as such, but primarily about seeing them as a resource that they could use to provide affordable housing.

The fact remains that, as a national issue, whether in terms of media attention or public policy formation, with the exception of the Clinton administration’s brownfields efforts, which I discuss in the next section, vacant and abandoned properties were simply not on the radar. Indeed, the Clinton administration’s 1995 national urban policy, except for its greater attention to the needs of the cities’ low-income residents, was little different from Reagan’s 1982 policy. Both administrations saw urban policy largely through a larger macroeconomic lens, rather than as a discrete realm for policy formation.

Around the turn of the 21st century, these attitudes began to change. While to some extent the shift reflected a change in objective conditions, it also reflected the process by which it was placed on the national agenda.

Vacant Properties Return to the Agenda
The starting point for the rise in public awareness and concern about vacant and abandoned properties toward the end of the 1990s and early 2000s was the simple fact that in many cities, the number and visibility of vacant, abandoned properties had risen sharply during the course of the 1990s, but not everywhere, to be sure. As I will discuss, the geographic concentrations of rising abandonment paralleled the geographic distribution of renewed public attention.

Table 3 shows changes between 1990 and 2000 and between 2000 and 2010 in the number of “other vacant” properties, a proxy for abandoned properties, in selected cities. It shows that legacy cities—older, shrinking, formerly industrial cities largely, although not entirely, found in the Midwest and Northeast United States—showed dramatic increases in other vacant properties.

### Table 3. Change in “Other Vacant” Units in Selected Cities: 1990, 2000, and 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>City</th>
<th>1990</th>
<th>2000</th>
<th>% Change 90-00</th>
<th>% of all dilapidated units in 2000</th>
<th>2010</th>
<th>% Change 90-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legacy Cities</td>
<td>Baltimore</td>
<td>7932</td>
<td>20996</td>
<td>+165%</td>
<td>7.0%</td>
<td>22795</td>
<td>+187%</td>
</tr>
<tr>
<td></td>
<td>Chicago</td>
<td>22081</td>
<td>32112</td>
<td>+45%</td>
<td>2.8%</td>
<td>46981</td>
<td>+113%</td>
</tr>
<tr>
<td></td>
<td>Cleveland</td>
<td>6983</td>
<td>8288</td>
<td>+19%</td>
<td>3.8%</td>
<td>18218</td>
<td>+161%</td>
</tr>
<tr>
<td></td>
<td>Detroit</td>
<td>12071</td>
<td>16887</td>
<td>+41%</td>
<td>4.5%</td>
<td>40597</td>
<td>+236%</td>
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<tr>
<td></td>
<td>Milwaukee</td>
<td>4044</td>
<td>5883</td>
<td>+45%</td>
<td>2.4%</td>
<td>8790</td>
<td>+117%</td>
</tr>
<tr>
<td></td>
<td>Philadelphia</td>
<td>26839</td>
<td>37508</td>
<td>+40%</td>
<td>5.7%</td>
<td>28965</td>
<td>+8%</td>
</tr>
<tr>
<td></td>
<td>St. Louis</td>
<td>9798</td>
<td>12881</td>
<td>+31%</td>
<td>7.3%</td>
<td>14583</td>
<td>+49%</td>
</tr>
<tr>
<td>Other Cities</td>
<td>Atlanta</td>
<td>5143</td>
<td>3846</td>
<td>-25%</td>
<td>1.7%</td>
<td>11022</td>
<td>+114%</td>
</tr>
<tr>
<td></td>
<td>Boston</td>
<td>3955</td>
<td>4083</td>
<td>+3%</td>
<td>1.6%</td>
<td>4486</td>
<td>+13%</td>
</tr>
<tr>
<td></td>
<td>Miami</td>
<td>1926</td>
<td>1817</td>
<td>-6%</td>
<td>1.2%</td>
<td>4682</td>
<td>+143%</td>
</tr>
<tr>
<td></td>
<td>Oakland</td>
<td>2389</td>
<td>2596</td>
<td>+9%</td>
<td>1.6%</td>
<td>4090</td>
<td>+71%</td>
</tr>
<tr>
<td></td>
<td>Portland OR</td>
<td>3365</td>
<td>1988</td>
<td>-41%</td>
<td>0.8%</td>
<td>3335</td>
<td>-1%</td>
</tr>
<tr>
<td></td>
<td>Tucson</td>
<td>2893</td>
<td>1414</td>
<td>-51%</td>
<td>0.7%</td>
<td>4252</td>
<td>+47%</td>
</tr>
</tbody>
</table>

from 1990 to 2000, with their numbers growing by over 10,000 in Baltimore, Chicago, and Philadelphia. Over the same period, the number of other vacant units in a cluster of Sun Belt and reviving cities like Boston declined or remained largely the same. Moreover, the share of legacy cities’ housing stock made up of other vacant units was far higher, reaching 1 of every 14 housing units in Baltimore and St. Louis. Although the number of other vacant properties rose significantly from 2000 to 2010 in many Sun Belt cities as a product of the foreclosure crisis, the 1990s saw a sharp divergence in vacancy trends. Abandonment increased in legacy cities while declining in many other areas, including many Sun Belt cities.

The proliferation of vacant properties was not the outcome of acceleration in these cities’ rate of population loss; indeed, most lost fewer people in the 1990s than in the 1980s, while Chicago gained population. It reflected the fact that for the first time, ongoing population loss was not being offset by declining household size. While legacy city politicians and community leaders were probably unaware of that distinction, what they knew, because they could see it with their own eyes, was that unprecedented numbers of vacant properties were showing up in their cities and their neighborhoods. This is illustrated in Figure 3, which shows graphically the spread of vacant housing in Baltimore from 1990 to 2010.

The existence of a problem or a condition, however, in and of itself does not lead to a policy response, as Haase, Nelle, and Mallach (2017) have written:

...conditions do not determine policy directly, but are always filtered by discourses, which in turn drive policy. The discourse, in turn, as Robert Beauregard put it [...] “is more than the objective reporting of an uncontestable reality. [...] it functions ideologically to shape our attention, provide reasons for how we should act in response [...]” (p. 5).

As in the 1970s, a number of discrete strands were present during the years immediately before and after 2000 to frame and mobilize the discourse about vacant and abandoned property. Most broadly, the urban discourse itself shifted gears in ways that laid the groundwork for a renewed, but geographically narrowly demarcated, focus on vacant properties. As I wrote a few years ago:

While the problems of American older cities remain intense, their representation began to change significantly as the new millennium approached. [...] With positive changes arising in some long-distressed cities, the “urban crisis” discourse was replaced by a more ambiguous one. [...] It was less that the trajectory of American cities as a whole was changing, which remains an open question, but that enough different cities were seeing enough positive change in their individual trajectories to make clear that decline could no longer be considered a generic feature of older American cities (Mallach, 2017a).

As cities like New York, Boston, and Washington, DC, all of which had been part and parcel—New York City, in
particular—of the “urban crisis” discourse of previous decades, showed strong signs of revival, the continued struggles of those cities that were not reviving were placed in sharp relief. In contrast to the 1970s, when the abandoned property discourse could be seen as an element in the generic “urban crisis” discourse, now it was seen as being particular to that subset of American cities like Detroit, Baltimore, and Cleveland, largely in the Midwest and Northeast, that continued to lose population and jobs, the cities that later came to be known as legacy cities. The focus on these cities included several ultimately discarded efforts at finding an appropriate descriptor such as “shrinking cities,” “weak market cities,” and in a notably inept 2009 HUD coinage, “cities in transition.”

As attention was directed toward this subset of shrinking cities, it was logical that it would focus on vacant and abandoned properties, which are undoubtedly the single most visibly painful manifestation of urban shrinkage, as well as being relatively uncontroversial. In contrast to highly contested issues of social or economic policy, few people of any political persuasion objected to efforts to reuse abandoned properties, while few had much sympathy for owners who paid no taxes and allowed their properties to deteriorate and do visible harm to their neighborhoods. The connection between vacancy and the shrinking city discourse, however, dictated that vacant properties were seen almost exclusively as a phenomenon of the legacy cities of the Midwest and Northeast. It was at this point that the vicissitudes of small, once-industrial cities like Flint, Michigan, and Youngstown, Ohio, began to achieve national visibility and take on new roles as poster children for vacancy and abandonment.

A number of further factors, however, contributed to the reemergence of vacant properties as a public issue. The first can be characterized as the emergence of a “critical mass” of local vacant property activity by the end of the 1990s. As noted earlier, local efforts to address vacant and abandoned properties had continued, albeit largely off the national radar, throughout the 1980s and 1990s. The Pennsylvania Horticultural Society began working with community groups in Philadelphia to green vacant lots in the 1980s, an effort that by 2000, had evolved into a citywide greening strategy (Bonham, Spilka, and Rastorfer, 2002). Organizations such as the Patterson Park Community Development Corporation in Baltimore (Pollock and Rutkowski, 1998) or the St. Joseph’s Carpenter Society in Camden (Hevener and Smith, 2005) had shown that strategic and market-sensitive vacant property reuse efforts could lead to sustained neighborhood improvement.

Another factor was the attention that had been given in the 1990s to cleaning up and reusing brownfields sites, environmentally contaminated vacant properties, usually former industrial or waste disposal sites. This was the one vacant property issue that received federal attention during the 1990s; those years saw a concerted effort by the federal government as well as by many states to remove legal barriers and provide incentives to encourage the cleanup and reuse of brownfields. With Vice President Al Gore leading the charge, the Clinton administration unveiled a number of initiatives, including the National Brownfields Action Agenda (1995), the National Brownfields Partnership (1997), and the Brownfields Economic Development Initiative (1998). Much of this effort was directed toward urban areas, where abandoned industrial buildings were often embedded in distressed low-income neighborhoods with more than their share of vacant residential properties as well. Few efforts, though, were made to integrate brownfields reuse with more comprehensive neighborhood vacant property strategies.

Even with these factors making vacant properties increasingly visible, it is unclear whether they would have emerged as a coherent, distinct issue without a concerted effort by a group of individuals and organizations that set out around 2000 to make it such an issue. A number of gatherings in 2000 and 2001 brought a diverse collection of people from local and national organizations and foundations together to explore these issues, leading to the formation of the National Vacant Properties Campaign (NVPC) in 2002.14 The NVPC was a joint effort of three national organizations: Smart Growth America, the Local Initiatives Support Corporation (LISC), and the International City/County Managers Association (ICMA). In parallel, LISC created a national vacant properties initiative and ICMA a vacant properties network, to both build awareness and disseminate good practices to their respective constituent organizations and public bodies.

Over the next eight years, the NVPC carried out a variety of activities, including training and technical assistance to help cities better address their vacant property challenges. It is interesting that the leadership on this issue did not come from the top echelon of these foundations and organizations15 but from line professional staff who had become aware of the salience of this issue from their experience in the field, and who sought and obtained their supervisors’ approval to give it priority in their work.

At the same time, a number of more ambitious and comprehensive local initiatives began to receive attention. While most 1990s initiatives were small in scale, typically involving a handful of properties or at most a neighborhood like Patterson Park or East Camden, Baltimore Mayor Martin O’Malley’s Project 5000, init-
At the beginning of the twenty-first century, although the focus of national attention was largely on the so-called Rust Belt, which was largely associated with the midwestern and northeastern cities that had been the focus of attention up to that point, the proliferation of abandoned properties added impetus to the achievement of those who lifted up the issue of vacant properties 20 years ago was to highlight the extent to which vacant properties needed to be addressed as a discrete issue and challenge the extent to which they are understood to be, at best, premature and, at worst, misguided, it led many people to realize that vacant and abandoned properties affected many communities beyond the midwestern and northeastern cities that had been the focus of attention up to that point. The proliferation of abandoned properties added impetus to the founding of the Center for Community Progress in 2004 with technical assistance from LISC,17 became the model for an emerging movement to create land banks as a vehicle for addressing vacant and abandoned properties, not only in Michigan but across the United States. The Center for Community Progress currently estimates there are 250 land banks in operation around the country, with the greatest number in Michigan and Ohio.18 In 2020, now-Congressman Kildee introduced a bill to create a national land bank network (Capps, 2020).

While the initial focus on vacant properties was largely limited to the so-called Rust Belt, that changed with the bursting of the housing bubble and the onset of the foreclosure crisis in 2006 and 2007. From 2000 to 2008, the number of vacant properties in the United States went from 10.4 million to 16 million, while the number of “other vacant” properties more than doubled, from 2.3 million to 4.7 million. The number of vacant properties continued to rise, peaking at 17.3 million, or 13 percent of the U.S. housing stock in 2010. Vacancies increased sharply across the Sun Belt, most prominently in cities like Phoenix and Las Vegas. In contrast to cities like Detroit and Baltimore, where vacant properties were typically older homes, many of the Sun Belt vacancies were newly built or unfinished houses, apartment buildings, and shopping centers.

While the wave of abandoned properties in the Sun Belt abated after a few years, and predictions of what was dubbed the “Detroit-ization” of cities like Las Vegas through the proliferation of abandoned properties turned out to be, at best, premature and, at worst, misguided, it led many people to realize that vacant and abandoned properties affected many communities beyond the midwestern and northeastern cities that had been the focus of attention up to that point. The proliferation of abandoned properties added impetus to the founding of the Center for Community Progress in 2010 through a merger of the National Vacant Proper-

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often purchased by inexperienced, undercapitalized, or unscrupulous investors. That shift, coupled with already widespread substandard housing conditions in many lower-income communities, led to an increase in both the prevalence and visibility of problem occupied rental properties after 2008 (Mallach, 2010 and 2014; Truehaft, Rose, and Black, 2010), including the widespread presence of rental properties in low-income communities that are actively unsafe and unhealthy for their occupants (Krieger and Higgins, 2002). Although hardly possible to prove, in my experience this issue was then and remains widely seen by both local public officials and community-based organizations as being of equal or greater significance than the problems of abandoned properties. Needless to say, the two are closely related. Not only are both disproportionately found in lower-income neighborhoods, in particular communities of color, but problem rental housing conditions and the problem behavior of some landlords that can lead to or exacerbate those conditions can be a precursor of future abandonment, as was true in many cities in the 1970s.

From the standpoint of mounting an effective response to neighborhood decline, one can hardly separate the one from the other. Similarly, neither can be completely separated from the larger issues that motivate property owners to maintain their properties, to milk them until they are no longer viable, or to walk away from them (Mallach, 2014). While the issues are complex and multifaceted, they ultimately come down to market weakness or market failure. The outcomes of Baltimore’s Vacants to Value program, a highly effective strategy initiated in 2010 to return abandoned houses to productive use, are instructive in that respect.

Those outcomes were seemingly paradoxical (Mallach, 2017b). Specifically, while in some neighborhoods the program was highly successful in getting those properties that were already vacant in 2010 rehabilitated and put back to use, the total number of vacant properties in those same neighborhoods increased from 2010 to 2017. In other words, while X properties were being put back to use, >X other properties were abandoned. Moreover, there was no relationship between program success, as defined by the percentage of 2010 vacant properties restored to use, and neighborhood outcomes, as defined by the total number of vacant properties in 2017. At the same time, there were other neighborhoods in Baltimore where the program resulted not only in considerable rehabilitation and reuse of vacant properties but also in a significant drop in the total number of vacant properties in the neighborhood. The disparity in outcomes between these two neighborhood types highlights the significance of market factors.

In the former neighborhoods, abandoned properties were clearly a symptom of market weakness, which was driven in turn by multiple factors unrelated to vacant properties per se. While the study did not attempt to identify those factors, there are many possibilities, including migration; crime and safety, real or perceived; the quality of schools and other public services; the condition of the occupied housing; the external perception of the neighborhood; and more. The latter group of neighborhoods, however, typically had considerable potential market strength, usually by virtue of their strategic location, which, however, could not be realized because of the market-depressing effects of large numbers of abandoned properties. In other words, they were a cause of market weakness, rather than a symptom. Once they were removed, the market in those neighborhoods was then able to function.

The Baltimore example highlights the central challenge inherent in the idea of vacant property strategy. As decades of experience have shown, to successfully address abandoned properties in a community, it is necessary to have a strategy explicitly directed at those properties. There are critical issues, including impediments to reuse associated with property ownership and tax foreclosure, as well as reuse challenges, particularly the gap between the cost of rehabilitation and the post-rehabilitation market value of the property, that are specific to those properties. Many of those issues constitute the rationale for the creation of the growing network of land banks. At the same time, except for a small number of neighborhoods with strong locational or physical features, a vacant property strategy in and of itself is unlikely to have a transformative effect on a distressed urban neighborhood.

The evolution of the mission and activities of the Center for Community Progress reflects this challenge. Initially, the organization focused narrowly on vacant property issues, largely concentrating on nonmarket issues such as dysfunctional tax foreclosure practices. It has gradually broadened its focus, engaging with problem rental properties as well as vacant ones, moving from there into the structure and practice of code enforcement and rental regulation and situating those challenges in a framework of larger neighborhood issues. Moreover, as it has broadened its perspective on neighborhood issues, it has integrated into its work an awareness of the role that structural racism has played in the disproportionate decline of African American neighborhoods, and the disproportionate concentration of both abandoned and problem rental properties in those neighborhoods.

At its most fundamental level, the problem of vacant and abandoned properties is a market failure, a straightfor-
ward response to an imbalance of supply and demand. That logically dictates that the problem can only be solved, as distinct from, perhaps ameliorated, by increasing demand in areas of widespread abandonment so that it fully absorbs supply, or alternatively, reducing supply to the point where the modest level of demand that exists is adequate to absorb whatever is left. But that simple, one might say neoliberal, formulation raises a larger question: Why does today’s U.S. economy and society devalue entire neighborhoods, cities, and even regions while driving so much demand to a handful of favored areas where even middle-class families earning well above the national median can no longer afford to live? As we focus on our blocks, our neighborhoods, and our cities, we must keep that question in mind.

Alan Mallach is a senior fellow with the Center for Community Progress in Washington, DC, and is widely known for his work on affordable housing, problem properties, and urban revitalization. He teaches in the Graduate Center on Planning and the Environment at Pratt Institute in New York City and has both studied urban issues and lectured in many European countries, Israel, and Japan, as well as across the United States. He has served as director of housing and economic development for the city of Trenton, New Jersey, and taught at Rutgers University and Stockton State College. Mallach is the author of many books, articles, and research studies. His most recent book, The Divided City: Poverty and Prosperity in Urban America, explores the uneven effects of urban revival on lower-income residents and communities of color. He is currently coauthoring a book on neighborhood change. He is also an accomplished pianist and author of two books on 19th-century Italian opera. He holds a BA degree from Yale College and lives in Roosevelt, New Jersey.

Endnotes

1 Embry subsequently became an assistant secretary of HUD.

2 Sputnik was the first space satellite, launched by the Soviet Union in 1957. The launch was totally unexpected by the United States and led first to an extended bout of soul-searching about the inadequacy of American science and technology and subsequently to massive efforts to expand educational and training efforts in those areas, as well as a crash program to launch an American satellite, which took place in 1958.

3 Sec. 101(c)

4 Sec. 105(d)

5 Ironically, the 1970s was also the decade in which the concept of gentrification first attracted serious attention from the media and policymakers (Scheuerman, 2019). Although in retrospect, it is clear that the phenomenon was at best modest, there is at least some evidence to suggest that this may have affected the thinking of some of those who planned the urban homesteading programs, seeing emerging gentrification as potentially forming the market for the vacant houses being offered.

6 Jane Jacobs pointed out vividly how urban vitality was grounded in human scale, mixed uses, and density, and that the combination of those elements created a diversity and intensity of activity that was uniquely urban. She showed how the urban renewal model, with its focus on single-use development and automobile dependency, rather than reviving cities, was effectively destroying them. Her work contributed materially to the repudiation of urban renewal as a strategy and to the rethinking of urban planning around more neighborhood-centered, resident-centered models.

7 Categories include units offered for sale or rent, units vacant pending occupancy, units held for seasonal or occasional use, and units used as migrant or temporary housing.

8 Household sizes began to decline again after 2010. Somewhat confounding demographers, who expected the short-term decline in childbirths associated with the Great Recession to reverse itself as the economy recovered, fertility rates have continued to decline up to the present.

9 If, however, as has been known to happen, developers overbuild relative to the demand, that could lead to a surplus, which, in turn, could lead to abandonment.

10 A federal enterprise zone program finally became law under President Clinton in 1993. During the interim, many states enacted more modest enterprise zone legislation.

11 I am grateful to Paul Brophy for first pointing out this connection to me.

12 One could argue that the creation of the low-income housing tax credit in the Tax Reform Act of 1986 has, in the end, turned out to have a greater impact. But at the time, it was seen more as a replacement for the accelerated depreciation provisions being removed from the tax code rather than the fundamental shift in affordable housing strategy that it turned out to be.
A further sign of change was the emergence of “the cities are back” literature as the new millennium arrived, notably Grogan and Proscio (2000) and Gratz and Mintz (1998).

Among key participants in this process, in which the author also participated, I would mention Don Chen of Smart Growth America, Joe Schilling from ICMA, Lisa Mueller (now Levy) of LISC, Stephanie Jennings of the (now-defunct) Fannie Mae Foundation, Mac McCarthy of the Ford Foundation, Kim Burnett of the Surdna Foundation, and Paul Brophy, longtime colleague and community development and housing practitioner.

An exception should be made for Smart Growth America, which, however, was a far smaller organization than any of the others involved.

Land Bank Authorities are dedicated governmental entities created for the express purpose of taking title to vacant or underutilized land, maintaining it, and recycling it for productive use. While, as noted above, the first land bank entities were created in the 1970s, the wave of recent state laws authorizing the creation of land bank entities began in Michigan in 2003 and subsequently, such laws have been enacted in 16 states. Land bank authorities typically have the power to access tax-foreclosed properties, and, in a few cases, they also have access to dedicated revenue sources. See Alexander (2015) and Heins and Abdelazim (2014).

Kildee had actually founded the organization, but as a private entity, in 2002. With the passage of enabling legislation, he subsequently restructured it as a public entity.

This figure comes from the Current Population Survey/Housing Vacancy Survey for 2019. There are significant discrepancies between data from the Housing Vacancy Survey and the American Community Survey.

References


The Battle of the Belts: Comparing Housing Vacancy in Larger Metros in the Sun Belt and the Rust Belt since the Mortgage Crisis, 2012 to 2019

Austin Harrison
Dan Immergluck

Introduction
For as long as America has had houses, it has had empty houses. Seasonal vacancies, vacancies created by new builds or homes for sale, or rental vacancies: Whatever the cause, the reason, or the duration, empty houses are inevitable. A certain quantity of vacant houses is even a characteristic of a healthy housing market to stimulate further market activity. A situation in which there are no vacancies at all may impede people from buying into an area. Beginning in the second half of the 20th century, specifically from 1980 onward, the number of empty houses in America slowly crept from healthy market levels to more dangerous levels in certain cities, especially in America’s older post-industrial urban areas. Beginning in the late 1990s and early 2000s, urban experts began to notice the growing vacancies, where they were located, and what to do in neighborhoods with a high concentration of vacant homes (Mallach, 2018; Accordino and Johnson, 2000). Following the subprime mortgage crisis beginning in 2007, which resulted in unprecedented increases in the number of vacant homes, the empty house conversation became central to the American housing policy conversation. More than 10 years later, this paper applies a regional lens to changes in vacancy during the broader housing recovery since 2012.

In this paper, we examine neighborhood-level vacancy trends in Rust Belt and Sun Belt metropolitan areas from 2012 to 2019. We pose the following research questions: How persistent was long-term vacancy during the national recovery in the large metropolitan areas of the Rust Belt and the Sun Belt? Did one region exhibit more resilience in seeing larger declines in the number of neighborhoods with very high levels of vacancy? To what extent was this explained by different housing cost levels and growth trajectories among the metro areas in these two regions? Did metro areas with similar cost levels and growth trajectories in the two regions experience similar levels of persistent long-term vacancy? What are the racial and poverty characteristics of neighborhoods with long-term vacancy, and do these characteristics differ between the Rust Belt and the Sun Belt?
We find that, in the Sun Belt, in contrast to the Rust Belt, the share of tracts that were hypervacant (those with vacancy rates of 8 percent or higher) declined. Meanwhile, in the Rust Belt metro areas, the share of hypervacant tracts remained roughly constant. Notably, the share of tracts that were hypervacant was still more than 50 percent higher in the Rust Belt in 2019 than in the Sun Belt in 2012, before the broader national recovery. And the Rust Belt’s share in these two highest vacancy categories in 2019 was 2.3 times the Sun Belt’s share in 2019. The Rust Belt did see a net decline in vacant tracts, but it was primarily from tracts in the moderate and high levels shifting to the moderate or low levels. Despite the greater persistence of hypervacant neighborhoods in the Rust Belt, such neighborhoods do exist in the Sun Belt to a significant degree. This is primarily because the Sun Belt also includes a substantial number of low-cost, low-growth metro areas. Only five larger Metropolitan Statistical Areas (MSAs) saw a large (25 percent) net increase in tracts at higher vacancy levels, while 35 MSAs saw a large net decrease toward lower vacancy levels. Moreover, while all five of the MSAs that saw increasing vacancy were in the Rust Belt, most of the ones with decreasing vacancy were in the Sun Belt. Critically, we find that neighborhoods with higher poverty rates and/or larger Black populations are more likely to suffer from hypervacancy, especially in Rust Belt metro areas.

**The Problem of Long-Term Vacant Properties and Hypervacancy**

We should identify a few key terms, including the term “vacant property.” Mallach (2018) provides one of the most holistic definitions, defining vacancy as “any property that is not currently inhabited,” making such properties synonymous with unoccupied. We focus here on vacant residential properties and particular vacant residential addresses, given that we rely on data from the U.S. Postal Service. Another term used in the literature that is relevant to this paper is “long-term vacancy.” Long-term vacancy has been operationalized in various ways; we define it here as any property that has been unoccupied for six months or more (Immergluck, 2016). Finally, we use the term “hypervacancy” to refer to the presence of neighborhoods where the long-term vacancy rate is 8 percent or higher, which accounted for approximately 10 percent of neighborhoods in the 200 largest metropolitan areas in 2012. We discuss the vacancy categories more below.

Vacant and distressed properties pose many challenges for local communities. Long-term vacant properties can be a sign of disinvestment. In Philadelphia, researchers found an 18 percent increase in the risk of aggravated assault near spatial concentrations of vacant properties (Branas et al., 2012). Following this, Moyer et al. (2019) conducted a randomized controlled trial study of the impact of vacant land maintenance on violence. These interventions significantly reduced instances of shootings. Long-term vacancy may also affect health outcomes. In Memphis, Shin and Shaban-Nejad (2018) found a significant, positive relationship between “blight prevalence” and childhood asthma after controlling for socioeconomic factors. In a study of the 50 largest metropolitan areas, Wang and Immergluck (2018) concluded that long-term vacancy (six months or more), and especially very long-term vacancy (three years or more), have statistically significant relationships to a variety of health outcomes.

Vacant properties can also reduce nearby property values. A Philadelphia study found that home values were significantly lower within 450 feet of a vacant house, controlling for other neighborhood characteristics (Shlay and Whitman, 2006). Han (2014) found that the longer a property sits empty, the greater its impact on property values and on the spatial radii of such impact. Whittaker and Fitzpatrick (2013) found that a vacant and tax delinquent house reduces property values in a 500-foot radius by 1 to 2.7 percent.

Cities typically pursue some combination of three approaches for addressing vacant properties: demolition, land banking, or redevelopment. Our research provides critical context for planners and policymakers in different types of metropolitan areas for choosing their mix of strategies.

Demolition strategies have faced some important criticism. Hackworth (2019) argues that a demolition approach resembles the misguided urban triage strategies of the 1970s. He criticizes policies such as the federal Hardest Hit Fund (HHF) of the 2010s, because, in Rust Belt cities, such policies did not lead to affordable housing. Schuetz et al. (2016) find that, in Rust Belt cities, the majority of the second round of funding of the Neighborhood Stabilization Program was used for demolition, while Sun Belt cities saw more dollars go to financing and redevelopment. This is an example of how policies might vary across different types of metro areas.

Many demolition efforts are more targeted and aimed at reducing the negative externalities on otherwise viable blocks. Studies find positive effects of targeted demolition. A Detroit study found a significant negative relationship between demolitions and crime (Larson et al., 2019). Griswold et al. (2014) found a positive impact on property values in stable and functioning submarkets in Cleveland, while a Detroit study found increases in home values (Paredes and Skidmore, 2017).
Land banking is a tool for acquiring, maintaining, and repositioning vacant properties. Land bank advocates emphasize their ability to help land markets operate more efficiently (Alexander and Powell, 2011). Land banks give the public sector the ability to favor various end uses, including affordable housing. Fujii (2016) found that property transfers involving the land bank in Cleveland and the Slavic Village Community Development Corporation resulted in more responsible end uses than other properties. There are also criticisms of land banking. Hackworth and Nowakowski (2015) argue that land bank programs favor returning properties to higher tax-paying uses rather than the community development efforts that Fujii emphasizes.

This paper examines patterns and trends in neighborhood housing vacancy and hypervacancy within different metropolitan contexts. This examination will enable local policymakers and planners to understand these patterns and their racialized nature and, therefore, will assist them in formulating policy responses. There is an existing contemporary literature on patterns of long-term housing vacancy. Molloy (2016) argues that long-term vacancy at the national level is relatively uncommon. She finds that census tracts with the highest vacancy rates, as of 2013, tended to be in distressed neighborhoods or hotter-market, high-activity neighborhoods, creating a somewhat complicated picture of long-term vacancy. Immergluck (2016) examined neighborhood vacancy trends in the 50 largest metro areas and found that from 2011 to 2014, cities with high poverty rates and relatively low median incomes saw higher rates of long-term vacancy by 2014.

Because we might expect metropolitan factors to affect vacancy trends, it is helpful to examine such trends across different types of metropolitan areas. Mallach (2018) develops a typology of four types of cities: magnet cities, Sun Belt cities, large legacy cities, and small legacy cities. He finds that vacancy rates in legacy cities have remained substantially higher than those in the Sun Belt and magnet cities, with the latter types having benefitted more from the national housing market recovery following the mortgage crisis (Mallach, 2018). Wang and Immergluck (2019) also use a metropolitan typology to examine long-term vacancy trends from 2011 to 2014. In weak-growth metro areas especially, vacancy is most concentrated in largely African American neighborhoods with high shares of single-family homes.

Comparing Long-Term Vacancy Rates between Sun Belt and Rust Belt Metro Areas

Creating the data set
To compare long-term vacancy—again, defined as any housing unit vacant for six months or more—we use U.S. Postal Service (USPS) vacant housing data recorded by mail carriers and made publicly available at the census-tract level each quarter through the U.S. Department of Housing and Urban Development (HUD). We exclude “short-term” vacant addresses (those vacant for under six months) because those addresses will include many units that are for sale or for rent and are therefore of less concern in terms of having negative neighborhood spillovers. To examine the change in long-term vacancy since the subprime crisis, we use first quarter 2012 and first quarter 2019 USPS vacancy data. Using the first quarter of each year controls for seasonality issues. The first quarter of 2019 was the most recent first quarter data available at the time of this study.

To prepare the USPS vacancy data for analysis, we first downloaded all tract-level data that included commercial, residential, and “no-stat” records. Residential addresses include addresses for all types of residential units, including those in single-family and multifamily properties. No-stats are addresses that are either properties in construction, completely abandoned, or somewhere in between, and it is difficult to determine which no-stats fall or do not fall into the vacancy category (HUD Frequently Asked Questions, 2018). Therefore, the second step was deleting all no-stats and excluding them from the calculation of a vacancy rate. In the third step, we summed all vacant address totals at the tract level for each category from “Vacant 6 Mos. to 12 Mos. Count – Residential” up to “Vacant 36 Mos. or Longer Count – Residential.” This total was divided by the total number of residential addresses, again excluding no-stats. This gives us a long-term vacancy rate at the tract level for both observation periods: the first quarter of 2012 and the first quarter of 2019.

Starting from the entire universe of all tracts with USPS vacant address data available (73,501 tracts), we eliminated tracts that did not fall within an MSA as defined by the U.S. Census Bureau. This yielded 60,456 tracts. Then, we limited the study to the largest 200 MSAs. MSAs vary greatly in size, and we are interested in medium to large metro areas. Limiting the analysis to the largest 100 MSAs would exclude meaningful medium-sized metros such as Youngstown, Ohio, or Macon, Georgia. Deleting MSAs below the largest 200 reduced the number of tracts to 54,460. The last step in selecting our sample accounted for another data anomaly in the USPS vacant address database. Between 2012 and 2019, a small number (38) of tracts had data recorded and reported for one year but not the other. Deleting those tracts left us with 54,422 tracts in the data set.

Our study focuses particularly on two important regions that were hit hard by the foreclosure crisis: the Rust Belt
and the Sun Belt. There are no hard and fast geographic definitions for either area, so we will rely on definitions provided in the previous literature. Beginning with the definition of the Sun Belt, we will use Strom (2017), who includes the states that are partially or entirely south of the 37th parallel: North Carolina, South Carolina, Georgia, Alabama, Mississippi, Tennessee, Louisiana, Arkansas, Oklahoma, Texas, New Mexico, Arizona, Florida, and Nevada; she also includes Southern California. For the Rust Belt, we use Hackworth’s (2019) definition, which includes states adjacent to the Great Lakes: Indiana, Illinois, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin, as well as Louisville, Kentucky, and St. Louis, Missouri, because both metro areas spill over into one of these states. We excluded the New York City and Philadelphia metro areas from the Rust Belt, since these metro areas do not resemble most Rust Belt cities and are generally not considered part of the Rust Belt. If a metro area was partially in a state defined as being in the Rust Belt or Sun Belt, the entire metro area was included in the study. The Sun Belt region is relatively larger, with 93 MSAs and 23,363 tracts, compared with the Rust Belt, which contains 47 MSAs and 12,736 tracts. Figure 1 illustrates the locations of these MSAs.

A general typology of metropolitan areas
We are particularly interested in comparing certain types of metro areas across both regions, especially those that grew more slowly following the subprime crisis and were lower cost prior to the crisis. To be able to compare metro areas with similar market conditions across the Rust Belt and the Sun Belt, we devised a typology with six categories. The typology is based on two key metropolitan characteristics: (1) the median housing value, to identify low-versus high-cost metro areas, and (2) changes in housing prices and population over the recovery period.

To create this typology, we used the universe of all MSAs in the country (383) and not just those in the two regions or in the largest metro areas.

To categorize metro areas by housing-cost level, we used the median home value for owner-occupied homes from the American Community Survey (ACS) at the MSA level for 2018. After examining the distribution of home values at the metro level, we chose $200,000 as the cutoff point between low- and high-cost metro areas. This was slightly higher than the mean value at the metro level, but the data are substantially skewed, and this figure corresponds to the top third of MSAs by median value.

To categorize metro areas by post-recession growth, we used two key variables: the change in the Federal Housing Finance Agency’s (FHFA) housing price index (HPI)
between 2011 and 2018 and the U.S. Census Bureau’s population estimate program (PEP) from 2011 to 2018; 2018 was the most recent year of available data from the U.S. Census Bureau. After calculating home price and population changes, we used the following rules to categorize MSAs into three distinct groups. Group 1, low-growth MSAs, had a population percentage change below the average of all MSAs (4.59 percent) and a change in the HPI below the all-MSA average (27.58 percent). Group 2, mixed-growth metro areas, were MSAs that fell below the average on either population growth or housing price change, but not both. Group 3, high-growth metro areas, were MSAs that were above the all-MSA average for both variables. Combining these three categories with the low- and high-cost categories results in six metropolitan types, as shown in Table 1. The table indicates how many of the medium and large metro areas in the Rust Belt and Sun Belt fall into each of the six metro types. The use of these housing cost and growth classifications will allow us to compare long-term vacancy rates among metro areas with similar housing costs and growth trajectories.

### Results for Vacancy Levels

#### Aggregate changes in tract vacancy levels from 2012 to 2019

To better understand the change in vacancy from 2012 to 2019, we define five levels of vacancy: low, moderate, high, very high, and extreme. The low category includes all census tracts that had a vacancy rate from 0 percent to 0.9 percent. The moderate frequency includes all census tracts with vacancy rates ranging from 1 percent to 3.9 percent. The high classification includes tracts with a 4 percent to 7.9 percent vacancy rate. The very high category ranges from 8 percent to 13.9 percent, and the extreme category is any tract over 14 percent. We refer to the very high and extreme categories together as “hypervacant” tracts. These tracts accounted for just under 10 percent of tracts in all 200 metro areas in 2012 and just over 7.5 percent of tracts in 2019 (see Table 2).

Table 2 shows that a large majority of all census tracts in the largest 200 metro areas fall into either the low or moderate categories, which account for 76.1 percent of all tracts in 2012 and 82.5 percent of all tracts in 2019. A categorical approach allows us to focus on tracts with high, very high, or extreme levels of vacancy, especially the latter two categories, and how the numbers of such tracts changed over the 2012 to 2019 period. The top section of the table shows that for the 200 largest metro areas, the share of very high and extreme vacancy tracts declined, but not dramatically, decreasing from 9.4 percent to 7.5 percent of all tracts in these metro areas. These tracts are those where long-term vacancies are most likely to lead to substantial problems.

Table 2 also shows that, in Sun Belt metro areas, the share of tracts that had very high or extreme levels of vacancy declined over the recovery period, with the combined share dropping from about 10.2 percent in 2012 to about 6.6 percent in 2019. There was also a substantial net shift from higher vacancy levels to the low level, with the latter increasing from 36.4 percent to 51.6 percent. Although it appears that the greatest net reduction in vacancy occurred through a shift from moderate to high levels downward, there was also some shift from very high and extreme categories to lower levels. It is important to note, however, that this table only represents a comparison of gross patterns across all tracts and does not speak to the number of tracts that transition from higher to lower categories (or vice versa). This will be discussed more below.

### Table 1. Cross-Tabulation of Cost and Growth Types for Sun Belt and Rust Belt

<table>
<thead>
<tr>
<th></th>
<th>Low-growth</th>
<th>Mixed-growth</th>
<th>High-growth</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-cost</strong></td>
<td>52 (51.5% of LC)</td>
<td>26 (25.7% of LC)</td>
<td>23 (22.8% of LC)</td>
<td>Total LC = 101 (100%)</td>
</tr>
<tr>
<td></td>
<td>(89.7% of LG)</td>
<td>(81.3% of MG)</td>
<td>(46.0% of HG)</td>
<td></td>
</tr>
<tr>
<td><strong>High-cost</strong></td>
<td>6 (15.4% of HC)</td>
<td>6 (15.4% of HC)</td>
<td>27 (69.2% of HC)</td>
<td>Total HC = 39 (100%)</td>
</tr>
<tr>
<td></td>
<td>(10.3% of LG)</td>
<td>(18.7% of MG)</td>
<td>(54.0% of HG)</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>Total LG = 58 (100%)</td>
<td>Total MG = 32 (100%)</td>
<td>Total HG = 50 (100%)</td>
<td>Total MSAs = 140 (100%)</td>
</tr>
</tbody>
</table>
The bottom row of Table 2 shows that, in Rust Belt metro areas, the share of tracts that had very high or extreme levels of vacancy did not decline substantially over the recovery period, with the combined share dropping only from about 15.6 percent in 2012 to about 15.4 percent in 2019. It is noteworthy that the share of tracts in the Rust Belt in these very high and extreme categories at the late stages of the recovery was more than 50 percent higher than the comparable share in the Sun Belt at the beginning of the recovery period. By the end of the study period, the share of tracts in these two categories was 2.3 times as large in the Rust Belt as in the Sun Belt. Hypervacancy appears to have been significantly more persistent in the Rust Belt than in the Sun Belt. Nonetheless, a nontrivial number of such tracts persist in the Sun Belt despite the region’s stronger recovery.

Changes in tract vacancy levels by MSA housing cost and growth type
The section above compared changes in tract vacancy levels for larger Sun Belt and Rust Belt metro areas, without breaking out different types of metro areas within these two regions. While Rust Belt metro areas did not tend to grow as fast as those in the Sun Belt during the recovery period, there are different types of metro areas in both regions. The Sun Belt region is particularly heterogeneous, in part because it contains more metro areas but also because it covers a substantially larger geographic area. To at least partially address such heterogeneity among metro areas within these two regions, we break out vacancy levels for the 2012 and 2019 periods across the six different metro types we identified earlier. These categories include low-cost, low-growth; low-cost, mixed-growth; low-cost, high-growth; high-cost, low-growth; high-cost, mixed-growth; and high-cost, high-growth. Figure 2 indicates which categories the larger metro areas in the Sun Belt and Rust Belt regions fall into. (For a full list of metro areas see the Appendix, Table A1.)

Figure 2 shows that, as expected, lower-growth metro areas tend to be more common in the Rust Belt than in the Sun Belt. At the same time, neither region—especially the Sun Belt—is homogeneous in this respect. There are some high-growth metro areas in the Rust Belt, including Grand Rapids, Columbus, and Minneapolis. Conversely, there are low-growth metro areas in the Sun Belt, including Birmingham, Memphis, and Jackson, among others.

The first cost-growth type we analyze is low-cost, low-growth metro areas. This category includes 58 of the

<table>
<thead>
<tr>
<th>Year (Quarter)</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 (Q1)</td>
<td>19,632</td>
<td>21,747</td>
<td>7,896</td>
<td>3,367</td>
<td>1,770</td>
</tr>
<tr>
<td></td>
<td>(36.07%)</td>
<td>(39.98%)</td>
<td>(14.51%)</td>
<td>(6.19%)</td>
<td>(3.25%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>26,764</td>
<td>18,115</td>
<td>5,438</td>
<td>2,511</td>
<td>1,594</td>
</tr>
<tr>
<td></td>
<td>(49.18%)</td>
<td>(33.29%)</td>
<td>(9.99%)</td>
<td>(4.61%)</td>
<td>(2.93%)</td>
</tr>
<tr>
<td>Sun Belt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>8,513</td>
<td>8,537</td>
<td>3,939</td>
<td>1,731</td>
<td>643</td>
</tr>
<tr>
<td></td>
<td>(36.44%)</td>
<td>(36.54%)</td>
<td>(16.86%)</td>
<td>(7.41%)</td>
<td>(2.75%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>12,060</td>
<td>7,222</td>
<td>2,548</td>
<td>1,060</td>
<td>473</td>
</tr>
<tr>
<td></td>
<td>(51.62%)</td>
<td>(30.91%)</td>
<td>(10.91%)</td>
<td>(4.54%)</td>
<td>(2.02%)</td>
</tr>
<tr>
<td>Rust Belt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>3,302</td>
<td>5,289</td>
<td>2,159</td>
<td>1,080</td>
<td>906</td>
</tr>
<tr>
<td></td>
<td>(25.93%)</td>
<td>(41.53%)</td>
<td>(16.95%)</td>
<td>(8.48%)</td>
<td>(7.11%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>4,256</td>
<td>4,811</td>
<td>1,711</td>
<td>1,024</td>
<td>934</td>
</tr>
<tr>
<td></td>
<td>(33.42%)</td>
<td>(37.77%)</td>
<td>(13.43%)</td>
<td>(8.04%)</td>
<td>(7.33%)</td>
</tr>
</tbody>
</table>
Tackling Vacancy and Abandonment: Strategies and Impacts after the Great Recession

200 largest MSAs, with 30 in the Rust Belt and 22 in the Sun Belt. These are metro areas with a median home value of less than $200,000 and are below average in both population and HPI change from 2011 to 2018. At the national level, these metro areas showed less movement to the lowest category compared with other metro areas, with small decreases in the moderate and high categories. There was little change in the share of tracts in the very high and extreme categories. This share remained remarkably stable, increasing very slightly, suggesting that in low-cost, low-growth metro areas, the problems of hypervacancy have persisted despite the national recovery.

Table 3 provides a breakout of tract-level vacancy levels for larger low-cost, low-growth metro areas. The first thing to note is that while low-cost, low-growth metro areas are often assumed to be primarily located in the Rust Belt, only slightly over half of such MSAs are, in fact, Rust Belt metro areas. Moreover, 22 Sun Belt metro areas fall into this category, accounting for 38 percent of such metro areas among the 200 largest MSAs. However, 52 percent of Rust Belt metro areas fall into this category. As a result, overall, there are more tracts at these high vacancy levels in the Rust Belt, and this pattern persisted over the recovery period. When comparing low-cost, low-growth metro areas in the Rust Belt and the Sun Belt, the table shows that these metro areas saw similarly modest declines toward lower vacancy levels, despite the national housing market recovery. Moreover, low-cost, low-growth metro areas in both regions saw very little change in the share of tracts at very high or extreme vacancy levels. Thus, these sorts of metro areas tend to exhibit persistent hypervacancy regardless of region.

The low-cost, mixed-growth category includes 32 MSAs among the largest 200, with 21 in the Sun Belt and 5 in the Rust Belt. As shown in Table 4, in the Sun Belt there was a substantial increase (9.3 percentage points) over the recovery period in the share of tracts falling into the low-vacancy category, while the corresponding shift in the Rust Belt was trivial. Moreover, while the share of tracts at very high and extreme vacancy levels dropped some in Sun Belt metro areas (from 13.9 percent to 11.3 percent), the share in Rust Belt metro areas did not appreciably change. So, within this metropolitan type, we begin seeing somewhat more recovery in the Sun Belt compared with the Rust Belt.

The low-cost, high-growth category includes 26 MSAs among the largest 200, with 20 in the Sun Belt and 3 in the Rust Belt. Moreover, the Sun Belt accounts for 83 percent of the tracts in this type of metro area nationally; therefore, the Sun Belt and national results look similar. Across both regions, this metro type has seen large changes, including large increases in the share of

Figure 2. Large Sun Belt and Rust Belt Metro Areas by Cost and Growth Type

Large circles = largest 100 MSAs | Small circles = 101-200 largest MSAs

High Cost & Low Growth
Low Cost & Low Growth
High Cost & Mixed Growth
Low Cost & Mixed Growth
High Cost & High Growth
Low Cost & High Growth

Source: U.S. Census Bureau
### Table 3. Low-Cost, Low-Growth MSAs: Census Tracts by Vacancy Level, 2012, 2019

<table>
<thead>
<tr>
<th>Year (Quarter)</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All (n = 58 MSAs &amp; 8,740 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>2,454 (28.08%)</td>
<td>3,122 (35.72%)</td>
<td>1,655 (18.94%)</td>
<td>883 (10.10%)</td>
<td>626 (7.16%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>2,988 (34.19%)</td>
<td>2,821 (32.28%)</td>
<td>1,398 (16.00%)</td>
<td>891 (10.19%)</td>
<td>642 (7.35%)</td>
</tr>
<tr>
<td>Sun Belt (n = 22 MSAs &amp; 2,687 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>951 (35.39%)</td>
<td>793 (29.51%)</td>
<td>466 (17.34%)</td>
<td>280 (10.42%)</td>
<td>197 (7.33%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>1,074 (39.97%)</td>
<td>731 (27.21%)</td>
<td>412 (15.33%)</td>
<td>262 (9.75%)</td>
<td>208 (7.74%)</td>
</tr>
<tr>
<td>Rust Belt (n = 30 MSAs &amp; 5,595 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>1,344 (24.02%)</td>
<td>2,187 (39.09%)</td>
<td>1,088 (19.45%)</td>
<td>560 (10.01%)</td>
<td>416 (7.44%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>1,755 (31.37%)</td>
<td>1,958 (35.00%)</td>
<td>893 (15.96%)</td>
<td>574 (10.26%)</td>
<td>415 (7.42%)</td>
</tr>
</tbody>
</table>

### Table 4. Low-Cost, Mixed-Growth MSAs: Census Tracts by Vacancy Level, 2012, 2019

<table>
<thead>
<tr>
<th>Year (Quarter)</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All (n = 32 MSAs &amp; 5,801 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>1,823 (31.43%)</td>
<td>1,976 (34.06%)</td>
<td>1,029 (17.74%)</td>
<td>530 (9.14%)</td>
<td>443 (7.64%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>2,107 (36.32%)</td>
<td>1,970 (33.96%)</td>
<td>821 (14.15%)</td>
<td>455 (7.84%)</td>
<td>448 (7.72%)</td>
</tr>
<tr>
<td>Sun Belt (n = 21 MSAs &amp; 2,840 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>894 (31.48%)</td>
<td>969 (34.12%)</td>
<td>583 (20.53%)</td>
<td>288 (10.14%)</td>
<td>106 (3.73%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>1,158 (40.77%)</td>
<td>912 (32.11%)</td>
<td>450 (15.85%)</td>
<td>229 (8.06%)</td>
<td>91 (3.20%)</td>
</tr>
<tr>
<td>Rust Belt (n = 5 MSAs &amp; 2,258 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>608 (26.93%)</td>
<td>785 (34.77%)</td>
<td>328 (14.53%)</td>
<td>203 (8.99%)</td>
<td>334 (14.79%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>621 (27.50%)</td>
<td>816 (36.14%)</td>
<td>280 (12.40%)</td>
<td>188 (8.33%)</td>
<td>353 (15.63%)</td>
</tr>
</tbody>
</table>
tracts falling into the low-vacancy category. As indicated in Table 5, in both regions, the share of tracts in high, very high, and extreme categories dropped substantially; the decline in such metro areas was 14.7 percentage points in the Sun Belt and 7.4 percentage points in the Rust Belt. This is one metro type where the ending share of higher-vacancy tracts is somewhat higher in the Sun Belt than in the Rust Belt (18.5 percent versus 15.8 percent), which could raise questions around how growth in the Sun Belt differed from Rust Belt growth.

Tables 6, 7, and 8 explore the various high-cost metro types, beginning with low-growth MSAs. Because there are fewer high-cost metro areas, in some categories, the number of MSAs gets quite small. In this category, the Sun Belt and the Rust Belt constitute only a little over a quarter of all tracts. Five Rust Belt metro areas fall into this category. Table 7 shows that there was a marked increase in the share of tracts in such metro areas in the low-vacancy category, and this was larger across both regions and nationally, only a small share of tracts fell into the highest levels of long-term vacancy, with fewer than 100 tracts falling into the two highest levels in 2012 nationally and fewer than 60 in 2019.

The last category of metro areas is high-cost, high-growth MSAs. There are significantly more metros in the Sun Belt in this category (24) compared to just 3 in the Rust Belt. In both the Sun Belt and the Rust Belt, Table 8 indicates that these metro areas saw very large increases in the share of tracts that were low vacancy, increasing by 16.9 percentage points in the Sun Belt and 18.6 percentage points in the Rust Belt. Similar to the results for mixed-growth areas, there were relatively small shares of tracts at very high and extreme vacancy levels, even in 2012, although the shares did decline over the seven-year period. Notably, the 2019 shares of tracts at very high and extreme vacancy levels in such metro areas in the Rust Belt (2.5 percent) were actually slightly lower than in the Sun Belt (3.9 percent), but both shares were small.

Table 5. Low-Cost, High-Growth MSAs: Census Tracts by Vacancy Level, 2012, 2019

<table>
<thead>
<tr>
<th></th>
<th>Year (Quarter)</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 (Q1)</td>
<td>2,529 (31.24%)</td>
<td>2,966 (36.64%)</td>
<td>1,618 (19.99%)</td>
<td>737 (9.10%)</td>
<td>246 (3.04%)</td>
</tr>
<tr>
<td></td>
<td>2019 (Q1)</td>
<td>3,862 (47.70%)</td>
<td>2,722 (33.62%)</td>
<td>972 (12.01%)</td>
<td>391 (4.83%)</td>
<td>149 (1.84%)</td>
</tr>
<tr>
<td>All (n = 26 MSAs &amp; 8,096 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Belt (n = 20 MSAs &amp; 6,743 tracts)</td>
<td>2012 (Q1)</td>
<td>2,504 (37.13%)</td>
<td>2,504 (37.13%)</td>
<td>1,424 (21.12%)</td>
<td>629 (9.33%)</td>
<td>175 (2.60%)</td>
</tr>
<tr>
<td></td>
<td>2019 (Q1)</td>
<td>3,185 (47.23%)</td>
<td>2,312 (34.29%)</td>
<td>840 (12.46%)</td>
<td>308 (4.57%)</td>
<td>98 (1.45%)</td>
</tr>
<tr>
<td>Rust Belt (n = 3 MSAs &amp; 690 tracts)</td>
<td>2012 (Q1)</td>
<td>274 (39.71%)</td>
<td>256 (37.10%)</td>
<td>88 (12.75%)</td>
<td>42 (6.09%)</td>
<td>30 (4.35%)</td>
</tr>
<tr>
<td></td>
<td>2019 (Q1)</td>
<td>372 (53.91%)</td>
<td>209 (30.29%)</td>
<td>58 (8.41%)</td>
<td>33 (4.78%)</td>
<td>18 (2.61%)</td>
</tr>
</tbody>
</table>
Table 6. High-Cost, Low-Growth MSAs: Census Tracts by Vacancy Level, 2012, 2019

<table>
<thead>
<tr>
<th>Year (Quarter)</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All</strong> (n = 21 MSAs &amp; 12,109 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>247 (2.04%)</td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>4,583 (37.85%)</td>
<td>5,341 (44.11%)</td>
<td>1,397 (11.54%)</td>
<td>541 (4.47%)</td>
<td>247 (2.04%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>6,070 (50.13%)</td>
<td>4,385 (36.21%)</td>
<td>978 (8.08%)</td>
<td>429 (3.54%)</td>
<td>247 (2.04%)</td>
</tr>
<tr>
<td><strong>Sun Belt</strong> (n = 1 MSA &amp; 423 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4 (0.95%)</td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>211 (49.88%)</td>
<td>146 (34.52%)</td>
<td>47 (11.11%)</td>
<td>15 (3.55%)</td>
<td>4 (0.95%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>232 (54.85%)</td>
<td>134 (31.68%)</td>
<td>41 (9.69%)</td>
<td>13 (3.07%)</td>
<td>3 (0.71%)</td>
</tr>
<tr>
<td><strong>Rust Belt</strong> (n = 5 MSAs &amp; 3,123 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118 (3.77%)</td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>757 (24.17%)</td>
<td>1,476 (47.13%)</td>
<td>538 (17.18%)</td>
<td>243 (7.76%)</td>
<td>118 (3.77%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>992 (31.67%)</td>
<td>1,399 (44.67%)</td>
<td>389 (12.42%)</td>
<td>210 (6.70%)</td>
<td>142 (4.53%)</td>
</tr>
</tbody>
</table>

*Virginia Beach, Virginia-North Carolina, is the only Sun Belt MSA that is high cost, low growth.

Table 7. High-Cost, Mixed-Growth MSAs: Census Tracts by Vacancy Level, 2012, 2019

<table>
<thead>
<tr>
<th>Year (Quarter)</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All</strong> (n = 11 MSAs &amp; 5,331 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29 (0.54%)</td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>3,205 (60.12%)</td>
<td>1,849 (34.68%)</td>
<td>184 (3.45%)</td>
<td>64 (1.20%)</td>
<td>29 (0.54%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>4,065 (76.25%)</td>
<td>1,082 (20.30%)</td>
<td>125 (2.34%)</td>
<td>35 (0.66%)</td>
<td>24 (0.45%)</td>
</tr>
<tr>
<td><strong>Sun Belt</strong> (n = 5 MSAs &amp; 3,296 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12 (0.36%)</td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>1,934 (58.58%)</td>
<td>1,234 (37.44%)</td>
<td>91 (2.76%)</td>
<td>25 (0.76%)</td>
<td>12 (0.36%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>2,642 (80.16%)</td>
<td>594 (18.02%)</td>
<td>37 (1.12%)</td>
<td>9 (0.27%)</td>
<td>14 (0.42%)</td>
</tr>
<tr>
<td><strong>Rust Belt</strong> (n = 1 MSA &amp; 131 tracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>2012 (Q1)</td>
<td>64 (48.85%)</td>
<td>60 (45.80%)</td>
<td>6 (4.58%)</td>
<td>1 (0.76%)</td>
<td>0 (0.00%)</td>
</tr>
<tr>
<td>2019 (Q1)</td>
<td>88 (67.18%)</td>
<td>39 (29.77%)</td>
<td>2 (1.53%)</td>
<td>2 (1.53%)</td>
<td>0 (0.00%)</td>
</tr>
</tbody>
</table>

*Madison, Wisconsin, is the only Rust Belt metro that is high cost, mixed growth.
The results above suggest that the greater increase in low-vacancy tracts and the greater decline in very high and extreme vacancy tracts in the Sun Belt as compared with the Rust Belt are primarily associated with the fact that a larger share of Sun Belt metro areas fall into higher-growth categories. Once the cost level and growth trajectory of metro areas are accounted for, differences between the Rust Belt and the Sun Belt diminish. It appears to be the case that the stronger recovery of most Sun Belt metropolitan housing markets is associated with sharper declines in hypervacancy, as measured here by the number of very high and extreme vacancy tracts.

Nonetheless, it remains the case that a significant share of low-cost, low-growth metro areas are located in the Sun Belt, and these generally had vacancy trajectories during 2012-2019 similar to those of low-cost, low-growth metro areas in the Rust Belt.

### Analysis of Tracts Experiencing Changes in Vacancy Level

We next look at the number and share of neighborhoods that shift from higher to lower levels of vacancy. This part of the analysis answers two related questions. How many neighborhoods (tracts) saw a decline in their level of vacancy from 2012 to 2019 and to what degree? Alternatively, we calculate how many tracts experienced increases in their vacancy levels and the extent of such increases.

#### Net number of tracts shifting to higher or lower vacancy levels

We first calculate the net number of tracts in each metropolitan area that shifted from higher to lower levels of vacancy, the general trend expected during the 2012 to 2019 recovery. We then subtract the number of tracts that moved in the opposite direction, from lower to higher levels of vacancy. The result is the net number of tracts shifting to lower vacancy levels over the period.

Then, for each metro, we identified when the net number of tracts shifting in one direction or the other amounted to more than 25 percent of all tracts. Table 9 identifies the five MSAs that saw 25 percent or more of tracts in increasing toward higher vacancy levels. Four of these five are Rust Belt metro areas.

Table 10 identifies 35 metro areas that saw a net shift of 25 percent or more of tracts toward lower vacancy levels. Far more metro areas (29) saw large shares of their neighborhoods decrease to lower vacancy levels over the recovery period as compared with those seeing substantial increases toward higher vacancy levels. Moreover, while most of the metro areas seeing large increases to higher levels of vacancy were Rust Belt metro areas, the bulk of metro areas experiencing
### Table 9. Net Number of Tracts Seeing Increases from Lower to Higher Vacancy Levels (2012 to 2019), Where Number of Tracts Experiencing Such Increases >25% of All Tracts in MSA

<table>
<thead>
<tr>
<th>Metro</th>
<th>Net # Tracts Shifting Higher to Lower Vacancy</th>
<th>Total Tracts</th>
<th>Percent</th>
<th>Cost</th>
<th>Growth</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huntington-Ashland, WV-KY-OH</td>
<td>37</td>
<td>92</td>
<td>40.2%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Flint, MI</td>
<td>48</td>
<td>131</td>
<td>36.6%</td>
<td>Low</td>
<td>Mixed</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Binghamton, NY</td>
<td>18</td>
<td>65</td>
<td>27.7%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Peoria, IL</td>
<td>25</td>
<td>97</td>
<td>25.8%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Clarksville, TN-KY</td>
<td>16</td>
<td>63</td>
<td>25.4%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
</tbody>
</table>

### Table 10. Net Number of Tracts Experiencing Reduction in Vacancy Higher to Lower Level (2012 to 2019), Where Number of Tracts >25% of All Tracts in MSA

<table>
<thead>
<tr>
<th>Metro</th>
<th>Net # Tracts Shifting Higher to Lower Vacancy</th>
<th>Total Tracts</th>
<th>Percent</th>
<th>Cost</th>
<th>Growth</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ocala, FL</td>
<td>50</td>
<td>61</td>
<td>82.0%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Gainesville, FL</td>
<td>46</td>
<td>69</td>
<td>66.7%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Port St. Lucie, FL</td>
<td>51</td>
<td>78</td>
<td>65.4%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Augusta-Richmond County, GA-SC</td>
<td>67</td>
<td>119</td>
<td>56.3%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Pensacola-Ferry Pass-Brent, FL</td>
<td>54</td>
<td>96</td>
<td>56.3%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>144</td>
<td>258</td>
<td>55.8%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Crestview-Fort Walton Beach-Destin, FL</td>
<td>28</td>
<td>52</td>
<td>53.8%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Cincinnati, OH-KY-IN</td>
<td>262</td>
<td>500</td>
<td>52.4%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Savannah, GA</td>
<td>46</td>
<td>88</td>
<td>52.3%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>McAllen-Edinburg-Mission, TX</td>
<td>58</td>
<td>113</td>
<td>51.3%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>College Station-Bryan, TX</td>
<td>26</td>
<td>52</td>
<td>50.0%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Las Vegas-Henderson-Paradise, NV</td>
<td>221</td>
<td>487</td>
<td>45.4%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Riverside-San Bernardino-Ontario, CA</td>
<td>361</td>
<td>817</td>
<td>44.2%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Tallahassee, FL</td>
<td>35</td>
<td>84</td>
<td>41.7%</td>
<td>Low</td>
<td>Low</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Metro</td>
<td>Net # Tracts Shifting Higher to Lower Vacancy</td>
<td>Total Tracts</td>
<td>Percent</td>
<td>Cost</td>
<td>Growth</td>
<td>Region</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------------------------------------------</td>
<td>--------------</td>
<td>---------</td>
<td>------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Atlanta-Sandy Springs-Alpharetta, GA</td>
<td>372</td>
<td>951</td>
<td>39.1%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>San Antonio-New Braunfels, TX</td>
<td>172</td>
<td>456</td>
<td>37.7%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Miami-Fort Lauderdale-Pompano Beach, FL</td>
<td>450</td>
<td>1212</td>
<td>37.1%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Macon-Bibb County, GA</td>
<td>22</td>
<td>60</td>
<td>36.7%</td>
<td>Low</td>
<td>Low</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Santa Maria-Santa Barbara, CA</td>
<td>32</td>
<td>88</td>
<td>36.4%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Waco, TX</td>
<td>20</td>
<td>57</td>
<td>35.1%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Orlando-Kissimmee-Sanford, FL</td>
<td>136</td>
<td>389</td>
<td>35.0%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Houston-The Woodlands-Sugar Land, TX</td>
<td>369</td>
<td>1067</td>
<td>34.6%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Corpus Christi, TX</td>
<td>33</td>
<td>97</td>
<td>34.0%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Phoenix-Mesa-Chandler, AZ</td>
<td>335</td>
<td>987</td>
<td>33.9%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Austin-Round Rock-Georgetown, TX</td>
<td>118</td>
<td>350</td>
<td>33.7%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Erie, PA</td>
<td>23</td>
<td>71</td>
<td>32.4%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Tyler, TX</td>
<td>13</td>
<td>41</td>
<td>31.7%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Reno, NV</td>
<td>33</td>
<td>110</td>
<td>30.0%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>San Diego-Chula Vista-Carlsbad, CA</td>
<td>187</td>
<td>626</td>
<td>29.9%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Grand Rapids-Kentwood, MI</td>
<td>56</td>
<td>200</td>
<td>28.0%</td>
<td>Low</td>
<td>High</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Brownsville-Harlingen, TX</td>
<td>24</td>
<td>86</td>
<td>27.9%</td>
<td>Low</td>
<td>Low</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Louisville/Jefferson County, KY-IN</td>
<td>81</td>
<td>299</td>
<td>27.1%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Tampa-St. Petersburg-Clearwater, FL</td>
<td>187</td>
<td>738</td>
<td>25.3%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Minneapolis-St. Paul-Bloomington, MN-WI</td>
<td>198</td>
<td>784</td>
<td>25.3%</td>
<td>High</td>
<td>High</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Ann Arbor, MI</td>
<td>25</td>
<td>100</td>
<td>25.0%</td>
<td>High</td>
<td>High</td>
<td>Rust Belt</td>
</tr>
</tbody>
</table>
large net downward decreases in vacancy were Sun Belt metro areas.

To identify very large vacancy changes at the tract level, Tables 11 and 12 examine the net change in tracts shifting categories, but this time these tables only consider tracts that increased (decreased) from one of the lower (higher) levels to one of the higher (lower) levels. Both tables list those metropolitan areas where the net number of tracts increasing from lower to very high (or decreased from very high to lower) levels amounted to over 10 percent of the tracts in the metro area. Table 11 indicates that there are five metro areas where over 10 percent of the tracts increased from lower to very high vacancy levels, with the three highest being in the Rust Belt.

In Table 12, which lists metro areas where over 10 percent of tracts saw very large declines in vacancy levels, all 10 metro areas are in the Sun Belt. Moreover, 6 of the 10 metro areas are in Florida, one of the “sand states” hit hardest by the foreclosure crisis.

### Racial and Economic Characteristics of Hypervacant Neighborhoods

We next turn to the racial and economic characteristics of neighborhoods at different vacancy levels in the Sun Belt and the Rust Belt, at the beginning and end of the study period. We are particularly interested in the characteristics of hypervacant tracts, that is, those at very high or extreme vacancy levels. Table 13 compares the racial compositions and poverty rates of tracts at different vacancy levels using the 2011 and 2018 five-year American Community Survey. The 2011 ACS data are used to describe the first quarter 2012 tracts and the 2018 ACS data are used to describe the first quarter 2019 tracts.

Low-vacancy tracts in the Rust Belt tend to have substantially lower Black and, especially, Latinx populations than low-vacancy tracts in the Sun Belt.\(^7\) The poverty rates of low-vacancy tracts in the Sun Belt are also substantially higher. Over the recovery period, the mean percent Black and Latinx population rose among low-poverty tracts in both regions, as did mean poverty rates.

High-vacancy tracts tend to look similar across the Rust Belt and Sun Belt, both at the beginning of the period and at the end. They tend to have substantial Black and Latinx populations, with those percentages increasing by 2019, especially in the Sun Belt. The mean poverty rate of high-vacancy tracts also increased a bit, from 20.6 percent to 22.5 percent in the Sun Belt and from 20.3 percent to 21.7 percent in the Rust Belt. Owing to smaller Latinx populations overall, high-vacancy tracts in the Rust Belt had substantially lower Latinx populations than those in the Sun Belt, and they declined slightly over the recovery period, while high-vacancy tracts in the Sun Belt saw a small increase in their mean share of the Latinx population.

We focus especially on hypervacant neighborhoods, which include those in the very high and extreme vacancy categories. Very high-vacancy tracts tend to have substantially larger Black populations in the Rust Belt than in the Sun Belt, although that difference declined by 2019. In 2019, the Black population in the very high-vacancy tracts in the Sun Belt had increased from 31.7 percent to 35.5 percent Black while declining from 42.3 percent to 38.5 percent in the Rust Belt. Again, there

### Table 11. Net Number of Tracts Experiencing Increase in Vacancy from Low-Mod to Very High-Extreme Level (2012 to 2019), Where Number of Tracts >10% of All Tracts in MSA

<table>
<thead>
<tr>
<th>Metro</th>
<th>Net Change</th>
<th>Total Tracts</th>
<th>Percent</th>
<th>Cost</th>
<th>Growth</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youngstown-Warren-Boardman, OH-PA</td>
<td>25</td>
<td>155</td>
<td>16.1%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Huntington-Ashland, WV-KY-OH</td>
<td>13</td>
<td>92</td>
<td>14.1%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Duluth, MN-WI</td>
<td>11</td>
<td>86</td>
<td>12.8%</td>
<td>Low</td>
<td>Low</td>
<td>Rust Belt</td>
</tr>
<tr>
<td>Clarksville, TN-KY</td>
<td>8</td>
<td>63</td>
<td>12.7%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Kingsport-Bristol, TN-VA</td>
<td>8</td>
<td>75</td>
<td>10.7%</td>
<td>Low</td>
<td>Low</td>
<td>Sun Belt</td>
</tr>
</tbody>
</table>
was a large difference in shares of the Latinx population between the regions, owing to the overall smaller Latinx population among Rust Belt metro areas. The poverty rates of very high-vacancy tracts remained high at the end of the period: 27.2 percent in Sun Belt very high-vacancy tracts and 29.6 percent in corresponding Rust Belt tracts.

Extreme-vacancy tracts in both regions tended to have large Black populations, with means ranging from 46.9 percent in the Sun Belt to 65.4 percent in the Rust Belt in 2012. While the mean Black population for such tracts increased in the Sun Belt, it actually declined significantly in the Rust Belt, although it remained high, at 61.9 percent. The 2019 poverty rates of extreme-vacancy tracts are high, and higher in the Rust Belt, which had a mean of 38.2 percent, with a mean of 31.0 percent in the Sun Belt. These figures held fairly steady over the recovery period.

Figures 3 and 4 illustrate the strong relationships between high levels of vacancy and the racial and poverty characteristics of census tracts in both the Sun Belt and the Rust Belt. Figure 3 shows that very high- and extreme-vacancy tracts, whether in the Sun Belt or the Rust Belt, tend to have substantial Black populations, although Rust Belt tracts in these categories have substantially larger mean percentages of Black residents. It is also notable that, in the Rust Belt, the low- and moderate-vacancy tracts have lower Black populations. Overall, Figure 3 suggests that, while the relationship between vacancy level and the percentage of the population that is Black is strong in both regions, it is stronger in the Rust Belt. This might be somewhat expected given the generally higher levels of Black segregation in the Rust Belt (Frey, 2018). Figure 4 shows that hypervacant tracts, again both in the Sun Belt and in the Rust Belt, tend to have higher poverty rates than tracts at lower vacancy levels. Once again, this relationship is somewhat stronger in Rust Belt than in Sun Belt metro areas.

**Conclusion**
The U.S. housing market recovery that began around 2012 brought with it increased housing demand and generally lower levels of housing vacancy. This recovery, however, was highly uneven, with population and home values growing much more in some regions than in others. In this paper, we have focused on medium-sized and large metropolitan areas in two regions of the country—the Sun Belt and the Rust Belt—that were gen-

### Table 12. Net Number of Tracts Changing from Very High-Extreme to Low-Mod Vacancy (2012 to 2019), Where Number of Tracts >10% of All Tracts in MSA

<table>
<thead>
<tr>
<th>Metro</th>
<th>Net Change</th>
<th>Total Tracts</th>
<th>Percent</th>
<th>Cost</th>
<th>Growth</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ocala, FL</td>
<td>15</td>
<td>61</td>
<td>24.6%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Augusta-Richmond County, GA-SC</td>
<td>25</td>
<td>119</td>
<td>21.0%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Gainesville, FL</td>
<td>12</td>
<td>69</td>
<td>17.4%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Crestview-Fort Walton Beach-Destin, FL</td>
<td>9</td>
<td>52</td>
<td>17.3%</td>
<td>High</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>College Station-Bryan, TX</td>
<td>9</td>
<td>52</td>
<td>17.3%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Port St. Lucie, FL</td>
<td>12</td>
<td>78</td>
<td>15.4%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Pensacola-Ferry Pass-Brent, FL</td>
<td>12</td>
<td>96</td>
<td>12.5%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Waco, TX</td>
<td>7</td>
<td>57</td>
<td>12.3%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Corpus Christi, TX</td>
<td>11</td>
<td>97</td>
<td>11.3%</td>
<td>Low</td>
<td>High</td>
<td>Sun Belt</td>
</tr>
<tr>
<td>Spartanburg, SC</td>
<td>7</td>
<td>69</td>
<td>10.1%</td>
<td>Low</td>
<td>Mixed</td>
<td>Sun Belt</td>
</tr>
</tbody>
</table>
erally hit particularly hard by the foreclosure crisis and experienced high levels of long-term housing vacancy at the beginning of the 2010s. In particular, we have focused on the extent to which the number of hypervacant neighborhoods in these metro areas had declined by 2019. We have also examined the racial and poverty characteristics of such neighborhoods. It is in these neighborhoods where the cumulative negative impacts of vacancy are expected to be the most severe and where the problem of vacancy is often the hardest to solve. Overall, we found that in the Sun Belt, in contrast to the Rust Belt, the share of tracts that were hypervacant declined over the 2012 to 2019 period, from about 10.2 percent to 6.6 percent. There was also a sizable increase in the share of tracts that fell into the low-vacancy (under 1 percent) category, from 36.4 percent to 51.6 percent.

Table 13. Mean Racial, Ethnic, and Poverty Characteristics of Tracts by Vacancy Level

<table>
<thead>
<tr>
<th></th>
<th>2012*</th>
<th>2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Black</td>
<td>% Latinx</td>
</tr>
<tr>
<td><strong>Total Tracts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 MSAs</td>
<td>15.2%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Sun Belt</td>
<td>15.8%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Rust Belt</td>
<td>16.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>Low Vacancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 MSAs</td>
<td>8.5%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Sun Belt</td>
<td>9.0%</td>
<td>23.9%</td>
</tr>
<tr>
<td>Rust Belt</td>
<td>3.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Moderate Vacancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 MSAs</td>
<td>12.5%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Sun Belt</td>
<td>14.3%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Rust Belt</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>High Vacancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 MSAs</td>
<td>21.4%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Sun Belt</td>
<td>21.2%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Rust Belt</td>
<td>22.4%</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>Very High Vacancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 MSAs</td>
<td>35.6%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Sun Belt</td>
<td>31.7%</td>
<td>20.1%</td>
</tr>
<tr>
<td>Rust Belt</td>
<td>42.3%</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>Extreme Vacancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200 MSAs</td>
<td>56.6%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Sun Belt</td>
<td>46.9%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Rust Belt</td>
<td>65.4%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

*Note: 2012 demographic characteristics are calculated using 2011 five-year ACS data; 2019 demographic characteristics are calculated using 2018 five-year ACS data.
Figure 3. Mean Percent Black of Census Tracts of Different Vacancy Levels, 2012 and 2019

*Note: 2012 racial data are from ACS 2011; 2019 racial data are from ACS 2018

Figure 4. Mean Poverty Rate of Census Tracts of Different Vacancy Levels, 2012 and 2019

*Note: 2012 poverty data are from ACS 2011; 2019 poverty data are from ACS 2018
Meanwhile, in the Rust Belt metro areas, hypervacant tracts remained roughly constant, falling only from 15.6 percent to 15.4 percent. Notably, the share of hypervacant tracts was still more than 50 percent higher in the Rust Belt in 2019 than in the Sun Belt in 2012, before the broader national recovery. And the share of hypervacant tracts in the Rust Belt in 2019 was 2.3 times the share in the Sun Belt in 2019. The Rust Belt did see a net decrease in vacancy, but it was primarily from tracts in the moderate and high levels shifting to the moderate or low levels while the share of tracts at the more extreme levels remained roughly constant.

Despite the greater persistence of hypervacant neighborhoods in the Rust Belt, the results above also show that such neighborhoods do exist in the Sun Belt to a significant degree. This is primarily because the Sun Belt also includes a substantial number of low-cost, low-growth metro areas, the type that tend to have the highest numbers of very high- and extreme-vacancy census tracts. Of the 58 larger metro areas in this category, 22 (38 percent) are located in the Sun Belt, while 30 (52 percent) are located in the Rust Belt. In both regions, these types of metro areas saw their shares of tracts with very high or extreme vacancy levels remain about constant over the 2012 to 2019 period, at about 17.5 percent. This potentially supports the idea that larger regional factors are not as significant for hypervacancy as metro-level market factors are, such as cost or growth.

Low-growth metro areas do comprise a substantially smaller share of the Sun Belt metro areas than of the Rust Belt metro areas. For example, there are 41 high-growth metro areas in the Sun Belt, but only 6 in the Rust Belt. Since Sun Belt metro areas tend to be higher growth, they tended to see larger declines in vacancy, including declines in the number of very high- and extreme-vacancy tracts.

We identified the net number of census tracts that shifted vacancy levels—either upward or downward—and found that, while only 5 larger MSAs saw a large (25 percent) net shift of tracts toward higher vacancy levels during the 2012 to 2019 period, 35 MSAs saw a large net shift toward lower vacancy levels. Moreover, while all 5 of the MSAs with increasing vacancy were located in the Rust Belt, 29 of the 35 with decreasing vacancy were located in the Sun Belt. Florida metro areas, in particular, tended to experience some of the largest net shifts from higher to lower vacancy levels.

Finally, we found that neighborhoods with higher poverty rates and/or larger Black populations were more likely to suffer from hypervacancy, especially in Rust Belt metro areas. In the Rust Belt metro areas in 2019, the mean Black population was 38.5 percent in very high-vacancy tracts and 61.9 percent in extreme-vacancy tracts. The shares were somewhat lower, but still high, in Sun Belt metro areas, at 35.5 percent and 49.9 percent, respectively. The poverty rate for extreme-vacancy tracts exceeded 38 percent in the Rust Belt in 2019 and was 31 percent in the Sun Belt. At the same time, the low-vacancy tracts in the Rust Belt tended to have very small Black populations (a mean of 5.3 percent) and low poverty rates (a mean of 8 percent), while the corresponding means were somewhat higher in the Sun Belt low-vacancy tracts (a mean of 10.1 percent Black and 12.4 percent poverty). Overall, the association between the share of Black population and the poverty rate, on the one hand, and the vacancy level, on the other, was stronger in Rust Belt than in Sun Belt metro areas.

The fact that neighborhoods with greater Black populations are more likely to suffer from hypervacancy and that this relationship is stronger in Rust Belt metro areas suggests that historical and current forces of segregation and discrimination may explain the existence and persistence of hypervacancy. Disinvestment remains an especially potent force, both in Rust Belt metro areas and in lower-growth metro areas elsewhere, and remains heavily racialized (Hackworth, 2019). Black neighborhoods continue to be generally undervalued compared with other neighborhoods by appraisers, lenders, and other actors in the real estate market (Perry et al., 2018). Without stronger policy interventions, including the increased enforcement and expansion of the Fair Housing Act and the Community Reinvestment Act, the forces of discrimination and segregation are likely to reinforce and perpetuate the racialized nature of hypervacancy.

This study demonstrates that metropolitan housing market trends are strongly related to the resilience of neighborhoods when it comes to long-term vacancy rates. Whether in the Rust Belt or the Sun Belt, metropolitan growth and cost structures during the 2012 to 2019 period appear to have had a strong influence on whether, and to what degree, the very high and extreme levels of neighborhood vacancy persisted. Moreover, the findings here challenge any oversimplified notion that weak market regions are predominantly located in the Rust Belt and show that, in weaker-growth Sun Belt metro areas, high levels of persistent hypervacancy remained a problem throughout the broader national recovery.

Austin Harrison is a visiting assistant professor of urban studies at Rhodes College. His research interests include neighborhood change, community development, urban policy, and...
shrinking cities. In addition to his research, Harrison has consulted with various entities across the country to implement programs and policies aimed at inclusively revitalizing neighborhoods, developing quality affordable housing, and stabilizing systemically disinvested communities. He also serves as a research fellow for Innovate Memphis, a data intermediary in Memphis, Tennessee, focused on applied data analysis and research to spur advocacy for a variety of neighborhood-level challenges in the Memphis area.

Dan Immergluck is professor of urban studies at Georgia State University. His research concerns housing, real estate finance, neighborhood change, and community development. Immergluck is the author of four books, over 60 scholarly articles, numerous book chapters, and scores of research reports. He has been a consultant for the U.S. Department of Housing and Urban Development, the Department of Justice, Atlanta Legal Aid, and other organizations. Immergluck has been cited and quoted in the New York Times, the Washington Post, the Wall Street Journal, and other media. He has testified several times before the U.S. Congress, as well as before the Federal Reserve Board. He has served as a visiting scholar at the Federal Reserve Bank of Atlanta and as a senior fellow at the Center for Community Progress in Washington, DC. His next book, Red-Hot City: Housing, Race, and Exclusion in Twenty-First Century Atlanta, will be published by the University of California Press in 2022.

Endnotes
1 The Rust Belt is defined here as it is by Hackworth (2019), who includes the states bordering the Great Lakes, including Indiana, Illinois, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin, as well as two large metropolitan areas that spill over into one of these states: St. Louis and Louisville. The New York City and Philadelphia metro areas are excluded from the Rust Belt. The Sun Belt is defined as it has been by Strom (2017), which includes the states south of the 37th parallel: North Carolina, South Carolina, Georgia, Alabama, Mississippi, Tennessee, Louisiana, Arkansas, Oklahoma, Texas, New Mexico, Arizona, Florida, Nevada, and Southern California.

2 In the third quarter data release of 2011, there was a significant change in methodology and reporting, making it problematic to compare data before and after the third quarter of 2011. The data also began to be reported in 2010 census tracts in 2012, eliminating the need to estimate changes across differing census geographies.

3 In other words, the calculation omitted no-stats from both the numerator and the denominator when determining long-term vacancy rates.

4 The median home value figures were taken from the 2018 five-year American Community Survey estimates.

5 From 2011 to 2018, delineations of MSAs by the U.S. Office of Management and Budget (OMB) changed. Therefore, we manually cross-walked the 2011 data using the 2018 definition and county data to create spatially comparable 2011 data for calculating the change variable. The MSA definitions are based on the 2018 OMB definition.

6 As explained above, low vacancy tracts are those with a vacancy rate from 0 percent to 0.9 percent; moderate vacancy tracts have vacancy rates ranging from 1 percent to 3.9 percent; high vacancy tracts have a 4 percent to 7.9 percent vacancy rate; the very high category ranges from 8 percent to 13.9 percent; and the extreme category includes any tract with a vacancy rate over 14 percent.

7 Rust Belt metro areas tend to have much smaller Latinx populations than Sun Belt metro areas. Of all tracts among the 200 largest metro areas, the mean Latinx share was 27.9 percent in 2018 in the Sun Belt versus 8.5 percent in the Rust Belt.

References


## Appendix

### Table A1. Sun Belt and Rust Belt Metro Areas Categorized by Cost and Growth (Corresponds to Figure 2)

## Sun Belt

<table>
<thead>
<tr>
<th>City</th>
<th>Cost</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami-Fort Lauderdale-Pompano Beach, FL</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Naples-Marco Island, FL</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Orlando-Kissimmee-Sanford, FL</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Cape Coral-Fort Myers, FL</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>North Port-Sarasota-Bradenton, FL</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Crestview-Fort Walton Beach-Destin, FL</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Las Vegas-Henderson-Paradise, NV</td>
<td>High</td>
<td>Growth</td>
</tr>
</tbody>
</table>

## Rust Belt

<table>
<thead>
<tr>
<th>City</th>
<th>Cost</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Louis, MO-IL</td>
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<td>Growth</td>
</tr>
<tr>
<td>Rockford, IL</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Champaign-Urbana, IL</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Peoria, IL</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Davenport-Moline-Rock Island, IA-IL</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Fort Wayne, IN</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Louisville/Jefferson County, KY-IN</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Cincinnati, OH-KY-IN</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Evansville, IN-KY</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>South Bend-Mishawaka, IN-MI</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Huntington-Ashland, WV-KY-OH</td>
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<td>Growth</td>
</tr>
<tr>
<td>Duluth, MN-WI</td>
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<td>Growth</td>
</tr>
<tr>
<td>Binghamton, NY</td>
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<td>Growth</td>
</tr>
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<tr>
<td>Rochester, NY</td>
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</tr>
<tr>
<td>Syracuse, NY</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Canton-Massillon, OH</td>
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<td>Growth</td>
</tr>
<tr>
<td>Cleveland-Elyria, OH</td>
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<tr>
<td>Toledo, OH</td>
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<td>Growth</td>
</tr>
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<td>Dayton-Kettering, OH</td>
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<td>Growth</td>
</tr>
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<td>Growth</td>
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<tr>
<td>Akron, OH</td>
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<tr>
<td>Pittsburgh, PA</td>
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<td>Reading, PA</td>
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<td>Growth</td>
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<tr>
<td>Harrisburg-Carlisle, PA</td>
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<td>Growth</td>
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<td>Erie, PA</td>
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<td>Growth</td>
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<tr>
<td>Scranton-Wilkes-Barre, PA</td>
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</tr>
<tr>
<td>York-Hanover, PA</td>
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<td>Growth</td>
</tr>
<tr>
<td>Green Bay, WI</td>
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</tr>
<tr>
<td>Appleton, WI</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Indianapolis-Carmel-Anderson, IN</td>
<td>Low</td>
<td>Mixed Growth</td>
</tr>
<tr>
<td>Lansing-East Lansing, MI</td>
<td>Low</td>
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</tr>
<tr>
<td>Flint, MI</td>
<td>Low</td>
<td>Mixed Growth</td>
</tr>
<tr>
<td>Detroit-Warren-Dearborn, MI</td>
<td>Low</td>
<td>Mixed Growth</td>
</tr>
<tr>
<td>Buffalo-Cheektowaga, NY</td>
<td>Low</td>
<td>Mixed Growth</td>
</tr>
<tr>
<td>Grand Rapids-Kentwood, MI</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Kalamazoo-Portage, MI</td>
<td>Low</td>
<td>Growth</td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>Low</td>
<td>Growth</td>
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<tr>
<td>Chicago-Naperville-Elgin, IL-IN-WI</td>
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<td>Growth</td>
</tr>
<tr>
<td>Allentown-Bethlehem-Easton, PA-NJ</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Albany-Schenectady-Troy, NY</td>
<td>High</td>
<td>Growth</td>
</tr>
<tr>
<td>Lancaster, PA</td>
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<td>Growth</td>
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<td>Minneapolis-St. Paul-Bloomington, MN-WI</td>
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<td>Growth</td>
</tr>
<tr>
<td>Fargo, ND-MN</td>
<td>High</td>
<td>Growth</td>
</tr>
</tbody>
</table>
Embedded in the legislation, however, was an assumption that demand existed for property if barriers to reuse were removed from foreclosure law, an expectation that was often not realized. In addition, no one foresaw that, in the aftermath of the deep 2007-2009 recession, tens of thousands of households would fail to pay property taxes and lose their homes or that many landlords and owners of commercial properties would also not pay their taxes and would experience foreclosure.

Other legislation, when implemented in coordination with tax foreclosure, could have reduced the harm to residents and to property. Several provisions allow for reduction of property taxes billed to low-income homeowners or passed on to low-income renters (Lincoln Institute of Land Policy, 2018). Most notably, in 1980 the legislature enacted the poverty tax exemption, which states that the property of low-income owner occupants is exempt from taxation after approval of an application; local officials determine the details of the program (Michigan Public Act 142 of 1980). Legislation in 2003 enabled counties and the City of Detroit to set up land banks that could manage the sale of tax-reverted properties after the county tax auctions (Michigan Public Act 258 of 2003). The way land banks handle properties can hold promise to reduce the harm of tax foreclosures for homeowners and renters and to prevent more damage to property (Dewar, 2006, 2015).

The impact of tax foreclosures was most apparent in Detroit, the Michigan city that has experienced the most property tax foreclosures over the past two decades. From 2002 (the first year that properties were foreclosed under the new law) through 2019, Detroit saw roughly 135,500 properties tax foreclosed at least once, more than 35 percent of all properties in the city. Although the density of tax foreclosures varied, no area of the city was untouched (Figure 1). More than 25,400 of these properties went through tax foreclosure more than once (Data Driven Detroit, 2020).

Numerous articles and reports have looked at aspects of the city’s tax foreclosure problem (for example, Coenen et al., 2011; MacDonald, 2011c; Atuahene and Berry, 2019). This article analyzes the situation by bringing together the extensive writing on tax foreclosure as well as drawing on my experience working on tax foreclosure issues since 2004 with community and nonprofit
organizations and public agencies. In sum, this analysis shows that residents’ financial hardship, the city government’s fiscal emergency, and city and county officials’ failure to implement relief provisions led to a huge increase in tax foreclosures. After 2015, improvements in the local economy, the city government’s emergence from bankruptcy, and many efforts to prevent tax foreclosure reduced the numbers considerably. Nevertheless, most efforts were temporary, and the next recession could threaten large increases in tax foreclosures again.

Although Detroit has suffered a more extreme decline in population, households, and jobs than most cities, the extent of the challenges in implementing and preventing tax foreclosure in the context of weak demand for property serves to expose, more clearly than in less affected cities, the difficulties in preventing harm to owner occupants and renters and to properties. This suggests what may occur in other housing markets with high poverty rates and similar tax foreclosure law and prevention measures. The following sections analyze what led to increased tax foreclosures from 2002 through 2015; describe the results of efforts to reduce tax foreclosures following 2015; and suggest reasons that tax foreclosures remain an important threat to low-income homeownership, renters’ housing stability, and disinvestment prevention.

The Tax Foreclosure Problem
Detroit has endured chronic population and housing loss. Population fell 64 percent from 1950 through 2019, and, as the supply of housing slowly adjusted, the city lost 35 percent of its housing units from the peak number of units in 1960 through 2019. Disinvestment and property abandonment were thus inevitable as housing supply fell in response to the drop in demand. Decline led to budget crises as city revenues and federal and state intergovernmental transfers fell (Bomey and Gallagher, 2013). The population that experienced this change became poorer and predominantly nonwhite (U.S. Bureau of the Census 1952, 1962, 2019).

The rise in tax foreclosures after 2007, however, occurred in the context of acute crises for city residents and the city government, as mortgage foreclosures and the deep recession ran their course. From 2005 through 2014, total mortgage foreclosures exceeded 78,000, about 28 percent of houses that could have received mortgage financing (Deng et al., 2018, p. 154). Property values fell by 87 percent from 2003 through 2009 and then began a slow recovery (Detroit Board of Realtors, 2003–2014). Median household income stood at about $29,500 in 1999 and had fallen to less than $26,000 in nominal dollars by 2015. The poverty rate peaked at 42.3 percent in 2012 (U.S. Bureau of the Census, 2000, 2012, 2015).
By the time the city declared bankruptcy in 2013, the government had delivered few city services for a long time. Even fire and police services were inadequate (Bomey, 2017).

Tax foreclosures on all types of properties rose from 189 in 2002 to a peak of more than 24,400 in 2015 (Figure 2). The share of tax foreclosed properties that had structures ranged from a low of 26 percent in 2006 to a high of 95 percent in 2012. Less reliable estimates showed that, in most years, more than one-third of the structures were occupied, with a high of 56 percent occupied in 2014. Many who lost properties to tax foreclosure were owner occupants. In 2002 and 2003, about 28 percent of foreclosed residential properties with structures were likely owner occupied; this number had risen to about 40 percent in 2012, suggesting that the scale of foreclosures had overwhelmed the efforts of nonprofit organizations and the county treasurer’s office to prevent foreclosure of owner-occupied properties (Dewar, Seymour, and Druţă 2015, pp. 596, 597). The Neighbor to Neighbor project (a partnership of the Quicken Loans Community Fund, neighborhood organizations, and a nonprofit organization that leads efforts to prevent and address loss of homes to tax foreclosure) reported that 74 percent of occupied residential structures in the 2014 tax foreclosure auction were owner occupied (Neighbor to Neighbor 2020, p. 9). Renters felt the effects of tax foreclosure as well when their homes went into foreclosure.

The process of handling properties following tax foreclosure added to the problems facing residents, neighborhoods, and city officials. Each March, city officials forward delinquent taxes from the previous year, fees, and interest to the Wayne County treasurer for collection. Interest initially accrues at a rate of 12 percent per year, then increases to 18 percent in the second year of delinquency and applies retroactively to the previous year (Michigan Compiled Laws 211.78a, 78g). If the property owner does not pay the bill, the treasurer forecloses on the property after two additional years. For the next few months the state, city, and county governments have the right to purchase properties from the treasurer for the amount of taxes, fees, and interest owed to other public entities. The county treasurer then offers the remaining foreclosed properties at a first auction where the minimum bid is the sum of delinquent taxes, fees, and interest owed to other public entities. The county treasurer then offers the remaining foreclosed properties at a first auction where the minimum bid is the sum of delinquent taxes, fees, and interest owed to other public entities. The county treasurer then offers the remaining foreclosed properties at a first auction where the minimum bid is the sum of delinquent taxes, fees, and interest owed to other public entities.

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transferred unsold properties to the City of Detroit, and they eventually became part of the Detroit Land Bank Authority’s inventory.

From 2002 on, investors (owners—whether for profit or nonprofit—who did not occupy their property) purchased the majority of all properties sold at the auctions. From 2005 through 2015, investors purchased 88 percent of these properties (Akers and Seymour, 2018, p. 133). About 7 percent of the residential properties that investors purchased at the tax auction between 2009 and 2014 had been demolished at public expense by mid-2019 (Akers and Seymour, 2019, p. 29). Taking advantage of a loophole in the law, some investors did not pay their tax bills and allowed their properties to go into tax foreclosure again. They repurchased their properties at the second auction under the names of relatives or different corporations for less than they had owed in taxes, a process some repeated numerous times. An investigative reporter identified 200 out of nearly 3700 total properties sold at the auction in 2010 that were bought back by their investor owners (MacDonald, 2011c, 2017). State law gave county treasurers the authority to forbid the sale of properties to owners who had tax delinquency, but the Wayne County treasurer could not enforce this provision. His office lacked the staff to investigate who the owners were and whether they had previously lost property to tax foreclosure (MacDonald, 2011a, 2013b).

A share of the investors were “bulk buyers.” Eleven bulk buyers, defined as purchasing more than 80 properties at the auctions from 2002 through 2010, bought 24 percent of all properties sold, the great majority of these for $500 each at the second auction (Coenen et al., 2011, p. 67). From 2005 through 2015, 40 percent of properties sold at the tax auctions went to investors who bought at least 50 properties (Akers and Seymour, 2018, p.133). These large investors had varied business models (Mallach, 2010; Coenen et al., 2011; Akers and Seymour, 2018). A few invested in repairs and then resold the properties at a profit with a positive effect on the properties and their neighborhoods, but many advanced disinvestment in the city’s housing stock. The most destructive became notorious as “milkers,” “flippers,” and “obstructionists.” Milkers purchased residential properties in poor condition, rented them or sold them through land contracts without improvements, and thus continued disinvestment in the city’s housing stock. The most destructive became notorious as “milkers,” “flippers,” and “obstructionists.” Milkers purchased residential properties in poor condition, rented them or sold them through land contracts without improvements, and thus continued disinvestment (MacDonald, 2011b; Gross 2018b, 2018c, Mallach, 2010, p. 10). Flippers resold houses for higher prices within a year of the auction if they could, often without additional investment. If properties did not sell, flippers frequently opted not to pay taxes and to let properties go back into tax foreclosure. Obstructionists purchased properties to get in the way of planned or potential development to profit by selling at very high prices or to preserve their own businesses’ market control. They, too, did not invest in property improvements (Coenen et al., 2011; Dewar, 2015).

Research on neighborhood change has shown that higher rates of homeownership are associated with better property maintenance, longer tenure, and more engagement with efforts to maintain and strengthen neighborhoods (for example, Galster, 1987; Rohe and Stewart, 1996). Research on sales of tax liens or of foreclosed properties has concluded that bulk buyers dominate the purchases (Olson and Lachman, 1976; Lake, 1979). Many then increase their income by not paying property taxes (Alexander, 2000, p. 749; Olson and Lachman, 1976). The implication of the research is that the Wayne County treasurer should preserve owner occupancy and avoid sales to irresponsible landlords in order to preserve neighborhoods and deter disinvestment. The tax auctions do not accomplish this.

Reasons tax foreclosures rose

The rise in tax foreclosures from 2002 to a peak in 2015 had several explanations. Loss of income and increases in poverty and unemployment meant that many owner occupants who could pay their taxes in the past no longer could do so. Journalists and others described numerous households that lost their homes as their financial situations worsened or that struggled to untangle ownership issues common in a low-value housing market (for instance, failure to take property through probate, delinquent tax bills undisclosed at recent purchase, and land contract purchases that were not recorded) (Gopal, 2015; Gross, 2017; Alvarez, 2018; Neighbor to Neighbor, 2019). Further, in the neighborhoods where mortgage and tax foreclosures were common, tax foreclosure became a way out of ownership as owners faced difficulty finding any purchaser. Directors of community development organizations could not accept gifts of such houses because they could not obtain grants large enough to cover the difference between the cost of rehabilitation and the eventual sale price (personal communication, executive director of a Community Development Corporation January 2015).

As property values fell, the City of Detroit assessor too slowly adjusted the assessed values downward. Therefore, owners received tax bills that grew as a percentage of their property’s market value (MacDonald, 2013a). This problem was especially acute for low-value properties. Property tax assessments were regressive; the assessment ratio (assessed value/market value) was higher for lower-value properties than for higher-value ones as of 2010 (Hodge et al., 2017). The assessor had few comparable sales to use in judging what the assessed
value should be for lower-value properties because the majority of sales were due to mortgage foreclosures, tax foreclosures, REO sales, and land bank transfers, which did not meet the criteria for inclusion in an appraisal (Bails et al., 2015, pp. 47-49; State Tax Commission 2018, chapters 3, 4; Atuahene and Berry, 2019). The state constitution states that assessed value must be set at 50 percent of market value (Michigan Constitution, Art. IX, sec. 3). As of 2016, low-value properties that had recently sold for $1,800 to $10,000 were assessed at nearly 90 percent of their price, while the top 10 percent of properties in value, those that sold for $60,000 or more, were assessed at less than 30 percent. Nearly 90 percent of properties with prices in the lowest decile of sales had assessments that violated the state constitution (Center for Municipal Finance, 2020, pp. 8, 10).

The Detroit assessor’s adjustment of assessed values was handicapped by operations that were “inefficient, ineffective, and lacking in some areas” (City of Detroit Office of the Auditor General, 2012, p. 3), a flawed process of transferring data to a new online system, and loss of staff due to budget cuts (City of Detroit Office of the Auditor General, 2012; Atuahene and Berry, 2019). In addition, the state’s tax law meant that downward adjustments in assessments had long-lasting effects if they also resulted in a reduction in taxable values, a situation that incentivized assessors to avoid reducing assessments. A property’s annual taxable value increase was limited to the lesser of 5 percent or the rate of inflation until the property was sold; taxable value was set equal to assessed value after sale (State Tax Commission, 2018, chapter 8). In addition, the constitution limited the annual increase in a jurisdiction’s tax revenue growth to the inflation rate; as total assessed value rose, millage rates had to decrease to keep from exceeding the limit in revenue growth (State Tax Commission, 2018, chapter 1; Michigan Constitution, Art. IX, sec. 31). A suburban county executive estimated in 2011 that, owing to the restrictions, the county would not regain its 2007 taxable value until 2025 even if the housing market recovered within a few years (French, 2010; Haglund, 2011).

Further, the city government’s failure to provide basic public services undermined owners’ willingness to pay their property tax bills. As of early 2013, owners of 47 percent of Detroit’s taxable properties had not paid their taxes in 2012, amounting to about $131 million due the city government, equal to 12 percent of the general fund budget (MacDonald and Wilkinson, 2013). This was not a new problem, although it had become more extreme. In 2003, city officials reported that a third of properties were tax delinquent (Collins, 2003, p. 10). By 2013, many taxpayers expressed outrage at the expectation that they should pay their high property taxes when the city government provided so few public services. As the authors of one study stated, the widespread tax delinquency reflected a “social contract in crisis” (Alm et al., 2014).

State law provided ways in which government officials could relieve the property tax burden for owner occupants (Grove, 2007). The Wayne County treasurer, however, was slow to publicize these provisions or to articulate a clear set of tax foreclosure prevention measures, even as other counties did so (Catherine Town, foreclosure prevention officer, Genesee County, interview with the author, June 26, 2006). The Detroit city assessor in turn did not publicize the state-mandated poverty tax exemption sufficiently and put in place a complex and difficult application process (Bails et al., 2015, pp. 50, 52; MorningSide Community Organization v. Sabree, 2016). The exemption allowed those with very low household incomes to gain a full or partial exemption from their property taxes for the coming year. This meant that by 2015, thousands of owner occupants had lost their homes because of bills they never should have received.

**Reasons for the decline in tax foreclosures after 2015**

The rise in tax foreclosures galvanized many to try to stop the flood of foreclosures. Thousands of residents and other volunteers worked through neighborhood, community development, and nonprofit organizations. Also joining efforts to reduce tax foreclosures were advocacy coalitions, legal aid organizations, investigative reporters, opinion page writers, the NAACP, United Way, university faculty and students, philanthropies, the Center for Community Progress (a national nonprofit organization that addresses vacant and abandoned properties), the CEO of a technology company, the mayor, City Council members, and some state legislators.

The number of tax foreclosures declined sharply after 2015 (Figure 2). An important reason was that the economy recovered somewhat, although never to the level that preceded the onslaught of mortgage foreclosures and the financial crisis. As unemployment and poverty rates declined, more owners had the resources to pay their taxes or reasons to keep their properties. In addition, the City of Detroit came out of bankruptcy in late 2014 with restructured finances, meaning that more funding could go to city services. Mayor Mike Duggan, with a strong background in the management of large public and nonprofit institutions, and his administration made considerable progress in improving city services. In early 2014, he announced cuts in property tax assessments of 5 to 20 percent immediately, to be followed by a full reassessment of properties over several years (Nichols, 2014). The first comprehensive reassessment in 60 years was completed in 2017, with 53 percent of properties’ tax
assessments lowered further, although others experienced a small increase. The mayor attributed the higher rate of payment of property tax bills—expected to reach 82 percent that year—to this change (Helms, 2017).

The enormous efforts of many residents and people in government, nonprofit organizations, and the private sector accounted for the rest of the reduction. The discussion below describes several of these approaches, their help in reducing the numbers, and the challenges that remain.

From the beginning of the implementation of the new tax foreclosure law, owners could apply to delay payments or receive relief (Grove, 2007). As tax foreclosures rose, city and county officials and legislators sought short-term measures to help owner occupants avoid foreclosure. In 2014, Mayor Duggan asked the legislature to give county treasurers the right to implement new types of tax payment plans. The new provisions, enacted in early 2015, allowed homeowners to enroll in plans to pay delinquent taxes over the next five years with, under one alternative, the interest rate on the debt reduced from 18 percent to 6 percent per year or, under a second alternative, the total of delinquent taxes, fees, and interest capped at one-fourth of the property’s market value (Michigan Public Act 499 of 2014; Michigan Public Act 500 of 2014). The cap on the amount of debt expired in June 2016 with little implementation by the Wayne County treasurer. The payment plans with interest reduction, however, enabled the treasurer to prevent tens of thousands of owner-occupied properties from going into tax foreclosure and likely contributed more than any other factor to the decline in foreclosures. Prior to the 2016 auction, 23,000 owner occupants enrolled in payment plans. In 2015 more than 9,100 occupied homes had faced foreclosure, and by 2019, this number was down to about 500 (MacDonald, 2016a; MacDonald and Betancourt, 2019).

By 2019, however, nearly 40 percent of the households that had enrolled in payment plans had been foreclosed or faced foreclosure in the coming year. Almost one-fourth of the households on payment plans owed more than they had when they initially enrolled (MacDonald and Betancourt, 2019). This set up many more households to lose their properties to tax foreclosure when they did not complete payment of their debt within the five-year payment period. Recognizing this problem and at the urging of local officials, the legislature enacted a new provision in early 2020. The Pay As You Stay (PAYS) program allowed households that received the poverty tax exemption to enroll in a payment plan for up to three years that would reduce delinquent taxes to 10 percent of the property’s “taxable value” (which meant at most 5 percent of market value) and forgive interest and fees (Michigan Public Act 33 of 2020; Kaffer, 2019a).

The effectiveness of PAYS in giving low-income homeowners a chance to clear their debt will depend on the extent to which owner occupants obtain the poverty tax exemption and are able to enroll in PAYS. The treasurer’s process for PAYS enrollment, launched in April 2020, was untested. The poverty tax exemption, however, required a complex annual application. From 2012 through 2016, an estimated 35,000 owner-occupied households (28 percent of the city’s homeowners) were eligible for a full exemption of property taxes (Eisenberg, Mehdipanah, and Dewar, 2020, p. 1418). Each year from 2006 through 2017 between 9 and 15 percent of those eligible applied for the exemption (Atuahene, 2020, p. 158). The largest number of households approved for a full exemption was about 7,600 in 2019, approximately 22 percent of those eligible, an increase that reflected a substantial effort to reach each household with delinquent taxes, to offer application assistance from neighborhood-based organizations, and to make improvements in publicity and application processing, as discussed further below (Neighbor to Neighbor, 2020, p. 5; Eisenberg, Mehdipanah, and Dewar, 2020, p. 1418; MorningSide Community Organization v. Sabree, 2018).

Efforts to inform property owners about the poverty tax exemption and to reform it promised to help reduce owner occupants’ tax foreclosures and became a focus for many working to prevent both owner occupants and renters from losing their homes. Volunteers with the Neighbor to Neighbor project visited 60,000 properties with tax delinquency to provide information on the poverty exemption, payment plans, and state programs that could provide relief to some (Neighbor to Neighbor, 2019). The Quicken Loans Community Fund supported 13 community organizations in providing monthly sessions to help property owners apply for the poverty exemption. This likely accounted for the increase of 25 percent in households approved for the exemption between 2018 and 2019 (Neighbor to Neighbor, 2020, p. 5; Biron, 2020). The increase was a notable accomplishment, but the amount of effort it required also delivered a cautionary message about whether this could provide a long-term solution to the tax foreclosure problem. As a volunteer at one of the sessions, I helped three homeowners with the application in four hours. Other volunteers backed up those meetings with property owners by checking in the people seeking assistance, downloading the form, copying documents, and notarizing the completed application. The number of volunteer person-hours required to complete one application was
The City of Detroit exercised its right-of-first-refusal to pay property taxes and to prevent sale to exploitative landlords causing tenants to lose their homes because of their landlords’ failure to maintain properties. A model implemented in 2017 to protect renters from losing their homes within a few years due to tax delinquency was built on the premise that many homeowners would be able to return to tax foreclosure, for sale back to the original owner occupants. The sale back to original owner occupants was built on the premise that many homeowners would be able to return to tax foreclosure, for sale back to the original owner occupants. The longer-term effectiveness of this approach will depend on how many homeowners avoid returning to tax foreclosure and other crises developed, the large numbers of volunteers would become more difficult to recruit.

In 2018, the City of Detroit settled a lawsuit that the ACLU and the NAACP had brought in 2016. The plaintiffs sued the county and the city to halt “the foreclosures and sales of all owner-occupied homes that have been improperly over-assessed,” to ensure “procedural due process” for all applicants for the poverty tax exemption, and to allow those eligible to apply retroactively (MorningSide Community Organization v. Sabree, 2016, p. 3). The settlement of the lawsuit between the plaintiffs and the county treasurer, the City of Detroit, and the Detroit Citizens Board of Review (the entity within the city assessor’s office that reviews applications for poverty tax exemptions) listed specific changes that the city officials would make to the administration of the exemption. The City Council followed up to codify the agreed-upon changes to the poverty tax exemption application process (Gross, 2018a).

To provide relief to low-income homeowners who had been eligible for the poverty tax exemption but had not received it from 2014 through 2017, the settlement called for the City of Detroit to use its right-of-first-refusal prior to the tax auction to purchase owner-occupied foreclosed houses where the occupant was eligible for the poverty tax exemption for specified years during the delinquency period. City officials would then transfer these properties to the United Community Housing Coalition (UCHC), a nonprofit organization long involved in efforts to prevent tax foreclosure, for sale back to the original owner occupant for $1,000 (MorningSide Community Organization v. Sabree 2018). No estimates existed for how many former owner occupants might benefit from this provision. The longer-term effectiveness of this approach will depend on how many homeowners avoid returning to tax foreclosure within a few years.

The sale back to original owner occupants was built on a model implemented in 2017 to protect renters from losing their homes because of their landlords’ failure to pay property taxes and to prevent sale to exploitative investors likely to purchase the properties at the auction. The City of Detroit exercised its right-of-first-refusal to purchase 80 occupied rental properties and transferred them to the UCHC, which then sold most of these houses to the renter occupants for about $5,000 each. This program grew as a way to remediate the damage of tax foreclosures, although it did not reduce the number of foreclosures (Neighbor to Neighbor, 2020, p. 7). In 2016, the Detroit Land Bank Authority launched a program to sell land bank houses to their occupants if they had prior claims to the properties or met other specific conditions (Detroit Land Bank Authority, 2019). The land bank had gained ownership after properties failed to sell at the tax auctions.

In early 2020, investigative reporters conservatively estimated that the City of Detroit had overtaxed residential properties by $600 million prior to the full reassessment in 2017 (MacDonald and Betancourt, 2020a, 2020b). This report, along with pressure from advocacy groups, led the City Council to consider whether taxpayers who had received inflated bills could be compensated. The mayor stated that the city could not afford to compensate taxpayers and that he had done everything legally possible to address the problem since taking office six years earlier (MacDonald, 2020a, 2020b).

The efforts of many people now serve as difficult and costly work-arounds or stop-gap measures to counter the damaging effects of the tax foreclosure system. As the CEO of a parcel-mapping technology company said, “It comes down to a choice: are we a county and a city that sells grandma’s house to strangers over the internet? Right now we still are” (J. Paffendorf in Gross, 2017). “Wayne County and Detroit are creating a humanitarian catastrophe by tossing thousands of homeowners into the streets for inability to pay unlawfully assessed taxes,” said Michael Steinberg of the ACLU when he and others filed suit in 2016 (MacDonald, 2016b).

**Why No Long-Term Solution to the Tax Foreclosure Problem?**

The number of tax foreclosures has fallen substantially since the peak in 2015, but the pandemic-induced recession will likely increase tax delinquency because homeowners have lost jobs and income not only in Detroit but also elsewhere in the nation. Tax foreclosures increased across the country during and after the last recession (Rao, 2012). If long-term solutions to tax foreclosure could be implemented in Detroit, they could serve as a model for other jurisdictions facing the need to protect vulnerable people and preserve housing despite tax delinquency. Housing disinvestment inevitably occurs after a city loses substantial population and incomes fall. Public actions or failures to act, however, should not advance the loss of low-income owner occupants’ housing or enable investors’ extraction of profit from deteriorated structures with...
low-income tenants. The solutions in place thus far have lessened tax foreclosure problems, at least in the short term, but have not solved them.

Tax foreclosure problems have been difficult to solve long term for several reasons. Many possible solutions within the constraints of the law and regulations may have unforeseen harmful consequences, would deliver minimal benefits, or would cost too much. At a December 2019 meeting of many people working on addressing the tax foreclosure problem, numerous participants updated the group on specific efforts without coming up with significant, feasible reforms that could solve the problem. The meeting ended with no clear direction for what next steps to take beyond continuing efforts.

Further, county and city officials expressed concerns about fraud and the risk of lawsuits. For instance, some officials resisted making changes recommended by the Coalition for Property Tax Justice to ease the application process for the poverty tax exemption because “we were dealing with fraud,” according to the mayor’s chief of staff (Gross, 2018a). In addition, the treasurer and the mayor did not support a proposal for a retroactive poverty tax exemption to save households from foreclosure because it would be unfair to others who had already lost their homes or who had paid their taxes (MacDonald, 2018; Kaffer, 2019c).

Financial gains from the redemption of properties and from the auctions gave county officials throughout the state an incentive to oppose changes that might yield less revenue from the tax foreclosure process. As of 2017, Wayne County had added $421 million to the county government’s general fund from payments of fees, interest, and penalties and from sales of properties at the auctions since about 2007 (Kurth, Wilkinson, and Herberg, 2017). The Wayne County executive stated that the foreclosure auctions worked against healthy communities and good government, but neither he nor the treasurer had taken concerted action to transform the system (Kaffer, 2019b).³

Fraud and legal challenges are indeed common, and fairness matters. In 2007 an investigative reporter exposed fraud in the assessor’s Board of Review approval of poverty tax exemptions, prompting removal of some commissioners and changes in procedures (Josar, 2007a, 2007b). Both city and county officials faced severe budget problems that needed to be addressed through increased revenues and cuts in expenditures (Kurth, Wilkinson, and Herberg, 2017; Bomey, 2017; Walker, 2015).

Nevertheless, city, county, and state officials could adopt additional approaches that might offer longer-term solutions. With respect to the poverty tax exemption, for instance, they could make applications easier, thus requiring less staff and volunteer work. State law requires verification only of the applicant’s ownership and occupancy of the property and of the incomes of all those in the household (Michigan Compiled Laws Section 211.7u). The City of Detroit application has required much more information and documentation. The State Tax Commission prescribed a new form for the application in early 2021; the application, however, remains complex and allows local jurisdictions less flexibility than before (Michigan Public Act 258 of 2020; State Tax Commission, 2021). Another way to consider simplifying the application is to make it consistent with the form for claiming the Michigan Homestead Property Tax Credit, which is filed with a Michigan income tax return for low-income owners and renters to apply for a refund of the previous year’s property tax payments. Tax preparers who help those filing income tax returns might then also be able to help filers submit the similar form to the Board of Review for the poverty tax exemption.

More property owners could benefit from the poverty tax exemption if the Board of Review could approve the exemption for elderly homeowners and others on fixed low incomes for several years at a time. This change would require state legislation. Legislation passed in December 2020 allows multiyear exemptions temporarily (Michigan Public Act 253 of 2020). Local jurisdictions may allow an exemption granted in 2019 or 2020 to carry forward from 2021 through 2023 if ownership, occupancy, and income remain unchanged. They may also decide that new exemptions from 2021 through 2023 may remain for three additional years for taxpayers on fixed incomes who continue to own and occupy their property. Jurisdictions may also carry forward to 2021 any exemption granted in 2019 or 2020. Owners whose situation changes during this period and who no longer qualify for the exemption must notify the assessor. Local officials must implement an audit of those who received extended eligibility for the exemption (Michigan Compiled Laws 211.7u). The changes, put in place to deal with financial hardships and administrative challenges during the pandemic, could serve to test the viability of new measures that would reduce the burden of the annual application process in more normal times.

State law could change to make all very low-value, owner-occupied structures exempt from property taxes on the assumption that the occupants would qualify for the poverty tax exemption (see Graziani and Alexander, 2016, p. 34, for a similar idea for Baltimore’s underused Homeowner Tax Credit). Then volunteers could focus on enrolling households that met program guidelines but
were left out. Officials could use algorithms to identify those who may have made a fraudulent claim and to investigate them, and they could investigate a randomly chosen list of approved properties each year to confirm their eligibility.

Other actions to prevent the ill effects of the auctions seemed possible in Detroit based on efforts elsewhere in the state. The law allows the “bundling” of properties for auction. The large number of properties in a bundle in unknown condition makes the high-priced package unattractive to bidders and prevents sale at the auction. The Wayne County treasurer had bundled properties at the request of the city administration in the past. The treasurer could bundle all occupied houses and all properties requiring demolition. After the unsold bundle became the property of the city government, the city land bank could work to sell the properties to their occupants and to other responsible owners in a more deliberate way than the auction process, as other land banks have done (Heins and Abdelazim, 2014).

If the legislature and the governor were willing to amend state law, treasurers could exercise more discretion in offering properties at auction. For instance, they could gain the right to remove owner-occupied properties from the auction or to decide whether to hold an auction. State, city, and county governments could be permitted to exercise the right of refusal to purchase properties between the first and second auctions by paying the opening bid of $500.

Conclusion
Solving Detroit’s tax foreclosure problem continues to be a heavy lift. The city and county governments face many other pressing priorities and lack funds for initiatives, a significant barrier to making changes to resource-intensive tax foreclosure processes. The Detroit Land Bank lacks sufficient streams of funding and already owns around 85,000 properties; so it may have difficulty handling more (Detroit Land Bank Authority, 2020). More effort across all levels of government to find viable, long-term solutions is greatly needed and likely to yield more progress (Center for Community Progress, 2016). Such effort is vital to stop properties occupied by low-income homeowners and renters from going through tax foreclosure and auction only to result in blighted neighborhoods and vacant buildings.

Endnotes
1 Michigan Public Act 255 of 2020 changed this process starting in 2021 to require these government purchasers to pay the greater of “fair market value” or the minimum bid if someone with a previous claim to the property has filed a claim for auction sale proceeds exceeding the sum of the minimum bid plus other costs.

2 This estimate is lower than the percentage of properties in the auction that did not sell because most but not all foreclosed properties go to the auction. Owners may work out payment plans or pay delinquent taxes, and governments exercise rights to purchase between the foreclosure and the auction. Consistent data are not available to calculate the percentage of properties in the auction that were not sold.

3 State law allowed jurisdictions to set the income level for eligibility as long as it was at least as high as the federal poverty level (Michigan Compiled Laws, 211.7u). The City of Detroit set the level higher than the federal one. For a three-person household, for instance, Detroit’s 2020 income eligibility for a full poverty tax exemption was 6 percent higher than the federal poverty level (U.S. Department of Health and Human Services, 2020; City of Detroit Assessor, 2020a).

4 A Michigan Supreme Court decision in July 2020 will reduce the funds that auctions yield for county general uses and lessen this incentive. Those who lose property to tax foreclosure will be entitled to surplus auction sale proceeds after payment of delinquent taxes, interest, and penalties (Rafaeli, LLC v. Oakland County, Michigan Supreme Court, July 17, 2020).

References


Margaret Dewar is professor emerita of urban and regional planning in the Taubman College of Architecture and Urban Planning at the University of Michigan. Her research focuses on American cities that have lost large shares of their peak population and employment and now have extensive areas of blighted buildings and vacant land. Dewar has written numerous articles on planning and policy in the context of extreme urban decline, and, with June Manning Thomas, she coedited The City After Abandonment. Her current research projects look at preventing evictions, reinforcing housing stability for households that go through tax foreclosure, facilitating low-income homeownership, preventing tax foreclosure, encouraging land use transitions to positive “green” uses when the highest and best use may be a dumped-on vacant lot, and analyzing physical evidence of care in neighborhoods with extensive disinvestment.


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Introduction
On September 6, 2017, Hurricane Irma left half of Puerto Rico without power and thousands of people staying in emergency shelters (FEMA, 2017). Only two weeks later, on September 20, 2017, Hurricane Maria touched ground, causing an archipelago-wide blackout. Maria’s death toll is estimated to be between 3,000 and 4,600 persons, with most of the indirect deaths attributed to the lack of electricity for people with chronic conditions (Fink, 2018; Kishore, et al. 2018). The 2017 storms caused a combined $180 billion in damage (RAND Corporation, 2018), making Puerto Rico one of the most expensive federal recovery efforts in U.S. history (FEMA, 2017).

Around 360,000 housing units in Puerto Rico were severely affected by Hurricane Maria, and 70,000 were destroyed (FEMA, 2018). It is estimated that reconstruction will cost about $33 million (Puerto Rico Department of Housing, 2020). Under the first federal allocation of $1.5 billion in Community Development Block Grants-Disaster Recovery (CDBG-DR), about $1 billion was allocated for new construction, rehabilitation, or reconstruction of housing for rent, homeownership, or direct rental assistance to low-income individuals and families (Puerto Rico Department of Housing, 2020).

Since the hurricanes, property values have decreased by about 10 percent (Center for Puerto Rican Studies, 2018). However, the housing crisis in Puerto Rico already existed, and Hurricane Maria only exacerbated it. In 2016, there were 334,564 vacant housing units, and of those, 257,798 were nonrecreational vacant, a category that includes those that are not on the market or abandoned or that require repair. The result was that 3 out of 10 homes were either vacant or abandoned (U.S. Department of Housing and Urban Development, 2017; Hinojosa and Meléndez, 2018).

Compared to the United States, Puerto Rico has the highest number of overall vacancy (29 percent) followed by Maine (28 percent) and Vermont (27 percent) of houses that are not for sale or rent, including seasonal
homes (American Community Survey, 2019b). This is more than double the 2005 home vacancy rate of 12.9 percent for all homes in Puerto Rico (American Community Survey, 2005). The increase in vacancy and abandonment is attributed to the economic and foreclosure crisis, which began in Puerto Rico in 2006, much earlier than the 2008 onset in the U.S., and caused massive outmigration (Center for Puerto Rican Studies, 2018). Furthermore, those individuals and families who have stayed have suffered a reduction in income due to deindustrialization (Birson, Borges, and Ampaabeng, 2013). In the 10 years from 2006 to 2016, 850,611 individuals left the island (American Community Survey, 2006). And between 2017 and 2018, Puerto Rico lost 142,024 people, doubling the number of the previous year, because of Hurricanes Irma and Maria (American Community Survey, 2018b). Although it can be presumed that the number of vacant homes has increased drastically since the hurricanes, recent research on the matter is scant.

Yet, most urban centers are the perfect place for redevelopment. First, there are environmental benefits from the perspective of sustainability if concrete structures can be preserved, and no new energy is required to construct a new building (Jackson, 2005). Second, according to Puerto Rico’s Action Plan for using CDBG-DR funds, these centers tend to be far from flood zones and are ideal for rebuilding to increase resiliency, given that hurricanes are a frequent natural phenomenon in the region. Third, these vacant and abandoned structures only contribute to blight and further deter any economic development in the central city, be it residential or commercial. Finally, blight also affects safety and the quality of life (Accordino and Johnson, 2000).

All that being said, these vacant and abandoned buildings could provide housing options if they were rehabilitated. To the naked eye, it seems that these vacant and abandoned buildings are an excellent opportunity to develop affordable housing in dense urban areas that are close to transportation and amenities (García, 2018a). Still, experience has proven that it is very hard to access these buildings without state intervention and the enforcement of tax collection and housing codes or, in some cases, the use of eminent domain. Furthermore, many properties in Puerto Rico are excluded from the housing market because of title or estate issues.

This article will outline some of the laws in Puerto Rico dealing with blighted properties and nuisance abatement to show that there is no efficient or coherent course of action for developers to acquire these properties. This study looked specifically at the legislative and procedural land-use obstacles at the local and state levels. The presentation will first provide a macro perspective of abandonment and then offer case studies of places where property could be rehabbed into affordable housing.

The research method employed is participatory action research (PAR). Dr. Ivis García spent six months helping an affordable housing developer from Chicago find properties in Puerto Rico. In the quest to find properties, Garcia created an inventory of possible buildings to be redeveloped and investigated their legal standing. She also contacted the agencies involved in the case, including the Municipal Revenues Collection Center (or CRIM in its Spanish acronym, Puerto Rico’s property tax collection agency); the Permit Management Office (the central agency that also oversees land use); the Commonwealth Housing Department; the Public Nuisance Department of San Juan; and the mayor’s office in Guayama, to better understand how the properties could be acquired for redevelopment. Luis Gallardo, a lawyer, is a long-term advocate in Puerto Rico around issues of property rights, vacancy, and abandonment. He founded the Center for Habitat Reconstruction, a nonprofit whose mission is to empower communities to gain custody of underutilized structures for affordable housing and community development.

First, in the literature review, we will discuss the housing conditions before and after the storms, the Puerto Rican crisis of vacancy and abandonment, and local policies that address the issue along with how vacant homes have been considered in recovery plans, and the response of the federal and local government. Second, we will outline the procedures undertaken to collect empirical evidence via PAR. Third, we present the relevant themes based on field notes and conversations. Finally, in the discussion and conclusion, we provide recommendations to address vacancy and abandonment and policy practices to develop affordable housing for households affected by climate change.

**Literature Review**

In this literature review, we investigate four topics using academic journal articles, government reports, blogs, news articles, websites of local research organizations, theses, white papers, statutory law texts, webinars, video conferences, and advocacy pieces to provide some background on Puerto Rico’s recovery as well as to help the reader understand the findings section. The literature review first discusses housing conditions before and after the storms. Second, it provides an overview of the Puerto Rican abandonment crisis and local policies implemented to address the issue. Third, a connection is made between vacancy and abandonment, with recovery plans that try to address disaster victims’ shelter needs but primarily deal with vulnerable populations.
The fourth and final section provides a synopsis of federal and local government response to reconstruction by possibly rehabilitating vacant properties.

Housing status before and after the storms
Nearly 68 percent of the housing in Puerto Rico is detached single-family homes (American Community Survey, 2019a). Half of those are what Puerto Rico’s Planning Code has defined as “informal,” meaning (1) the occupants do not have a formal deed for the property, (2) the homes were built without a construction permit or adherence to local building codes, and (3) the homes are sited on flood plains or landslides not fit for construction (Junta de Planificación de Puerto Rico, 1982). FEMA maps show that 250,000 homes, 20 percent of all homes affected by the 2017 hurricanes, lie within 100-year flood zones and qualify for CDBG-DR funds (Puerto Rico Department of Housing, 2020).

There are about 1.5 million homes in Puerto Rico, and, of these, the storms severely damaged 360,000 (FEMA, 2018; Hinojosa and Meléndez, 2018). Meanwhile, in its 2016 five-year estimates, the American Community Survey estimated that 16 percent of Puerto Rico’s non-recreational housing units were vacant (Hinojosa and Meléndez, 2018). Vacancy could be attributed directly to the government of Puerto Rico having to declare bankruptcy in 2006 because of a debt of more than $70 billion. In response, the U.S. Congress passed the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) (U.S. Code tit. 48, § 2101 2016; García, 2021). This law established a Financial Oversight and Management Board, which required the governor to produce a report on how the debt would be paid through a yearly fiscal plan (Puerto Rico Fiscal Agency and Financial Advisory Authority, 2018). The board could recommend changes to the plan, as well as approve or veto it, as well as any Commonwealth statute that it deemed as fiscally unsound.

Because of fiscal austerity, outmigration was already a challenge in Puerto Rico before Hurricanes Irma and Maria and, more recently, the 6.4 magnitude earthquake on January 7, 2020. These disasters caused more population flight and have contributed to the growing number of vacant and abandoned units (Hinojosa, Roman, and Meléndez, 2018; Hay, 2020). The Puerto Rican Planning Society estimates that there are 92,629 vacant housing units in five municipalities alone: San Juan, Bayamón, Carolina, Ponce, and Mayagüez (Puerto Rico Housing Authority, 2020). However, actual public nuisance declarations are very low and even nonexistent in most municipalities. It is estimated that in San Juan alone, less than 1 percent of these vacant units are declared public nuisances (Municipality of San Juan, 2016).

The crisis of abandonment and local policies
It is well understood by evidence coming from major U.S. cities such as Cleveland, Baltimore, Philadelphia, St. Louis, and Detroit, among others, that vacancy and abandonment increase blight and further disinvestment in the overall community because homeowners do not want to or cannot invest in repairs (Eastern Pennsylvania Organizing Project and the Temple University Center for Public Policy). In urban ecological terms, housing disinvestment causes neighborhood decline to spiral and more and more people leave and more homes become uninhabited (Baer and Williamson, 1988; García, 2019a), thereby leaving fewer “eyes on the street.” To use Jane Jacobs’ conceptualization of fewer people watching out for neighborhood safety and its relationship to vandalism and a rise in crime (Jacobs, 1992; Cui and Walsh, 2015; Branas, et al. 2018).

From lead paint to the physical hazards associated with a structure’s age and lack of maintenance, abandoned units are an environmental health hazard and safety concern to the general public (Gomez, 2015; Cohen, 2001). Many of them could be categorized as brownfields, previously used commercial and industrial properties with known or suspected contaminants (Litt, Tran, and Burke, 2002). Abandonment also becomes a legal and financial liability for cities because it consumes resources such as police and fire departments and zoning enforcement and tax collection agencies (Alexander and Powell, 2011).

Primary homes in Puerto Rico valued under $150,000 have also long enjoyed a property tax exemption per Act 83, known as the Municipal Property Tax Act, effectively allowing owners of these homes to not pay any property tax (PR Laws tit. 21, § 5001, 1993). More than 71 percent of homes in Puerto Rico are valued at this amount or less (American Community Survey, 2018a). When these homes become vacant or are abandoned by their owners, and unless the CRIM pro-actively revoked said tax exemptions, they rarely accumulate debt. This creates challenges for local governments hoping to acquire or dispose of these properties through tax sales.

Previous research has demonstrated that the laws and regulations associated with obtaining vacant property for redevelopment can contribute to the problem because of increased bureaucracy, paperwork, or high transaction costs for redevelopment (Friedman, 2003). This means that government action is often needed to create market incentives to redevelop abandoned properties, especially for low-income housing (Marburger, 2009; Mallach, 2006; Hackworth, 2014). However, public intervention’s effectiveness or ineffectiveness varies significantly between and across cities and states.
ties. Nevertheless, the act provides few new tools, since and to promote eminent domain for nuisance proper
sell them at auction; to turn abatement costs into liens; and to promote eminent domain for nuisance proper
ship of vacant properties to inherit or condemn them or
Act 31 allows all municipalities to lease or obtain owner
two specific communities of San Juan (see the table).
(PR Laws tit. 21, § 898, 2012), which are geared toward
Urban Reconstruction of Santurce and Río Piedras,” (Gallardo, 2018). One of the most recent laws outlined by
(Código Municipal de Puerto Rico, 2020). Said legislation, including the management of nuisance
properties (Código Municipal de Puerto Rico, 2020). Said code includes an enabling mechanism for municipali-
ties to create community land banks (Moscoso, 2021).
According to its preamble, Act 96 was approved because
of the Municipality of San Juan’s failure to implement
Act 31. Another critical difference is that while the law
applies to all Puerto Rican cities, Act 31 states that one
person or corporation can acquire only one property;
San Juan’s law, Act 96, does not have this stipulation.
Furthermore, Act 157, dubbed through popular advoc-
cacy as Todos Somos Herederos (or We are all heirs),
allows local governments to inherit public nuisance properties that heirs do not want or to claim the prop-
erties and pass them along to nonprofit organizations (PR Laws tit. 31, § 2691, 2016). Gallardo, who has done ex-
tensive analysis of all of these laws and is the co-direc-
tor of the Center for Habitat Reconstruction, advocates
for “aggressive and consolidated policies to address the
issue of abandoned spaces,” since “the key is in simplifi-
cation, community empowerment, and citizen participa-
tion” (Gallardo, 2020b).
In August 2020, the Legislative Assembly of Puerto Rico
passed Act 107-2020 “Puerto Rico Municipal Code,” a
systematic and updated compilation of all municipal
legislation, including the management of nuisance
properties. (García and Gallardo, 2018; García, 2019b). Furthermore, in
Vacant homes and recovery plans
The majority of those affected by Hurricane Maria
already had vulnerabilities before the disaster—they
were older adults, and low-income or female-headed
households—which raises the question of equity in
recovery planning (Talbot, et al. 2020). Given that about
1.1 million homes were damaged and about 300,000
were declared uninhabitable, some officials and other
stakeholders have started to look at how vacant property
might be rehabbed to house disaster victims (Hinojosa
and Meléndez, 2018; García, 2019b). Furthermore, in

(Hackworth, 2014). This is further exacerbated in Puer-
to Rico, since many homes lack a clear title and thus are
not accessible on the market.

To respond to these issues related to abandoned prop-
erty, in 2016, the Municipality of San Juan decided to
review its public nuisance procedures. As part of this
initiative, the municipality’s Office of Planning and
Territorial Ordinance, in conjunction with the Office of
Permits, prepared an “Inventory of Properties Declared
as Public Nuisances” (Municipality of San Juan, 2016).
The inventory was meant to serve as a tool for improv-
ing documentation and transparency in the planning
process. The report included only 106 properties out
of possibly more than 40,000 (about 1 out of every 40),
clearly demonstrating the traditional difficulties that
municipalities have had in addressing the problem.
Furthermore, a flurry of bills seeking to address the
issue were submitted in the Puerto Rican legislature.

These numbers also demonstrate the failure of previous
legislation to address the issue. In 1988 the current Act
148, “Special Act for the Rehabilitation of Santurce,”
was established and created a Redevelopment District with associated funding and a working group com-
posed of some stakeholders, including the Planning
Board, the Municipality of San Juan, the police, the
Department of Transportation and Public Works, and
the Department of Housing, among other agencies (PR
Rehabilitation of Río Piedras,” established the Río Pie-
dras Development Trust (or FDRP in its Spanish abbre-
viation) to redevelop vacant properties for affordable
housing, businesses, and nonprofit purposes (PR Laws
tit. 23, § 7008a, 1995).

A historical review and analysis of additional laws from
among those in the Civil Code of 1889 associated with
public nuisance and vacant properties demonstrate that
these laws have failed because they have not been
enforced, have contradicted each other, or often acted as
patchworks in the absence of a comprehensive approach
(Gallardo, 2018). One of the most recent laws outlined by
Gallardo (2018) are Act 31, “Act to Restore the Com-
unities of Puerto Rico” (PR Laws tit. 21, § 995, 2012), and
Act 96, “Act for the Management of Public Nuisances and
the Urban Reconstruction of Santurce and Río Piedras,”
(PR Laws tit. 21, § 898, 2012), which are geared toward
two specific communities of San Juan (see the table).

Act 31 allows all municipalities to lease or obtain owner-
ship of vacant properties to inherit or condemn them or
sell them at auction; to turn abatement costs into liens; and
to promote eminent domain for nuisance proper-
ties. Nevertheless, the act provides few new tools, since
many of its provisions were already present in previous
legislation. Likewise, Act 96 gives the Commonwealth
Land Administration of San Juan the power to use
eminent domain to transfer one or multiple properties
to any person or corporation willing to invest and boost
economic activity in Santurce and Río Piedras. Both of
these laws seek to repair, demolish, clean, expropriate,
and transfer ownership of abandoned structures and
plots; the difference is that Act 31 gives these powers to
any municipality and Act 96 gives these powers to the
Land Administration but only within Santurce and Río
Piedras, San Juan.

According to its preamble, Act 96 was approved because
of the Municipality of San Juan’s failure to implement
Act 31. Another critical difference is that while the law
applies to all Puerto Rican cities, Act 31 states that one
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code includes an enabling mechanism for municipali-
ties to create community land banks (Moscoso, 2021).
The municipal code itself and the texts of both Act 31
and Act 222 contain contradictions, incoherencies, and
even parallel processes for declaring a property a public
nuisance (Gallardo, 2020a).
The availability of these vacant housing units underscores the importance of the housing choice options that HUD-certified housing counselors will coordinate with impacted individuals by ensuring that residents can access existing units. As outlined in the housing program section later in this plan, rehabilitation and renewal of existing housing units will be a primary course of action for residents who choose to relocate and require new housing (Puerto Rico Housing Authority, 2020, p. 43).

The action plan does not directly allocate funding specifically for the reuse of abandoned and public nuisance properties. However, it includes several programs that could do so, including the City Revitalization and the Home Repair, Reconstruction, or Relocation programs. The only direct strategy to house those who lost their homes or lived in flood zones mentioned in the action plan is under the Homebuyer Assistance Program, for which $350 million was allocated (p. 150). Although the plan claims to prioritize vacant units, its relocation efforts are structured to give families vouchers to purchase a home on the private market. With so many of these homes unavailable for purchase due to title-related issues, the plan is mute on what legal strategies, if any, will be incorporated to access this frozen housing stock.

The Center for a New Economy, a Puerto Rican policy and planning-based think tank, has discussed the possibility of using vacant properties to house people displaced by different disasters, including the most recent pandemic. The federal Housing Choice Voucher Program, for example, has been suggested as one way to do so (Santiago-Bartolomei, 2020). Despite a large number of damaged and ruined properties, many of these homes may still pass home inspections or require only minor repairs (Santiago-Bartolomei, 2020; Gallardo, 2020b).

The Governor’s Plan, also known as the RAND Plan or the Plan for Transformation, in response to Hurricane Maria, states that “the Government of Puerto Rico agencies will partner with the municipalities to rehabilitate, redevelop, or demolish abandoned and blighted properties” (RAND Corporation, 2018, p. 116). Assessing and renovating vacant and blighted properties require creating an inventory to identify vacant properties along with implementing rehabilitation or demolition programs, an undertaking that has been estimated to cost $2 billion coming from various funding sources, including CDBG-DR, the FEMA Hazard Mitigation Grant Program, the Department of the Interior, the private sector, and nongovernment sources (RAND Corporation, 2018). Likewise, the Plan for Transformation does not lay out strategies that will be used to assist municipalities in declaring these properties as public nuisances, the first step for any demolition or acquisition.

Opportunity zones, federal, and local government response

With federal funding, the government of Puerto Rico is at a critical moment to be able to redevelop vacant properties. In 2018, Congress allocated $19.9 billion in CDBG-DR funding. A total of $9.7 billion has been approved thus far, and funds are now trickling through to municipalities, nonprofits, and private corporations. In 2017, 98 percent of Puerto Rico was declared an opportunity zone (OZ); this has garnered investors’ interest, while low-income communities are afraid of displacement and gentrification (Gallardo, 2020c). On May 14, 2019, the Hispanic Housing Development Corporation (HHDC) attended an OZ conference in San Juan titled “Puerto Rico: A Paradise of Opportunities.” At this conference, the governor and others discussed the allocation of $400 million in CDBG-DR funds, possibly for housing in the form of low-interest loans that could be paired with OZ investments (Rosselló Nevárez, et al. 2019). They also discussed speeding up the permit approval process, lowering the time to 20 days instead of the average 165 days (World Bank, 2017). The Land Bank Administration and the Department of Housing had also identified more than 700 vacant properties that could be offered to developers.

Despite this, Puerto Rico’s OZ statutes and regulations lack safeguards that prioritize affordable housing, community development, and citizen participation, raising concerns from certain sectors (Cintrón Arbasetti, 2019). Like many other advocates across the nation (Ferrer and Donlin, 2019), Ariadna Godreau Aubert from Ayuda Legal and David Carraquillo from the Hispanic Federation have spoken about how OZs could ultimately result in the displacement of low-income individuals, especially those who live in coastal and other desirable areas (Godreau Aubert and Carraquillo, 2019). Although OZs could be used for affordable housing and community-driven venture programs, we know of only a handful of successful case studies (Local Initiatives Support Corporation, 2019).

Offering technical assistance, Enterprise Community Partners, a U.S. intermediary, held a series of talks with community-focused advocates such as Red de Funda-
chonos, the Hispanic Federation, Oxfam-Puerto Rico, and Planners for Puerto Rico, among others, to try to understand the “good, the bad, and the ugly” of opportunity zones. Attendees at these talks were also interested in knowing what role philanthropy could play, how or if communities in Puerto Rico could take advantage of OZ options, and how to make sure that state and local governments advanced the true intent of the policy, which is “to promote economic growth and revitalization in disinvested parts of America for the benefit of existing low-income communities” (Minjee, 2019).

Unfortunately, “the Opportunity Zone framework at a federal and local level fails to establish things like preferences for fair market or affordable housing, hiring for local residents, protections for communities at-risk of displacement, or citizen participation” (Gallardo, 2020c). This departs from our belief that listening to what communities need and want is essential to guide future development.

Methodological Approach: Participatory Action Research

For more than a decade, Ivis Garcia, the first author of this article, has engaged with the Puerto Rican Agenda in Chicago—a collective of about 200 Puerto Rican leaders in Humboldt Park, where most Puerto Ricans are concentrated—and has become the co-chair of this organization as well as the co-chair of the Housing Committee. The Hispanic Housing Development Corporation (HHDC) is part of the Puerto Rican Agenda. In 2017, Garcia became involved with “3R’s for Puerto Rico: Rescue, Relief, Rebuild,” a fundraising campaign of the Puerto Rican Agenda to provide emergency aid. This campaign involved several trips to Puerto Rico and several development projects such as restoring housing and public structures, including schools, childcare centers, and parks.

In July 2018, Garcia moved to Puerto Rico, where she spent the next year and, as a volunteer, coordinated some of these efforts. The HHDC wanted to establish a new branch in Puerto Rico, so Garcia agreed, on a volunteer basis, to find possible avenues for development. During that year, she met many advocates—most of them lawyers, planners, architects, government employees working as emergency managers, engineers, etc.—at various community meetings, tours, events, and conferences. During these meetings, she learned about organizations and people engaged in advocating for the redevelopment of vacant properties, including the Center for Habitat Reconstruction, Casa Taft 169 in the Machuchal neighborhood in Santurce, and the Center for Urban, Community, and Business Action of Río Piedras (CAUCE).

Through these interactions, Garcia met Luis Gallardo, the second author of this article, who is co-director and founder of the Center for Habitat Reconstruction, a San Juan-based nonprofit dedicated to promoting the conversion of vacant and abandoned properties into affordable housing or using them for other community development purposes. Gallardo, along with Marina Moscoso, was instrumental in the creation of a civic center called Casa Taft 169. The building had been abandoned for 40 years until residents organized to occupy it (Moscoso, 2016). Moscoso researched how legal loopholes regarding succession law perpetuate abandoned properties, leading to the “Todos Somos Herederos” (We are all heirs) advocacy campaign to approve Act 157.

This qualitative research uses community engagement methods, primarily participatory action research (PAR) (Garcia, 2018b; Bergold and Thomas, 2012; Barber, 2004) and employs an asset-based community development (ABCD) framework with diversity, equity, and inclusion in mind (Garcia, 2020; Kretzmann and McKnight, 1993; Apaliyah, et al. 2012). PAR and ABCD often rely on this kind of more ethnographic data, including field notes, formal and informal conversations, and long and short interviews (Bergold and Thomas, 2012; Singer et al. 2011).

The recorded conversations were automatically transcribed by an online software called Sonix.ai. These transcriptions, along with field notes, were coded for main themes using Atlas.ti, a qualitative research software. The themes themselves were identified through conversations with stakeholders. In disaster recovery research work, it is essential that the stories and opinions presented be “honored and valued as a source of information for policymakers” (Sadian, et al. 2020, p. 6). This article’s primary purpose is to provide a picture of what stakeholders are doing to advocate and create change.

The main question is: Can vacant and abandoned properties become opportunities for affordable housing projects in the post-Maria reconstruction environment? This article looks at the state of vacant housing in Puerto Rico and how the lack of taking advantage of abandoned infrastructure is crippling the territory’s recovery. Furthermore, the article seeks to provide a picture of the reasons why redeveloping abandoned housing is essential.

In the end, we hope to contribute to a conversation about how to facilitate the development of affordable housing that can be of assistance for families affected by Hurricane Maria. This case study also hopes to contribute to the work that affordable housing developers such as the HHDC are conducting in Puerto Rico as well as the work
of civic and community organizations, academics, and other organizations coordinating housing advocacy in the context of disaster planning and recovery. The ultimate goal is to provide recommendations for decision makers to continue the archipelago’s long road to recovery.

Findings
This section is divided into two parts: (1) case studies and areas visited during the HHDC trip to Puerto Rico in May 2019, and (2) the benefits, barriers, and recommendations pertaining to the redevelopment of abandoned properties as discussed by various stakeholders before, during, and after this trip. The next section describes the development conditions in Guayama; Ponce; Comerío; and San Juan, including Puerta de Tierra, Old San Juan, Río Piedras, Machuchal, and Juan Ponce de Leon Avenue, as they pertain to the redevelopment of abandoned properties. Much of the information in the case studies comes from an unpublished report to the board of the HHDC (Roldán, et al. 2019).

Case studies: Areas visited

Guayama
The Municipality of Guayama is in southeast Puerto Rico. This small town’s population declined by 8 percent from 2000 to 2018, dropping from 45,416 to 41,706 (American Community Survey, 2018b). The downtown area has lost the most population rather than the coastal and mountainous areas, which are more prone to flooding. The HHDC met with Mayor Eduardo Cintrón, who expressed a desire to attract new residents to the downtown area. City staff estimated that about 20 percent of all structures in the city core were vacant. The municipality is very well organized. It has an inventory of properties that it does not own but are for sale or abandoned, and the municipality knows the owner. Mayor Cintrón, along with his staff, showed the HHDC about 30 small vacant lots that the municipality purchased as single-family homes that were then demolished. The mayor discussed the possibility of offering the lots at no cost to the HHDC in lieu of building infill single-family detached homes for homebuyers. Even though this was a fantastic offer, the HHDC prefers to do large-scale rental developments. It is hard to develop scatter-site properties and obtain the necessary finance for single-family homes. The HHDC specializes in obtaining low-income housing tax credits, although it has rehabbed single-family homes for rent and sale in the past.

Puerto Tierra, Old San Juan
Based on the inventory of abandoned properties for sale and rent, the HHDC also looked into properties in Puerta de Tierra and Old San Juan. The area right now has mixed-income housing. San Juan is looking into revitalizing the area, which has significant vacant and abandoned properties, by creating a transformative development known as Bahía Urbana. The site is expected to have mixed-use public recreational space that will include residential, retail, and commercial uses. Located adjacent to the Convention Center District, the Bahía Urbana project is expected to use CDBG-DR and other funding to create unique housing, commercial, and recreational opportunities for nearby affordable and public housing residents (Puerto Rico Department of Housing, 2020). One of the properties the HHDC looked at was Calle del Tren Esquina Valdes in the Puerta de Tierra neighborhood; this is a 56,000-square-foot mostly vacant parcel with a large and dilapidated three-story abandoned concrete structure off to the side.

Río Piedras
Río Piedras is an area in San Juan mostly known for being home to the University of Puerto Rico (UPR). A train line was built in 2004, resulting in the closure of many businesses. The business displacement caused by construction of the train line, paired with the construction of malls outside the city, destroyed Paseo de Diego, a once-bustling pedestrian mall in Río Piedras’ heart. The HHDC met with Ruben Ramos and Orlando Ríos, residents who lead the Resident Association of Santa Rita and the Santa Rita Historic District Organizing
Committee. The team also met with Mercedes Rivera, executive director, and Dr. Angel Pérez, collaborator, of the Center for Urban, Community, and Business Action of Río Piedras (CAUCE), a UPR office dedicated to the redevelopment of Río Piedras.

CAUCE works closely with the Río Piedras Community Board, a highly organized group of eight communities. Act 75 was later amended by Act 39 (PR Laws tit. 23, § 7008a, 2018), creating the structure for the redevelopment of Río Piedras, including the establishment of (1) the Community Board, (2) an Advisory Group for the Development of Río Piedras (a technical assistance group), and (3) the Río Piedras Development Trust (a nonprofit development corporation).

The Río Piedras Development Trust is working with Banco Popular to obtain an inventory of foreclosed properties that the Trust could buy at auction. In 2019, the Trust went through an extensive participatory process to create a report with a long-term “Quality of Life Plan” for the various communities of Río Piedras (Pollock et al., 2019). In 2020, Mayor Yulín Cruz transferred city-owned vacant properties to the organization to make this plan a reality. In addition to Act 39, CDBG-DR contains a set-aside of $100 million to prioritize strategic investments in growth nodes for the redevelopment of the urban area in support of the UPR Río Piedras and Mayagüez campuses (Puerto Rico Housing Authority, 2020). During 2020, the HHDC continued conversations with the executive director of the Development Trust.

Machuchal, Santurce
In Machuchal, a gentrifying area in Santurce, San Juan, the HHDC met with the founders and leaders of a group of residents who became “professional occupiers” by rescuing and renovating a home in 2013 into a civic center, Casa Taft 169 (Moscoso, 2016). The home had no heirs to claim it and accrued approximately $280,000 in unpaid property taxes. The HHDC met at Casa Taft 169, viewed the community-created inventory of abandoned properties, and toured several vacant properties in the area. Perhaps the most exciting site is an abandoned mall with seven different structures, including a two-acre vacant lot. The Presbyterian Community Hospital purchased this block before Puerto Rico’s Great Recession, thinking it would build a post-acute-care facility. However, at that time, they could not find the financing.

Avenida Ponce de Leon, Santurce
Another site the HHDC looked at in Santurce was 1308 Ponce de Leon Avenue, a two-acre property that takes up the entire block. There are multiple structures in a former Department of Health facility. The site is located on a significant thoroughfare, near entertainment, restaurants, and other businesses.

Comerio
The Municipality of Comerio is about 45 minutes from San Juan in the mountainous region. There are not that many opportunities for development in Comerio as 93 percent is zoned as open space, and only 7 percent of the entire municipality is zoned as residential, commercial, or industrial, according to Mayor Josian Santiago. The mayor and his staff showed the HHDC housing near Río de la Plata and Río Hondo in the flood zone areas. The municipality had identified 350 families who qualified for CDBG-DR buyouts and the relocation program. City staff identified a vacant city-owned two-and-a-half-acre site in a safe area that could be developed for affordable housing for at least 250 families that might choose to be relocated.

Benefits, barriers, and stakeholder advice moving forward

Benefits
The phrase “people without homes and homes without people” or “neither people without a roof, nor homes without people” was heard repeatedly from directors of nonprofit organizations, activists, and advocates in personal conversations, written material, conferences, webinars, and even graffiti. As a director of a nonprofit organization explained, “Many advocates in the Island are looking into the possibility of relocating families to existing properties that are vacant.” A planner said, “There are hundreds of thousands of homes waiting to be inhabited. Meanwhile, you have people with blue tarps, homeless, or doubling up with other family members.”

Another planner said, “Most of the housing stock in Puerto Rico was built before the 80s, and with their lead paint, many of these properties could qualify as brownfields and are a health hazard. Rehabilitation and cleaning them up is a public health concern that should be emphasized.” An architect said, “We can reduce our carbon footprint substantially if we rehab these properties. A benefit for sure is that we, as a nation, become more sustainable.” Meanwhile, another architect said, “We need to save properties of historical value.” Another local planner added:

Entire neighborhoods are waiting to be repopulated. There is block after block of empty homes. No lights at night, no people either. No wonder that crime has risen in some of these places. It’s scary for people. Some sites are even contaminated or are truly dangerous; so it is urgent to act from a planning and redevelopment perspective, now, when we have a unique opportunity.
A local community leader, who also owns a small real estate and contracting company, noted, "Puerto Rico has been suffering from decline, and we need economic development. Rehabilitating these homes will reduce blight and invest in our economy by creating employment in the construction sector and attracting much needed external investment." A large affordable housing developer for older adults offered the following insights:

New construction in Puerto Rico is tough. First, you cannot find licensed contractors. They are very scarce, and you need them if your project gets federal funding. Then, the permitting process is prolonged due to all the bureaucracy. Here it is not like in the U.S.; you have to own the property that you are hoping to get a construction permit for. New construction is very expensive precisely because of the time it takes. Often it takes years to obtain just the permit. That doesn’t include construction! The government stands in the way, even of affordable housing developers.

Because of these constraints, architects, planners, and engineers have proposed relocating families that have lost their homes to existing properties to speed up the process. For example, a civil engineer said, “It is argued that the cost per unit would be significantly lower because of the depressed real estate in the island, compared to new construction, which is more expensive.” A local architect who has built affordable and public housing added, “Used housing is always cheaper per square foot. You can get more house for the money.”

**Barriers**

A Centro de Recaudaciones de Ingresos Municipales (CRIM) tax collection employee shared the following while the HHDC was visiting his office to inquire about a property: “One of the issues is how the CRIM appraises properties, based on construction cost and not the price of comparable properties in the area. There are so many abandoned properties in part because taxes are too high compared with the actual value.” A business owner in Santurce who inherited an abandoned property from a neighbor and rehabilitated it into a restaurant said, “Many buildings are abandoned because of inheritance. Someone dies, and her or his kids do not want the property. They just stop paying taxes!”

A community leader protested in frustration: “You see a lot of vacant properties and say to yourself, ‘there is a lot we could do with these!’ But in reality, most of these properties are not available because there is no way to acquire them.” Another resident leader observed, “Many properties are abandoned, but the municipality has not gotten around to adding them to their public nuisance list. There is no way to dispose of them even if they have been abandoned for 30 years; they owe more than their value in taxes, and there are no heirs.” A tax collection manager for CRIM confirmed the issue: “There is no staff or the funds necessary to put this property up for auction.” Data are the main barrier because of the same issue of not enough staff or funding. A government employee working for the San Juan Property Registry added to the conversation about not having data available:

There is some digitization, but for the most part, we rely on books. When you go to the property registry, you find limited information, plus you need the owner’s name to search. In other words, this is useful to you only if you are the new owner, and you need to register a home that you purchased. Plus, most properties are not registered anyway, so there is no way to know who the owner is and track them down.

A planner summed up what he thought was the main barrier associated with the redevelopment of vacant property: “The rehabilitation of abandoned and repossession properties is a great idea in theory, but there are a lot of regulatory issues associated with buying abandoned property. Most importantly, it would require the government to acquire the properties.” Another urban planner said, “There are several ways for the municipality to acquire property through expropriation or by inheriting it because there are no heirs.” Referring to properties in Santurce and Río Piedras, San Juan, a lawyer said, “An issue that citizens have comes when trying to figure out the route they would like to take. On the one hand, Law 96, through the Land Administration, allows a citizen, nonprofit, or business to pay the municipality 110 percent of the value of a formal appraisal; so the municipality starts the eminent domain process. On the other hand, Law 31 allows the same thing, but the agent is the municipality as opposed to the Land Administration.”

Another lawyer explained that the process is a confusing and very long one for community groups, nonprofits, and businesses. But it is also because it is “a long and complicated legal process for municipalities themselves, and this is why they often decide to do nothing at all.” A municipal legislator further explains:

Many laws are created, but they cannot do anything. They are on the books, but they are not in effect; so they are not implemented. One of Puerto Rico’s issues is that laws are created under one administration, and then when the political party that is in power changes, they appoint new people. Those new people want to change everything...
An executive director of a community development corporation expressed her frustration in dealing with the Office of Public Nuisance, the Land Administration, and the Office of Urbanism in San Juan: “People working in government, even those who are supposedly in charge of these programs, do not know what is happening. You call and write, and they do not get back to you; they completely ignore you!” An academic added, “You can have three governmental organizations that are supposed to be working in collaboration. But the right hand is not talking to the left hand, right? A concerted effort is needed but is not taking place.” Another planner attributed it to the “lack of funds.” At the same time, another said that “the bigger issue is that many municipalities, but especially the Municipality of San Juan, are simply not interested.” The issue of transparency came up often. As someone said, “Unfortunately we are dealing with an administration that is not very transparent.”

Stakeholder advice moving forward
A local architect who has built affordable housing, including public housing, added to the conversation about which changes would be needed to tackle the vacant property issue: “As a policy, we need to decide if reconstruction dollars will be mostly used to build new or renovate existing housing. This has to be policy.” A lawyer noted, “We need to establish an expedited process through which municipal governments may expropriate those properties that have been declared public nuisances so that they can be reused with a public purpose for the benefit of communities.”

A planner emphasizes the importance of cataloging, “What we first need is some kind of inventory. We do not even have that.” Another planner added, “There is no complete inventory of abandoned public properties even though legislation passed in 2016 at the state level requires it. So we need compliance.” A planner added, “I asked CRIM for data, and they deny it. We simply need more transparency.” Another community leader agrees: “I think we need transparency. A developer from outside goes and talks to the mayor. They get the building that we were asking about for years. So it is about friendships and deals.” “I would like to see laws like that from ‘Todos Somos Herederos’ actually working so that community groups can get the buildings and do something for the benefit of the community,” a community leader said.

Discussion and Conclusions
Puerto Rico’s ability to recover from Hurricanes Irma and Maria and more recent disasters like the 2020 earthquake and a pandemic has resulted in unemployment and, thus, foreclosure and eviction. Many citizens depend on the state and local government to provide affordable housing. As understood by the main recovery plans guiding decision making for the next 10 years, abandoned properties can fill the gap between housing demand and the supply shortage (Puerto Rico Housing Authority, 2020; RAND Corporation, 2018). As other researchers have previously identified, many of the abandoned homes are up to code and could immediately house a family in need (Santiago-Bartolomei, 2020; Gallardo, 2020b). Meanwhile, other properties do require rehab work and, more than anything, a clear path toward acquisition.

According to the case studies presented, some of the most desirable development opportunities that the HHDC found were those in San Juan’s municipality. San Juan is ideal for development because of its population density and its proximity to employment and other amenities. However, the development team was not able to find straightforward development opportunities. As described in the previous literature, developers are often looking for properties they can buy instead of going through a lengthy bureaucratic process. Furthermore, another issue with many of the properties that the HHDC saw is that they would have to be developed as scattered sites, which are good for single-family homes, but not attractive to nonprofit developers that specialize in low-income housing tax credits and are looking for larger sites that could accommodate multifamily rental or senior housing. However, the HHDC has developed new single-family homes and has rehabbed previously foreclosed properties; so this issue is minimal compared to the inability to purchase abandoned property.

For decades the government has tried several policies that have proved to be ineffective. As Gallardo (2018) proposes, the numerous laws that address public nuisance and vacancy issues need to be redesigned so that they are streamlined and easier to implement and do not contradict each other. A planner reacted to this article’s central question: Can abandoned properties become opportunities for affordable housing projects in the post-Maria reconstruction environment? To that question, he responded, “To achieve change, we need certain stakeholders to take up the challenge, a true understanding of the issue, economic resources, and that the appropriate information is accessible.”

Federal funding is dedicated to housing that could potentially be used by nonprofit organizations like the HHDC, Casa Taft 169, and the Rio Piedras Redevelopment Trust. Federal funding needs to be committed to creating an inventory of abandoned properties and assessing ownership, tax delinquency, and condition...
of the properties, among other factors. Although the action plan for using funds from CDBG-DR indicates that priority will be given to vacant properties when relocating any families affected by Hurricanes Irma and Maria, as mentioned previously, there is no strategy to address the issue. The current legal framework mostly delegates the declaration and mitigation of public nuisances to the municipalities, although these entities have largely lagged in the rollout of nuisance abatement programs.

The economic, fiscal, social, and environmental challenges that the archipelago faces force us to identify and provide new ways and practices that promote citizen, community-based, and nonprofit organizations that want to rehabilitate abandoned and public nuisance properties. But we need public participation and capacity building for local government, nonprofits, and community groups. The capacity building among these stakeholders would include providing information about various data sources, laws, and financial resources available to obtain and rehabilitate vacant and abandoned properties. In particular, in the asset-based community development spirit, the HHDC is interested in developing affordable housing in partnership with community groups and local nonprofits to transfer development knowledge to community resident leadership. This will allow these organizations to serve their communities efficiently in terms of recovery so that in the future there are no “people without homes and homes without people.”

Endnotes
1. The American Community Survey includes vacant units for rent, units rented but not occupied, units for sale, units sold but not occupied, and seasonal, recreational, or occasional use homes (e.g., vacation homes or homes for migrant workers as well as other vacant properties). This article is concerned primarily with the nonrecreational subset.
2. Some urban centers, perhaps most notably Toa Baja, are in flood zones.
3. In 1978 the federal government banned the residential use of lead-based paint containing 600 ppm or more of lead (U.S. Department of Housing).
4. The average is 165 days, but potentially complex and large projects could take longer (World Bank, 2017).
5. Municipal Revenues Collection Center (or CRIM in its Spanish acronym) is Puerto Rico’s property tax collection agency.

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Tackling Vacancy and Abandonment: Strategies and Impacts after the Great Recession


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Acknowledgments
The authors would like to thank Marina Moscoso for reviewing this article, offering her technical expertise, and collaborating in the action research portion of this project. Dr. Ivis Garcia would also like to thank Hipolito Roldán, executive director, and Steve Porras, vice president for development, at Hispanic Housing, as well as Federico Del Monte, president of the Society for Puerto Rican Planning, and José López, executive director of the Puerto Rican Cultural Center, for their partnership.

### Table. Vacant and Abandoned Property Laws in Puerto Rico

<table>
<thead>
<tr>
<th>Law</th>
<th>Year</th>
<th>Law</th>
<th>Enforcing Entity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Act for the Rehabilitation of Santurce</td>
<td>1988</td>
<td>148</td>
<td>Municipality of San Juan</td>
<td>Established and created a Redevelopment District with associated funding and a working group composed of some stakeholders, including the Planning Board, the Municipality of San Juan, the police, the Department of Transportation and Public Works, the Department of Housing, among other agencies.</td>
</tr>
<tr>
<td>Special Act for the Rehabilitation of Río Piedras</td>
<td>1995</td>
<td>75</td>
<td>Municipality of San Juan</td>
<td>This law created Fideicomiso para el Desarrollo de Río Piedras (FDRP) and it transfers abandoned municipal property (land and buildings) to FDRP to be redeveloped for affordable housing, businesses, and nonprofit purposes.</td>
</tr>
<tr>
<td>Act to Restore the Communities of Puerto Rico</td>
<td>2012</td>
<td>31</td>
<td>All Municipalities</td>
<td>Allows municipalities to lease or to obtain ownership, inherit, condemn, auction, turn abatement costs into liens, and promote the creation of community land banks of public nuisance properties. Under this law, one person or corporation can only acquire one property.</td>
</tr>
<tr>
<td>We are all heirs</td>
<td>2016</td>
<td>157</td>
<td>Government of Puerto Rico</td>
<td>This law amended Puerto Rico’s Civil Code of 1889 to allow municipalities to inherit properties declared public nuisances because their owners have died. If no one inherits a property, the law allows local governments to claim the property and transfer it to a person or a corporation, including a nonprofit.</td>
</tr>
<tr>
<td>Act for the Management of Public Nuisances and the Urban Reconstruction of Santurce and Río Piedras</td>
<td>2017</td>
<td>96</td>
<td>Municipality of San Juan’s Land Administration</td>
<td>Gives power to Puerto Rico’s Land Administration of San Juan to use eminent domain to transfer one or multiple properties to any person or corporation willing to invest and boost economic activity in Santurce and Río Piedras.</td>
</tr>
<tr>
<td>Código Municipal de Puerto Rico</td>
<td>2020</td>
<td>107</td>
<td>All Municipalities</td>
<td>A systematic and updated compilation of all municipal legislation, including the management of abandoned properties. Recognizes via state legislation the power of municipalities to create community land banks.</td>
</tr>
</tbody>
</table>
Strategies for Addressing Vacancy
Does a Nonprofit “First Look” Program Promote Neighborhood Stabilization? Examining Outcomes for REO Sales in Florida

Andrew Jakabovics
David Sanchez

Introduction
In the 10 years during and after the financial crisis, nearly 8 million households lost their homes to foreclosure (CoreLogic, 2017). As the number of foreclosures surged, so did the number of single-family real-estate-owned (REO) properties in the portfolios of the financial institutions that held these mortgages. Given the weak sales market, many of these REO properties initially sat vacant, causing blight and undermining neighborhood stability.

Over time, a significant number of these REO properties were purchased by investors or homeowners. Some investors turned those formerly owner-occupied homes into income-producing single-family rentals. One estimate suggests that more than 5 million homes that were originally owner occupied transitioned to rental homes between 2006 and 2017 (Terrazas, 2017). Other distressed homes were eventually rehabilitated and sold to owner occupants. Especially in weaker markets, many investors have simply left the properties vacant, where they continue to blight neighborhoods and hold back local housing markets (Finn and Gordon, 2018). Concerns about blight were especially elevated in minority communities, and fair housing investigations in multiple cities found that REO properties located in these neighborhoods were less well maintained and more likely to be sold to investors (National Fair Housing Alliance, 2014).

The National Community Stabilization Trust (NCST) was created in 2008 in response to concerns that REO properties would become sources of blight in neighborhoods across the country. Founded by a consortium of six national nonprofits, NCST was created to facilitate sales of single-family REO properties to nonprofit and mission-aligned developers (community partners).
facilitates these sales through its proprietary platform, REOMatch. Community partners rehabilitate these REO properties and return them to productive use, primarily for resale to owner occupants but also for use as affordable rental properties, or they transfer them to a local land bank. Over its history, NCST has facilitated REO sales on behalf of the Federal Housing Administration, Fannie Mae, Freddie Mac, and a number of large banks and mortgage servicers.

Through REOMatch, community partners have an exclusive right to purchase REO properties before they are listed on the open market, a so-called “first look.” When a listed REO property falls within the geographic area where a community partner is interested in acquiring properties, it is offered for sale to that community partner at a price set by the seller. Under the program, the seller sets the price by establishing the property’s fair market value and then backing out costs that would be avoided by transacting through the program, such as costs for maintenance and marketing. If no community partner purchases the property through REOMatch, the property returns to the seller, which then disposes of it through its retail REO disposition process, which might include listing the property on an auction platform or on the Multiple Listing Service.

REOMatch aims to achieve neighborhood-positive outcomes by facilitating transactions through a network of vetted, community-based, nonprofit and mission-focused for-profit organizations and land banks and by requiring that these organizations report the outcomes of their work. The platform prioritizes both homeownership outcomes, based on a view that an owner-occupant disposition best stabilizes a neighborhood, and sale to local nonprofit community partners. The platform also excludes higher-priced properties from eligibility for purchase (for example, the Federal Housing Finance Agency’s (FHFA) Neighborhood Stabilization Initiative (NSI) excluded properties with a fair market value above $175,000).

Over its 12-year history, NCST has facilitated the transfer of 27,000 properties, more than 17,000 of which were first look sales. Of the first look sales for which community partners have reported data, 83 percent of properties were rehabbed and sold to an owner occupant. While this track record appears impressive, this paper considers whether the REOMatch program outperformed the retail market in terms of homeownership, especially in low-income, minority census tracts, and local ownership generally.

In order to test the effects of NCST’s first look program, this paper tracks the outcomes as of 2018 for a subset of REO properties in Florida that were offered through NCST’s REOMatch platform between June 2014 and the end of 2017. We compare the outcomes of the properties that were purchased through NCST (“REOMatch properties”) to those properties that reverted to the seller and were sold through retail disposition processes (retail properties). We measure the relative share of owner occupancy as of the 2018 tax rolls for the two disposition channels, including examining whether owner-occupancy outcomes vary in low-income, minority census tracts. We quantify the number of investor-owned properties and measure the proximity of the owners to the properties, which may serve as a proxy for concerns about engagement on issues of property quality and upkeep. For properties sold through NCST, we also report on the community partner’s activities post-sale, including the community partner’s reported total rehabilitation expense, whether the community partner has resold the property or is using it as a rental, rental affordability, and demographics of the property’s purchaser or tenant (end-user). We find:

- Disproportionately higher purchases by NCST community partners of properties in low-income, minority census tracts;
- Higher rates of owner occupancy and lower rates of investor ownership among REOMatch properties in low-income, minority census tracts;
- Roughly equal owner-occupancy outcomes in all census tracts, with higher owner-occupancy rates among earlier year REOMatch properties;
- A slight shift toward rehab-to-rental disposition among NCST community partners during the study period;
- Higher shares of investor ownership of retail properties; and
- Among investor purchases, a significantly larger share of retail investors from out of state.

**Background**

**REO and housing markets in Florida, 2014-2017**

Florida was one of the states hardest hit by falling home prices and the foreclosure crisis. According to CoreLogic (2017), Florida saw nearly 1 million foreclosures between 2007 and 2016, making it the U.S. state with the largest total number of foreclosures. At its peak in late 2010, the share of mortgaged homes in the foreclosure process was over 12 percent statewide, and in Miami, the rate reached nearly 20 percent, the highest level seen in any metropolitan area in the United States.

Figure 1 illustrates the boom and bust home price trajectory for the five largest MSAs in Florida. Home prices in these markets generally peaked in 2006 and bottomed out in 2011. By June 2014, all five markets...
were recovering, with prices rebounding most strongly in the South Florida and Orlando markets. All five MSAs experienced home price growth of more than 30 percent between the third quarter of 2014 and the fourth quarter of 2017 (see Figure 1).

The postcrisis period also saw the emergence of a new category of institutional investors, who built large portfolios of single-family homes to operate as scattered-site rental properties, some on a regional basis and some nationally. According to Amherst Capital (2017), the Miami, Tampa, and Orlando markets were among the areas where institutional investors were most active, and these companies bought nearly 30,000 homes in these markets between 2010 and 2016.

Investors have always been part of the single-family housing market, but their share of home purchases grew rapidly in these years, especially in certain harder-hit markets. While the early postcrisis period was characterized by declining or depressed home prices and excess housing supply in many markets, by the middle of the decade, prices had begun to rebound. Additionally, national trends of falling homeownership rates and tighter than average access to mortgage credit also began to turn around during this period, although less so for borrowers of color. Concurrently, declining subsidies for the acquisition and renovation of distressed homes, including the conclusion of the Neighborhood Stabilization Program, meant that rehabilitation activities were increasingly driven by the market economics of local neighborhoods.

NCST maintains staff across the country who maintain relationships with community partners in their local markets and manage these community partners’ participation in NCST’s programs. NCST has found that community partners faced two different sets of challenges in achieving resale dispositions in different Florida markets during the 2014-2018 period. In more distressed cities such as Jacksonville or Tampa, acquisition prices were often relatively affordable, but post-rehab sales values were too low to support quality renovation. In South Florida, community partners were challenged by what they saw as high acquisition prices and high costs for materials and labor. NCST’s programs adapted to these changes, including by accepting or recruiting community partners who pursued rehab-to-rental strategies.

Between June 2014 and December 2017, NCST facilitated first look sales on behalf of 11 different sellers. Table A in the appendix provides a count of properties sold in REOMatch by each seller each year. The largest seller during this period was Fannie Mae, which began participating in NCST’s programs through the Neighborhood Stabilization Initiative (NSI), a program created by Fannie Mae and Freddie Mac’s regulator requiring them to provide a first look purchase opportunity in specific markets with large REO inventories. In December 2015, Fannie Mae began selling properties in Florida under the NSI, and their sales are first observed in the 2016 data.  

Relevant literature
This study is informed by a range of literature examining elevated investor purchases of foreclosed and other
properties in the aftermath of the financial crisis. The effects of these elevated investor purchases continue to be debated. Critics have raised concerns that investors were crowding out potential homeowners, thereby further destabilizing neighborhoods and exacerbating wealth inequality, and that institutional investors have neglected maintenance and other tenant needs while pushing rents as high as the local market would bear. Additionally, while the number of “zombie foreclosures” declined over time, a significant number of investor-owned properties remained vacant (Finn and Gordon, 2018).

Others point out the significant role that private investors played in increasing demand for the distressed housing stock, especially at a time when owner-occupant demand was diminished and there was not enough public funding to address the significant number of foreclosed homes. Investors adopted different strategies to monetizing their investment in distressed homes, including rehabilitating homes to sell to owner occupants, flipping properties with minimal investment, or holding them as rental properties (Herbert, Lew, and Sanchez-Moyano, 2013).

Investors are able to acquire foreclosed homes through a number of different means, including bidding at foreclosure auctions, purchasing REO from a financial institution, or making an offer on a home listed on the Multiple Listing Service. Studies have examined purchasers of REO properties in Atlanta/Fulton County (Immergluck, 2013; Ellen, Madar, and Weselcouch, 2015), New York City (Ellen, Madar, and Weselcouch, 2015), Cleveland (Coulton et al., 2008), Chicago (Smith and Duda, 2009), Boston (Hwang, 2019), and others, including Miami-Dade County (Ellen, Madar, and Weselcouch, 2015) and Orange County, which includes Orlando (Kim and Cho, 2016). Most similarly to our study, Ihlafeldt and Mayock (2016) use Florida Department of Revenue (DOR) homestead data to examine REO sales in 10 large Florida counties.

Many of these studies examine the spillover effects of investor purchases on home prices and neighborhood conditions. Looking nationally at types of property sales, Lambie-Hanson, Li, and Slonsky (2019) found that the increase in investor purchases relative to historical levels sped local house-price recoveries and reduced vacancies. Similarly, Ganduri, Xiao, and Xiao (2020) found that institutional investor purchases of distressed properties were an important source of liquidity in markets where few other purchasers were active and therefore had a positive effect on neighboring home values. In contrast, Ihlafeldt and Mayock (2016) found negative home-price effects from investor purchases of REO properties in Florida, but not from purchases by owner occupants. Lambie-Hanson, Li, and Slonsky also found that investors bear significant responsibility for falling homeownership rates.

A number of studies have examined how investor activity and REO outcomes varied in low-income and high-minority areas. In certain metropolitan regions, foreclosed properties in low-income and high-minority census tracts were more likely to be sold to investors (Kim and Cho, 2016; Herbert, Lew, and Sanchez-Moyano, 2013). Looking at Boston, Hwang (2019) found that corporate investors were more likely to purchase foreclosed properties in predominantly Black neighborhoods, while owner occupants were more likely to buy foreclosures in neighborhoods that were racially mixed but had a large share of residents who were white. Corporate investors were also less likely to properly maintain their properties, and they resold them more quickly than other owners.

Data and Methods
To compare outcomes, we merged information from NCST’s proprietary databases with public ownership and property assessor records made available by the Florida Department of Revenue.

NCST databases
NCST maintains two databases on properties it has offered and sold. The first database contains data from REOMatch, the technology platform that NCST has developed to facilitate REO transactions. This database contains the property’s address; latitude; longitude; seller-estimated fair market value; seller-provided discount; offer price; and community partner actions taken, such as inspecting a property or accepting or declining a purchase opportunity. For purchased properties, the database also contains the community partner’s intended disposition at the time of purchase (rehab-resale, rehab-rental, etc.), final sales prices, and any discounts offered by the seller.

For purchased properties, NCST requires community partners to provide quarterly updates about the rehabilitation process and final disposition through a system called REOTrack. Data in this system include community partner–reported final rehab amounts, disposition type, and information about the income level of the ultimate property occupant (renter or purchaser). For rental properties, data include the monthly lease amount and the start date of the lease. Not all properties have complete REOTrack data; for example, 92 percent of the 822 purchased properties in our final sample have data on the property disposition type, but only 55 percent have data on the income level of the property’s occupant. We
summarize REOTrack data for all purchased properties in our results section and in the appendix.

**Florida DOR property assessor records**
The Florida DOR makes available parcel-level ownership and sales data collected by the property assessor for each Florida county. The annual DOR data include a full list of all parcels in every county in the state (NAL, or Name-Address-Legal) and a smaller subset of properties that sold in each county that year (SDF, or Sales Data File). The NAL file contains information on the ownership of each parcel at the time the assessor submits the rolls, including the property owner’s address and the property’s homestead exemption status.

In many states, homestead exemptions provide specific legal benefits to owner occupants, such as reduced property taxes. In Florida, a homestead exemption is available to homeowners for their permanent residence or the permanent residence of a dependent. The Florida exemption reduces the assessed value of a home that is subject to taxation and determines eligibility for caps on the amount by which the assessed value can be increased each year.

**Low-income and minority areas data**
In order to examine low-income and minority areas, we use the FHFA’s 2019 Housing Goals data file, which lists census tracts that were low-income census tracts (median income does not exceed 80 percent of the area median income) or low-income, minority tracts (minority population of at least 30 percent and a median income of less than 100 percent of the area median income) for that year.

**Fair market rent data**
Available data on occupant incomes are limited to AMI-level income bands, and therefore, a determination of affordability based on a 30-percent-of-income standard cannot be made. Rather, by studying rents in the context of the local market, we can evaluate the degree to which the properties might or might not be pushing rents on the margins.

For the purposes of determining the relative affordability of the properties held by community partners for rental use, we compared the community partner-reported rents as of the first lease date to the small area fair market rent (SAFMR) for that property on that date. Unlike FMRs generally in use, which are pegged to the quality-adjusted 40th percentile rent across an entire HUD-defined metro area, small area FMRs reflect the same metric at the ZIP code level in an effort to more accurately capture localized market conditions, allowing payment standards for housing vouchers to rise in higher-cost parts of a metro area and reducing over-payment in lower-cost areas. As a result, we use the relationship between reported rents and SAFMRs as an indicator of where a property falls in the local market rent distribution.

**Analysis**
First, we dropped observations in low-transaction counties from the analysis. Counts of REOMatch and retail properties by county and by MSA are available in Tables B, C, and D in the appendix.

For all purchased REOMatch properties, NCST obtains the property’s parcel number (APN), which it uses to monitor subsequent sales of these properties. We used these parcel numbers to match purchased properties with DOR records. For retail properties, we matched property addresses with DOR records and property APNs using OpenRefine paired with Reconcile-csv, open-source software packages that use fuzzy matching techniques to clean and join entries within and across data sets (An et al., 2019). When the matching algorithm returned multiple, equally plausible options for the matching address, we were usually able to identify the NCST property based on the presence of and date of the foreclosure in the DOR data.

For the roughly 10 percent of properties for which this technique did not generate a clear match, we employed a manual process to match property addresses with the record available on each county’s public property assessor website. In about 3 percent of the records, the address on file with NCST was unable to be matched to the DOR records; usually this was in condominiums with incomplete unit numbers where there were multiple foreclosures or where the street address was otherwise missing necessary information like quadrant or street type.

Using the APN for all matched properties, we then extracted data about each property from the 2014 through 2018 NAL files for each county, including the property owner’s address and the property’s homestead exemption status. In addition to dropping properties that could not be matched, we also dropped properties for which ownership data were missing in the 2018 NAL file. Following this data-matching process, our final sample contains 822 REOMatch properties and 7,798 retail properties.

We also used a geocoding service (Geocodio) to match all property addresses to their 2010 census tracts. We then used the FHFA’s 2019 Housing Goals data file to determine whether each property’s census tract was in a low-income area or a low-income, minority census tract.
We also used Geocodio to determine the latitude and longitude of owner property addresses for properties that were not claiming a homestead exemption in 2018. For these properties, we then used ArcGIS to calculate the linear distance between the property address and the owner’s mailing address.

We measured property outcomes based on property-level data in the DOR NAL and SDF data sets for 2018 and, where available, information about the purchasers of properties sold by NCST community partners obtained by NCST through REOTrack reporting.

We identified six types of ownership outcomes:

- **Owner occupancy:** As the name implies, the former REO property was occupied by a new homeowner as of 2018. We identify owner occupants as either those claiming a homestead exemption or individuals whose property and mailing addresses are identical. We discuss the limitations of our owner-occupancy data below.

- **Community Partner Rentals:** These are properties in which an NCST community partner pursued a rehab-to-rent strategy rather than a resale strategy, as identified by the community partner’s reporting in REOTrack. (This outcome is not compared with the retail properties, as we do not have data on dispositions for those properties and cannot preclude the possibility that they are vacant.)

- **Investors:** These owners were identified as investors based on a corporate name or the lack of a homestead exemption coupled with a mailing address other than that of the property.

- **Trust:** In a small number of cases (in both groups of properties), the owners of record are reported as trusts. These trusts are a mix of unspecified, revocable and irrevocable trusts. Because we cannot determine whether the owners of the trusts reside at the properties or own them as investments, we have kept them in a separate category.

- **Other:** This category is a catch-all for the small number of properties owned by nonprofits (not including those that bought through REOMatch), condominium associations, or public agencies.

- **Unsold:** In the case of the REOMatch data set, these are properties that were purchased by the community partners, repaired, and subsequently put up for sale but as of 2018 had yet to sell. (These properties were almost all purchased through REOMatch in 2016 or 2017.) For the retail data set, the unsold properties are foreclosures that remained on the books of Fannie Mae, Freddie Mac, or mortgage servicers as of 2018. As with the REOMatch properties, the unsold REO properties are concentrated in 2017.

**Limitations**

A number of our study’s limitations are related to the nature of the ownership data made public by the Florida DOR. The SDF does not include any owner information, while the NAL only reports the owner of record at the time the assessor rolls are submitted to the DOR. As a result, we cannot identify anyone who owned a property briefly if it did not overlap with the submission of the rolls.

In Florida, homeowners must apply for the homestead exemption, which may mean that not all eligible owner-occupant households are claiming it. By looking at instances where the property address matches the owner’s mailing address, Ihlanfeldt (2020) estimates that 9.2 percent of all single-family homeowners in Florida who were eligible for the homestead exemption failed to claim it in 2017, with nonclaimant rates higher in minority and low-income neighborhoods.

Moreover, eligibility for the homestead exemption is based on ownership as of January 1 of a tax year, but filings for the exemption may potentially be accepted as late as September 20. Thus, an owner occupant who bought a home on January 2, 2017, can file for 2018 as early as March 2017, but she might not file for her exemption until mid-September 2018. Between late or missed filings, we would expect to find that fewer owner-occupied properties report a homestead exemption in later years. Indeed, while only 31 properties from 2014 and 2015 combined reported no homestead exemption despite a common property and mailing address, that number rises to 60 among the 2016 properties and 103 for those with 2017 first look dates.

Based on our understanding that the homestead data undercount owner occupants, we also treated households whose mailing address matches the property address as owner occupants. Treating these properties as owner occupied likely includes a number of second homes, which are not a primary goal of NCST’s or other neighborhood stabilization programs. It also likely includes some nonoccupant owners who have not updated their mailing information since moving out of a property or those who elect to receive their tax bills at the property address.

In addition, our study does not fully control for the ways in which the properties purchased by NCST community partners and those they declined to purchase may be different. For example, our data show that community partners declined a greater share of condo units than single-family homes. However, we lack property-
specific data (such as property condition, square footage, etc.) to do a more detailed comparison of REOMatch and retail properties.

Finally, there are two important differences between our REOMatch and retail data sets. Our retail properties data set is limited to Fannie Mae and Freddie Mac REO and does not include REO from other sellers, such as HUD or Ocwen. Insofar as different sellers systematically acquire REO properties of different quality or in different neighborhoods, this could bias our results. We suspect that Fannie Mae and Freddie Mac REO properties are more likely to be in stronger housing markets than REO properties from NCST’s other sellers. Second, our REOMatch sample includes only the lower-value properties included in NCST’s programs, but the retail data set includes some higher-value properties that would have been ineligible for purchase through NCST. This mismatch might cause retail homeownership to be higher than it would be otherwise, as higher-value properties tend to become owner occupied, while lower-value ones are often rentals.

**Results**

We now turn to the disposition outcomes of the 822 first look properties sold through the REOMatch platform (REOMatch properties) that were bought by NCST’s community partners between the beginning of 2014 and the end of 2017 and the 7,798 properties that were declined by the community partners and ultimately returned to Fannie Mae or Freddie Mac for sale through retail disposition methods (retail properties).

**Outcomes in low-income, minority communities**

Among properties made available for purchase to NCST community partners in low-income, minority census tracts (those with a minority population of 30 percent or greater and a median income below the area median), 13.3 percent were purchased by NCST community partners. For properties located in all other census tracts, 7.1 percent of available properties were purchased by NCST community partners. Accordingly, among REOMatch properties, 54.6 percent were located in low-income, minority census tracts, while 37 percent of retail properties were located in these areas. This suggests that NCST community partners disproportionately purchase REO properties in these minority communities. In other words, they appear to be playing an important role in stabilizing and improving housing markets in these communities and in creating homeownership opportunities for low-income or minority households.

This conclusion is bolstered by the fact that we see higher owner-occupancy rates and lower investor ownership rates among REOMatch properties in these low-income, minority communities than among retail properties. Within these census tracts, 71.3 percent of the REOMatch properties were owner occupied as of 2018, including 88 percent of the 2014 properties and 77 percent of the 2015 properties. By comparison, properties in these tracts that were sold through the retail channel ranged between 57 percent and 63 percent owner occupancy in 2018 for each year of sale, averaging 61.5 percent overall. (Excluding unsold properties, the share of owner occupancy rises to 75.1 percent among REOMatch and to 62.4 percent for the retail channel.) Investor ownership rates for REO properties in these low-income minority communities were 15.6 percent, compared to 35.5 percent among retail properties. By these measures, the first look program has made strides toward generating or restoring homeownership in communities affected

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**Figure 2. Ownership Outcomes as of 2018, Low-Income Minority Areas**

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<tr>
<th></th>
<th>REOMatch (822 Properties)</th>
<th>Retail (7798 Properties)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner Occupancy</strong></td>
<td>71%</td>
<td>62%</td>
</tr>
<tr>
<td><strong>Investor</strong></td>
<td>16%</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Community Buyer-Rental</strong></td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Unsold</strong></td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Note:** Trust and Other each <1%

---

**Figure 3. Ownership Outcomes as of 2018**

<table>
<thead>
<tr>
<th></th>
<th>REOMatch</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner Occupancy</strong></td>
<td>68%</td>
<td>68%</td>
</tr>
<tr>
<td><strong>Investor</strong></td>
<td>15%</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Community Buyer-Rental</strong></td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Unsold</strong></td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Note:** Trust and Other each <1%
by foreclosures. For REOMatch properties in these areas, we provide additional data on property rehabilitation and the incomes of end users later in the paper.

**Owner occupancy in all communities**

We now turn our analysis to all communities. While the aggregate ratio of owner occupancy across the two disposition paths is nearly identical at 68 percent, differences emerge when considering outcomes on an annual basis. Among REOMatch properties, the rate of owner occupancy has dropped in every subsequent year of sale. For retail properties, the rate of owner occupancy has fluctuated between 62 percent and 71 percent. Since these calculations are already factors in the nonfiling of homestead exemptions, we must consider alternative explanations for the steady decline in the rate of REOMatch owner occupancy.

**Community partner rental**

Above, we describe how market trends and declining levels of subsidy led to community partners shifting their disposition strategy toward rentals. We see this
shift in our data. While community partners rented out the rehabbed properties in only a handful of cases for 2014 and 2015 properties, the incidence of rehab to rent rose to 36 properties in 2016 and 68 properties in 2017, up from 5 and 4 in 2014 and 2015, respectively. Of the 9 properties designated for rental in 2014 and 2015, as of 2018, 7 remained in the hands of the community partners as rental properties and the other 2 had been sold to individual investors. Also as of 2018, 25 of the 36 2016 community partner rentals and 56 of the 68 2017 properties remained as community partner–owned rentals.

It is noteworthy that one NCST community partner accounted for more than half of all properties rehabbed for rental (58 out of 113). This community partner solely pursued a rehab-to-rental strategy and concentrated its purchases in the Tampa market, with some additional purchases in Jacksonville and Orlando. All were 2016 or 2017 properties, and in all cases where data are available, these properties were rented to households with incomes below 80 percent of AMI.

NCST requires that rents charged to tenants must be affordable, although it did not, at that time, define that term as 30 percent of income. However, a proxy for that information is to consider the relationship of the rental amount to fair market rents in the area, which generally indicate the 40th percentile of rents. Of the 103 properties for which data on monthly lease amount, rental lease start date, and number of bedrooms are available, 57 percent (59 properties) are at or below the applicable small area fair market rent. Fifteen percent have rents less than 10 percent above the SAFMR, and the remaining 28 percent have rents more than 10 percent above the SAFMR. While owner-occupancy outcomes are likely the most beneficial in stabilizing communities, REOMatch properties are renovated before they are rented, and these rehabilitated properties are much more beneficial to communities than vacant properties. If we consider the neighborhood stability objectives of the first look program, it is reasonable to include community partners’ rehab-to-rental strategies as beneficial outcomes in addition to owner occupancy. When the community partners’ rental properties are added to owner-occupied properties, the calculation is as seen in Table 1.

When the two outcomes are combined, the share of properties considered to have community beneficial outcomes across the whole portfolio of REOMatch
properties is 79 percent. It is also worth noting that nearly 90 percent of properties that were owner occupied as of 2018 were still in the hands of the original community partner post-rehab, making an argument in favor of the proposition that low- and moderate-income homeownership facilitated by first look programs is sustainable.

**Investor owners**

As demonstrated in Table 2, 15 percent of REOMatch properties were owned by investors as of 2018, whereas 29 percent of retail properties were.

While a full analysis of the scale at which larger investors purchased properties is outside the scope of this paper, we did analyze the extent to which properties were purchased by well-known, large-scale institutional investors. Progress Residential and Invitation Homes were the largest purchasers of retail properties. As of 2018, Progress Residential owned 56 properties and Invitation Homes owned 20. We did not identify any large-scale institutional investors as owners of REOMatch properties.

**Purchased properties: Rehab, disposition, and property occupants**

In this section, we summarize data on the property rehab disposition of the 822 purchased properties as reported by community partners in REOTrack.

Fannie Mae was the seller for 51 percent of properties, followed by Ocwen at 22 percent and Freddie Mac at 11 percent (additional information is available in Table B of the appendix). Average seller-estimated fair market value was $115,791 (Table E), with an average of $106,571 in low-income minority communities. The average seller discount as a percentage of FMV was 16.3 percent (Table F).

By far the most common property disposition was rehabilitation for resale (78.3 percent), followed by rehabilitation for rental (14.9 percent) (Table G). In low-income, minority communities, rehabilitation for resale was slightly more common (81.7 percent). The average community partner-reported rehab cost was $40,350 (Table H), although rehab costs were higher for resold properties ($40,464) than for rental properties ($34,435). Rehab costs were slightly lower in low-income, minority communities ($39,148) than in all other communities ($41,606).

Among properties resold, 76.5 percent were to households earning less than 80 percent of AMI, while 20.3 percent were to households between 80 and 120 percent of AMI and 3.2 percent were to households above 120 percent of AMI (NCST programs require that end users be below 120 percent of AMI but allow for exceptions). All but one of the rental units were rented to households earning less than 80 percent of area median income. Outcomes in low-income, minority communities were significantly more favorable than in all other communities.
similar, with slightly lower incomes seen among occupants in these communities.

Landlord distance
In addition to looking at which investors owned the properties as of 2018, we also looked at the physical proximity of the owners to the properties (Table 3). Overall, investors in REOMatch properties tended to be somewhat closer than investors who bought properties through the retail channel. We believe there is value in understanding the proximity of investors to the properties as a potential indicator of the type of stewardship of the property that might be expected.

The rate of out-of-state ownership of retail properties was one-third higher than among REOMatch properties (26.5 percent vs. 19.8 percent).

Discussion and Conclusion
Our study concerns REO properties that were primarily sold between June 2014 and December 2017. While nationally the 2014 period was still characterized by historically elevated foreclosure filings and auctions, the number of distressed properties had been falling since its peak in the third quarter of 2009 (filings) or the third quarter of 2010 (auctions) (Blomquist, 2020). By the end of 2017, foreclosure auctions had fallen to levels seen before the start of the financial crisis. The number of foreclosures continued to fall until the start of the COVID-19 pandemic, when a range of foreclosure moratoriums were put into effect, essentially eliminating newly foreclosed homes.

Unfortunately, there are reasons to fear that foreclosure inventories will again climb. While many COVID-19-affected mortgage borrowers have availed themselves of the option to pause their mortgage payments temporarily through a mortgage forbearance, many delinquent borrowers are not in a forbearance, and whether borrowers will be able to resume paying their mortgages will depend on a range of factors. These factors include their post-COVID-19 employment situation and the successful performance of the mortgage servicers charged with negotiating repayment plans, payment deferrals, or other foreclosure avoidance with borrowers. Rental property owners are likewise struggling to cover their operating costs and mortgages in cases where rent has gone unpaid (National Association of Hispanic Real Estate Professionals, 2020).

Fortunately, the mortgage industry has a much stronger understanding of how to prevent foreclosures than it did after the last crisis, and far fewer borrowers will have negative equity in their properties; so the number of foreclosures should be lower than during and after the mortgage crisis. However, the number of foreclosures and REO properties will inevitably increase. How will these properties be resold, and who will buy them? Already, there are concerns that widespread purchases by investors will again erode homeownership rates, limit the inventory of affordable homes available for sale, and destabilize communities.

Our study is the first to examine a first look REO sales program. We believe our study suggests a number of avenues for additional research about this REO sales program and similar programs. The first is whether our findings can be generalized across different markets, time periods, programs, and sellers. Second, we believe research should examine whether outcomes differ by regional submarkets or neighborhood types. For example, it is possible that stronger homeownership outcomes occur in markets where investors are able to fully recover or earn profits on funds expended on property rehabilitation.

A third avenue for research is acquisition patterns and differences among properties purchased or declined by

<table>
<thead>
<tr>
<th>REOMatch Investors</th>
<th>Retail Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>within 1 mile</td>
<td>within 1 mile</td>
</tr>
<tr>
<td>1-2 miles</td>
<td>1-2 miles</td>
</tr>
<tr>
<td>2-3 miles</td>
<td>2-3 miles</td>
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<tr>
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<td>3-4 miles</td>
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<td>4-5 miles</td>
</tr>
<tr>
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<td>5-10 miles</td>
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<tr>
<td>10-20 miles</td>
<td>10-20 miles</td>
</tr>
<tr>
<td>20-50 miles</td>
<td>20-50 miles</td>
</tr>
<tr>
<td>50-100 miles</td>
<td>50-100 miles</td>
</tr>
<tr>
<td>100+ (in state)</td>
<td>100+ (in state)</td>
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<tr>
<td>Out of state</td>
<td>Out of state</td>
</tr>
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<td>within 1 mile</td>
<td>9</td>
</tr>
<tr>
<td>1-2 miles</td>
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<tr>
<td>2-3 miles</td>
<td>5</td>
</tr>
<tr>
<td>3-4 miles</td>
<td>12</td>
</tr>
<tr>
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<td>5-10 miles</td>
<td>19</td>
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<td>10-20 miles</td>
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<tr>
<td>Out of state</td>
<td>24</td>
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</table>
community partners. In particular, it would be useful to study the relationship between purchase rates and the sales prices offered by property sellers. Fourth, we believe additional research is needed on the ways in which community partners use first look acquisitions as part of broader neighborhood improvement or stabilization initiatives.

Fifth, we believe additional research is warranted on the effect that community partner purchases and property rehabilitation have on neighboring homes and the local housing market. It is possible that these activities could positively affect home values and vacancy rates, as well as neighborhood safety and quality of life. New research uses NCST’s data to examine the effect of distressed property rehabilitations on neighboring property prices and finds sizable positive effects on the values of neighboring homes (Ganduri and Maturana, 2021).

One particularly noteworthy finding from our study is that NCST community partners disproportionately purchase properties in low-income, minority census tracts and are more likely to achieve owner-occupancy outcomes in those tracts. Insofar as first look programs are especially effective in facilitating homeownership in minority neighborhoods, this finding is relevant because minority neighborhoods are likely to be those most affected by an increase in foreclosures. During the COVID-19 crisis, Black and Hispanic households have had the most difficulty making mortgage payments and rent (Urban Institute, 2020). This finding is also relevant given the longstanding and significant racial wealth gap and increased national attention focusing on strategies that may promote wealth accumulation among minorities.

Accordingly, as our nation and our financial institutions determine how to mitigate the negative effects of post-COVID-19 foreclosures on communities, we suggest that first look programs remain an important strategy to promote homeownership and neighborhood stabilization.

Andrew Jakabovics is vice president of policy development at Enterprise Community Partners, where he oversees the policy development and research team. His recent research includes analyzing ownership patterns and COVID’s impact on small multifamily properties, preservation strategies for unsubsidized and subsidized affordable housing, low-income housing tax credit development and neighborhood dynamics, and the relationship between disasters and affordability. Prior to joining Enterprise, he served as senior policy adviser at the U.S. Department of Housing and Urban Development (HUD). There, he devoted attention to preventing foreclosure and to mitigating the impact of foreclosures on neighborhoods and communities. Prior to joining HUD, Jakabovics served as associate director for Housing and Economics at the Center for American Progress, where he drafted some of the earliest policy responses to the foreclosure crisis. He currently serves as chair of the board of managers of the National Community Stabilization Trust and is on the board of the National Association of Affordable Housing Lenders.

David Sanchez is the director of research and policy at the National Community Stabilization Trust (NCST), where he supports NCST’s policy advocacy and initiatives to support neighborhood stabilization and the rehabilitation of distressed properties. Previously, Sanchez was a senior policy analyst at the Federal Housing Finance Agency in the Division of Housing Mission and Goals and the office of then-director Mel Watt. He began his career in housing and consumer finance policy at the Center for American Progress. He holds a master’s degree in sociology from Cambridge University and a bachelor’s degree from Haverford College.

Endnotes

1 These nonprofits are Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), UnidosUS (formerly National Council of La Raza), the National Urban League, and NeighborWorks America. All of these organizations, except the National Urban League, continue to serve on NCST’s board of directors.

2 As of January 2021, NCST worked with 377 community partners nationwide (excluding subsidiaries), of which 255 were nonprofits, 61 were government entities including land banks, and 61 were mission-aligned, for-profit entities.

3 NCST’s first look programs differ from some other first look programs in that prospective owner occupants are not able to purchase properties directly through NCST.

4 The FHFA’s caps in the Miami market and the two non-Florida markets were raised from $175,000 to $250,000 in November 2016.

5 In addition to first look sales, NCST also operates “second look” programs, in which REO properties that do not sell through other dispositions are offered again to NCST community partners, and programs that facilitate property donations to NCST community partners and other community-based institutions. Transactions facilitated under second look or donation programs are not considered in this paper’s analysis.

6 Originally launched in non-Florida markets in 2014, the NSI expanded in December 2015 to include the Jacksonville, Miami-Fort Lauderdale-West Palm Beach,
The Shimberg Center for Housing Studies at the University of Florida maintains an archive of the annual DOR data sets, and we thank them for sharing an extract of their database with us.

Data are available at https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html. HUD provides small area FMRs for efficiencies through four-bedroom units; five-bedroom units are calculated as 1.15 times the four-bedroom FMR. For additional information on HUD’s methodology, see https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021summary.odn.

Transactions in the following counties were dropped: Alachua, Bay, Baker, Bradford, Calhoun, Charlotte, Citrus, Collier, Columbia, Escambia, Flagler, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hardee, Hendry, Indian River, Jackson, Leon, Levy, Madison, Manatee, Marion, Okaloosa, Okeechobee, Putnam, Sarasota, Sumter, Suwannee, Wakulla, and Walton. No REO properties were made available to NCST community partners during this time period in the following counties: DeSoto, Dixie, Hamilton, Holmes, Jefferson, Lafayette, Liberty, Monroe, Santa Rosa, Taylor, Union, and Washington.

While REOTrack generally provides data about the first purchaser after the NCST community partner, the DOR records allowed us to track ownership over any subsequent sales through 2018.

Available at http://openrefine.org/

Available at http://okfnlabs.org/reconcile-csv/


**Acknowledgments**

The authors thank Theodora Chang, Julia Gordon, Racquel Reddie, Matt Cameron, and Kristopher Hoff for their assistance.
## Appendix

### Table A. Sellers, REOMatch Properties

<table>
<thead>
<tr>
<th>Seller</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>Bank of America</td>
<td>22</td>
<td>4</td>
<td></td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>Bayview</td>
<td></td>
<td></td>
<td>7</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Chase</td>
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<td>2</td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Citigroup</td>
<td>7</td>
<td>5</td>
<td>10</td>
<td>8</td>
<td>30</td>
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<td>Community Restoration Corporation</td>
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<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fannie Mae</td>
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<td></td>
<td>199</td>
<td>218</td>
<td>417</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>33</td>
<td>38</td>
<td>10</td>
<td>13</td>
<td>94</td>
</tr>
<tr>
<td>HUD / FHA - First Look</td>
<td>23</td>
<td>16</td>
<td>5</td>
<td>7</td>
<td>51</td>
</tr>
<tr>
<td>Ocwen</td>
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<td>21</td>
<td>72</td>
<td>38</td>
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<td>US Bank</td>
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<td>1</td>
</tr>
<tr>
<td>Wells Fargo</td>
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<td></td>
<td></td>
<td>4</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td><strong>148</strong></td>
<td><strong>86</strong></td>
<td><strong>296</strong></td>
<td><strong>292</strong></td>
<td><strong>822</strong></td>
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</table>
### Table B. REOMatch and Retail Properties by County

<table>
<thead>
<tr>
<th>County</th>
<th>REOMatch Properties</th>
<th>Retail Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brevard County</td>
<td>12</td>
<td>166</td>
</tr>
<tr>
<td>Broward County</td>
<td>96</td>
<td>1031</td>
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<tr>
<td>Clay County</td>
<td>6</td>
<td>188</td>
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<tr>
<td>Duval County</td>
<td>56</td>
<td>630</td>
</tr>
<tr>
<td>Hernando County</td>
<td>7</td>
<td>168</td>
</tr>
<tr>
<td>Hillsborough County</td>
<td>82</td>
<td>845</td>
</tr>
<tr>
<td>Lake County</td>
<td>9</td>
<td>206</td>
</tr>
<tr>
<td>Lee County</td>
<td>38</td>
<td>120</td>
</tr>
<tr>
<td>Miami-Dade County</td>
<td>108</td>
<td>978</td>
</tr>
<tr>
<td>Nassau County</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Orange County</td>
<td>95</td>
<td>642</td>
</tr>
<tr>
<td>Osceola County</td>
<td>10</td>
<td>203</td>
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<tr>
<td>Palm Beach County</td>
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<td>668</td>
</tr>
<tr>
<td>Pasco County</td>
<td>69</td>
<td>565</td>
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<tr>
<td>Pinellas County</td>
<td>96</td>
<td>667</td>
</tr>
<tr>
<td>Polk County</td>
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<td>70</td>
</tr>
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<td>Seminole County</td>
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<tr>
<td>St. Johns County</td>
<td>4</td>
<td>107</td>
</tr>
<tr>
<td>St. Lucie County</td>
<td>18</td>
<td>44</td>
</tr>
<tr>
<td>Volusia County</td>
<td>-</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total with Data</strong></td>
<td><strong>822</strong></td>
<td><strong>7798</strong></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Cape Coral-Fort Myers</strong></td>
<td>10</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Jacksonville</strong></td>
<td>7</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Lakeland-Winter Haven</strong></td>
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<td>1.4%</td>
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<tr>
<td><strong>Miami-Fort Lauderdale-Pompano Beach</strong></td>
<td>56</td>
<td>37.8%</td>
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<tr>
<td><strong>Orlando-Kissimmee-Sanford</strong></td>
<td>48</td>
<td>32.4%</td>
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<tr>
<td><strong>Palm Bay-Melbourne-Titusville</strong></td>
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<td>1.4%</td>
</tr>
<tr>
<td><strong>Port St. Lucie</strong></td>
<td>6</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Tampa-St. Petersburg-Clearwater</strong></td>
<td>17</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>148</td>
<td>86</td>
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Table D. Retail Properties, by County and Year Offered for Sale by NCST

<table>
<thead>
<tr>
<th>County</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Coral-Fort Myers</td>
<td>50</td>
<td>53</td>
<td>12</td>
<td>5</td>
<td>120</td>
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<tr>
<td>Deltona-Daytona Beach-Ormond Beach</td>
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<td>87</td>
<td>9</td>
<td>5</td>
<td>168</td>
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<tr>
<td>Jacksonville</td>
<td>124</td>
<td>210</td>
<td>411</td>
<td>230</td>
<td>975</td>
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<tr>
<td>Lakeland-Winter Haven</td>
<td>19</td>
<td>30</td>
<td>10</td>
<td>11</td>
<td>70</td>
</tr>
<tr>
<td>Miami-Fort Lauderdale-West Palm Beach</td>
<td>261</td>
<td>522</td>
<td>1368</td>
<td>526</td>
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<td>Orlando-Kissimmee-Sanford</td>
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<td>Palm Bay-Melbourne-Titusville</td>
<td>84</td>
<td>43</td>
<td>29</td>
<td>10</td>
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<tr>
<td>Port St. Lucie</td>
<td>19</td>
<td>22</td>
<td>3</td>
<td>3</td>
<td>44</td>
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<tr>
<td>Tampa-St. Petersburg-Clearwater</td>
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<td>385</td>
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<td><strong>Grand Total</strong></td>
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<td>3679</td>
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### Table E. Seller-Estimated Fair Market Value, REOMatch Properties

<table>
<thead>
<tr>
<th>Seller-Estimated Fair Market Value</th>
<th>Purchased Properties</th>
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<tr>
<td>0-24,999</td>
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<td>25,000-49,999</td>
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<td>50,000-74,999</td>
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<tr>
<td>75,000-99,999</td>
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<tr>
<td>100,000-124,999</td>
<td>127</td>
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<tr>
<td>125,000-149,999</td>
<td>127</td>
</tr>
<tr>
<td>150,000-174,999</td>
<td>94</td>
</tr>
<tr>
<td>175,000-199,999</td>
<td>54</td>
</tr>
<tr>
<td>200,000-224,999</td>
<td>26</td>
</tr>
<tr>
<td>225,000-249,999</td>
<td>27</td>
</tr>
<tr>
<td>250,000-274,999</td>
<td>7</td>
</tr>
<tr>
<td>275,000-299,999</td>
<td>1</td>
</tr>
<tr>
<td>300,000-324,999</td>
<td>3</td>
</tr>
<tr>
<td>375,000-399,999</td>
<td>1</td>
</tr>
<tr>
<td>Total with Data</td>
<td>822</td>
</tr>
</tbody>
</table>

**Average** $115,791

### Table F. Seller Discount, REOMatch Properties

<table>
<thead>
<tr>
<th>Seller Discount as Percentage of Fair Market Value</th>
<th>Count</th>
<th>Average Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4.9%</td>
<td>34</td>
<td>4.2%</td>
</tr>
<tr>
<td>5-9.9%</td>
<td>291</td>
<td>35.7%</td>
</tr>
<tr>
<td>10-14.9%</td>
<td>165</td>
<td>20.2%</td>
</tr>
<tr>
<td>15-19.9%</td>
<td>148</td>
<td>18.1%</td>
</tr>
<tr>
<td>20-24.9%</td>
<td>70</td>
<td>8.6%</td>
</tr>
<tr>
<td>25-29.9%</td>
<td>32</td>
<td>3.9%</td>
</tr>
<tr>
<td>30-49.9%</td>
<td>37</td>
<td>4.5%</td>
</tr>
<tr>
<td>Greater than 50%</td>
<td>39</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Total with Data</strong></td>
<td>816</td>
<td></td>
</tr>
</tbody>
</table>

**Average** 16.3%
### Table G. Disposition Method, REOMatch Properties

<table>
<thead>
<tr>
<th>Disposition Method</th>
<th>All Communities</th>
<th>Low-income Minority Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>0.1%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Land Bank</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>0.3%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Lease - Purchase</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>0.5%</td>
<td>0.25%</td>
</tr>
<tr>
<td>New Construction</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>3.8%</td>
<td>3.77%</td>
</tr>
<tr>
<td>Rehab - Rental</td>
<td>113</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>14.9%</td>
<td>11.56%</td>
</tr>
<tr>
<td>Rehab - Resale</td>
<td>594</td>
<td>325</td>
</tr>
<tr>
<td></td>
<td>78.3%</td>
<td>81.66%</td>
</tr>
<tr>
<td>Resale - No Rehab</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>2.1%</td>
<td>2.26%</td>
</tr>
<tr>
<td><strong>Total with Data</strong></td>
<td><strong>759</strong></td>
<td><strong>398</strong></td>
</tr>
</tbody>
</table>

### Table H. Total Rehab Cost, REOMatch Properties

<table>
<thead>
<tr>
<th>Total Rehab Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10,000</td>
<td>40</td>
</tr>
<tr>
<td>10,000-20,000</td>
<td>98</td>
</tr>
<tr>
<td>20,000-30,000</td>
<td>115</td>
</tr>
<tr>
<td>30,000-40,000</td>
<td>107</td>
</tr>
<tr>
<td>40,000-50,000</td>
<td>87</td>
</tr>
<tr>
<td>50,000-60,000</td>
<td>55</td>
</tr>
<tr>
<td>60,000-70,000</td>
<td>33</td>
</tr>
<tr>
<td>70,000-80,000</td>
<td>29</td>
</tr>
<tr>
<td>80,000-90,000</td>
<td>14</td>
</tr>
<tr>
<td>90,000-100,000</td>
<td>13</td>
</tr>
<tr>
<td>100,000-110,000</td>
<td>7</td>
</tr>
<tr>
<td>110,000-120,000</td>
<td>5</td>
</tr>
<tr>
<td>Greater than $120,000</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total with Data</strong></td>
<td><strong>612</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>$40,350</strong></td>
</tr>
</tbody>
</table>
Developing and Implementing Property Remediation Strategies in Urban and Rural Communities in the Lehigh Valley:
A Case Study of Bethlehem and Northampton County, Pennsylvania

Emily Dowdall
Ira Goldstein

Introduction
Pennsylvania’s Lehigh Valley stretches across two counties in eastern Pennsylvania and is remarkably varied in terms of community characteristics and the built environment. The cities of Bethlehem, Easton, and Allentown share a heritage of industrial production, but they also have institutions of higher education that are major employers. Some rural communities in the Lehigh Valley developed around agriculture and are low density, while small towns centered on slate production or other industries are relatively high density. There are growing suburban townships and a robust logistics and warehousing sector. The Lehigh Valley sits approximately 50 miles north of Philadelphia and 80 miles west of New York City. Although the region has made a generally successful transition to a more diversified economy over time, seeing population growth and sustaining a higher median income than the Commonwealth in recent years, there are pockets of decline and disinvestment and instances of highly visible properties in acute disrepair—which state and local laws define as “blighted”—that municipalities have struggled to address.¹
Reinvestment Fund conducted Market Value Analyses for Bethlehem (2018) and Northampton County (2019) to support data-driven blight prevention and remediation plans (Reinvestment Fund, May 8 Consulting, and Atria Planning, 2018; Reinvestment Fund and May 8 Consulting, 2019). The plan for Bethlehem, which straddles both Northampton and Lehigh Counties, won the 2018 Lehigh Valley Award for Plan or Policy. The plan focused on action steps and funding approaches that could be taken by local government entities and partners. Although implementing the recommendations has not been without difficulty, the city had the organizational infrastructure, data collection expectations, and working relationships in place to do so.

Northampton’s countywide plan, in contrast, brought together 38 municipalities (2 cities, 19 boroughs, 7 suburban townships, and 10 rural townships) ranging from boroughs with only part-time staff, to Bethlehem and Easton, which each have their own Redevelopment Authority with the power to obtain and condemn properties through eminent domain. County officials were particularly concerned with small boroughs (with populations of approximately 500 to 5,000) located in rural areas, where the administrative and financial capacity to address blight and to invest in data collection and analysis has been more limited. The resulting plan thus included tools and strategies that could be applied in very different local circumstances and considerations for how the county could support small municipalities’ efforts.

The process of overhauling approaches to blight management in the Lehigh Valley highlights that data analysis is a means rather than an end. Both the city and the countywide plans and efforts to implement them to date illustrate how data can bring stakeholders together around a shared understanding of current conditions and goals, transform difficult conversations into productive working sessions, help municipal staff get the results they want, and keep the momentum for blight management going over time. Public-sector champions of data use and a deep commitment to ongoing blight management in Bethlehem and Northampton County are essential to making data-driven blight management a success.

This case study uses data, stakeholder interviews, and our team’s experience working with these communities—and other communities across the United States—to contrast the development and implementation of data-driven blight remediation in Bethlehem with that in the rural portions of Northampton County. The case study details the unique challenges associated with small-town blight and effective tools and approaches to employ in that context by focusing on a set of communities known as the Slate Belt that developed around slate production in the 19th and early 20th centuries in the rural northeastern corner of the county.

Bethlehem blight in context
Bethlehem has a population of approximately 75,000, making it the seventh largest city in Pennsylvania. The city has a rich history of industry and production; throughout the 20th century, the Bethlehem Steel Corporation provided the material for iconic American structures, including the Golden Gate Bridge, much of the Manhattan skyline, and the Hoover Dam. When Bethlehem Steel shut down in 1998, there were concerns that the city would decline like so many other postindustrial communities. However, other bright spots in the city and regional employment bases contributed to Bethlehem’s resilience. The presence of two institutions of higher learning (Lehigh University and Moravian College) and a strong tourism sector helped steady local economic activity and sustain a vibrant downtown.

Blight has not been an overwhelming issue. Based on field surveys conducted by Redevelopment Authority staff, less than 1 percent of properties qualified as meeting one or more of the five conditions delineated in the city ordinance that defines blight (Article 1732), which was adapted from Pennsylvania law.

- Properties that have broken or severely damaged windows, doors, walls, or roofs which create hazardous conditions and encourage trespassing; or
- Whose maintenance is not in conformance with the maintenance of other neighboring properties causing a decrease in value of the neighboring properties; or
- Are cited for a public nuisance pursuant to the City Codes; or
- That endanger the public’s health, safety, or welfare because the properties or improvements thereon are dilapidated, deteriorated; or
- Violate minimum health and safety standards or lack maintenance as required by the applicable codes.

Twenty-nine properties were officially designated as blighted through the Blighted Property Review Committee process at the time of the plan. Another 18 were queued for certification. Although not pervasive, the presence of large, vacant commercial and industrial properties, along with pockets of distressed residential properties, had become major concerns as stakeholders recognized the potential for deferred maintenance to spread, adversely affecting the quality of life and leading to costly interventions in the future. In 2017, the City of Bethlehem enlisted Reinvestment Fund and its partners May 8 Consulting and Atria Planning in the creation of a
data-driven plan, dubbed the Bethlehem Blight Betterment Infinitive, or B3. The city had many assets going into the initiative, including the federal funding sources of Community Development Block Grants (CDBG) and the U.S. Department of Housing and Urban Development’s HOME program, professional code enforcement staff, and powers of eminent domain through its Redevelopment Authority. The city did not have electronic data collection systems or procedures in place to comprehensively review property records to guide enforcement and investment.7

The effort began with a review of the city’s data on blighted properties. As seen in Figure 1, about three-quarters of certified blighted properties were located around Lehigh University in Bethlehem’s South Side, across the river from the downtown historic district. A number of distressed commercial properties on the edges of the downtown were either certified blighted or found to meet the legal standard to be considered blighted, and stakeholders saw them as negatively affecting adjacent residential areas.

In contrast to the clustering of blight, the city’s investment activities had been more dispersed, largely determined by the legal and community development tools available and opportunities or pressing concerns related to specific properties. According to local stakeholders, prior to B3 the notable impediments to addressing blight, although by no means all of the challenges, were:

- A cumbersome and time-consuming process for certifying a property as blighted, requiring proceedings before the Blighted Property Review Committee (BPRC), the Planning Commission, and the Redevelopment Authority;
- Obsolete data management systems to record and track code inspections;
- The reluctance of county magistrates to support code enforcement through guilty findings or penalty amounts sufficient to motivate compliance—even when an owner was believed to have sufficient financial resources to remEDIATE a property’s condition;
- Market conditions that are not supportive of investment in some locations for reasons including: (a) expected revenue or rents would not justify the cost of the improvement; (b) there is a lack of demand for the particular building type and feasible use within a submarket; and (c) gaps between a property’s appraised value and the price of repair or renovation (that is, an “appraisal gap”).

A countywide assessment of blight challenges

Northampton County undertook a blight planning effort for a larger geography that includes small com-

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**Figure 1.** Certified Blighted Properties and Surveyed Properties Meeting Legal Blight Criteria in Bethlehem (as of April 2018)

Source: Bethlehem Blight Betterment Initiative Action Plan, 2018
munities called boroughs that share some key characteristics with the urban municipalities of Bethlehem and Easton but also have important distinctions. The county is home to approximately 305,000 residents, up from 298,000 as of the 2010 census’s American Community Survey (ACS). The Bureau of Labor Statistics showed a decline in the unemployment rate from 7.4 percent in 2013 to 4.5 percent in 2019. Northampton County has 2 cities (Bethlehem and Easton), 19 boroughs, 7 suburban townships, and 10 rural townships. Residential real estate markets are generally strong; although there are distressed properties in every community, they are not overwhelmingly pervasive in any part of the county. The form and prevalence of properties meeting the formal definition of blight vary and, just as important, so do local government staffing, financial resources, and residents’ expectations for public services.

County officials had a particular interest in enhancing blight management in the Slate Belt. Slate Belt boroughs, including Bangor, Pen Argyl, and Wind Gap, are in some ways similar to the county’s two cities: they have dense, older housing stock, concentrations of renters, and lower household incomes than other parts of the county. They have struggled with a mix of blighted residential, commercial, and industrial properties. But with populations ranging from under 500 to just over 5,000, boroughs have little capacity to address the blighted properties. The county had been in conversation with the Slate Belt boroughs about broader revitalization efforts when the issue of abandoned or distressed properties emerged as a top concern.

Mark Hartney, deputy director of Community and Economic Development for Northampton County, reported that prior to the blight plan, they did not know “how high, how wide, how deep” the problem of blight was—all information was anecdotal. Without knowing the extent of blight, and without a plan for how to invest limited resources, the county felt ill-equipped to solve the problem. Outside of Bethlehem and Easton, data on property condition and blight in Northampton County were hard to come by. Smaller jurisdictions have not pursued official blight certification, and code enforcement records have not been consistent. To collect the information necessary to develop a data-driven blight plan, the blight plan team surveyed officials from each municipality in

Table 1. 2018 Northampton Municipality Survey, Types of Blight

<table>
<thead>
<tr>
<th>What is the most significant type of blight or problem property in your community?</th>
<th>City/Borough (21)</th>
<th>Suburban (7)</th>
<th>Rural (10)</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacant land</td>
<td>0%</td>
<td>22%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Vacant commercial properties</td>
<td>35%</td>
<td>11%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Brownfield sites</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Vacant buildings</td>
<td>12%</td>
<td>0%</td>
<td>30%</td>
<td>14%</td>
</tr>
<tr>
<td>Deteriorated homes</td>
<td>6%</td>
<td>33%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Foreclosed properties</td>
<td>18%</td>
<td>33%</td>
<td>10%</td>
<td>19%</td>
</tr>
<tr>
<td>Substandard rental properties</td>
<td>6%</td>
<td>0%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Illegal rooming houses</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
<td>1%</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Northampton County Blight Reversal & Remediation Plan, 2019
Municipality survey results
Survey results by community type revealed substantial variation in how municipalities experience blight (Table 1). All 38 municipalities responded; the results combine city and borough responses because they face similar challenges despite their different sizes. Vacant land was a bigger problem for suburban areas as were deteriorated homes and foreclosed properties, while cities and boroughs were most concerned about vacant commercial properties. Rural townships were worried about vacant buildings in general.

When survey respondents were asked about the biggest challenges standing in the way of fixing blight, the top issue all three types of municipalities faced was getting property owners to cooperate by addressing any identified compliance issues. Other common barriers cited by responding municipalities outside of Bethlehem and Easton included owners’ inability to pay for repairs, difficulty identifying or contacting property owners, and a lack of local funding for enforcement and demolition. The survey also found that more than half of municipalities were still using paper citations and keeping paper records. About 8 percent did not keep any records at all on blighted properties.

Locally identified problem properties
Few Northampton problem properties have a process to officially designate properties as blighted. The team asked boroughs, suburban townships, and rural townships to submit lists of what they considered to be their most troubled properties—those that fit the plan’s definition of blighted and presented a particular challenge (such as contamination or an uncooperative owner) and/or were a priority for development (such as a highly visible location). Stakeholders referred to these as “problem properties.” The list of submissions totaled 112 parcels (Table 2). Almost half (46 percent) were single-family residential properties and about 10 percent were small multifamily buildings (two to four units). The rest were a mix of commercial and industrial properties; just two properties were vacant land. Problem properties appeared in strong, middle, and weak real estate markets.

Tax sale repository
At the time of our evaluation, the county had 153 parcels in its tax sale repository, which consists of tax foreclosed properties that did not sell at sheriff’s sale as well as some easements and other essentially “undevelopable” parcels. Only four of the parcels included structures. In most cases, problem properties were not in the tax sale repository.

Blight challenges in the boroughs
The county’s smallest municipalities point to limited staffing, budget constraints, and a lack of enforcement power as impediments to addressing blight. Robin Zmoda, manager of the Slate Belt borough of Pen Argyl, said the municipality has long handled blighted properties on a case-by-case basis. Although there are only a few pockets of problem properties, she observed that just one property can have a big impact given the density of the local housing stock in this town of 3,500. She noted that Pen Argyl has a relatively affordable housing stock, but it is aging, and many residents have low incomes.

<table>
<thead>
<tr>
<th>Land Use</th>
<th># of Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-4 Family, Residential</td>
<td>10</td>
</tr>
<tr>
<td>Bar or Taproom</td>
<td>2</td>
</tr>
<tr>
<td>Boarding House</td>
<td>1</td>
</tr>
<tr>
<td>Bowling Alley</td>
<td>2</td>
</tr>
<tr>
<td>Church</td>
<td>1</td>
</tr>
<tr>
<td>Mobile Home</td>
<td>3</td>
</tr>
<tr>
<td>Motel/Hotel, with Restaurant</td>
<td>1</td>
</tr>
<tr>
<td>Warehousing/Manufacturing</td>
<td>8</td>
</tr>
<tr>
<td>Public Utility</td>
<td>1</td>
</tr>
<tr>
<td>Repair Shop or Garage</td>
<td>3</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
</tr>
<tr>
<td>Retail, Conversion</td>
<td>2</td>
</tr>
<tr>
<td>Retail, General</td>
<td>2</td>
</tr>
<tr>
<td>Retail, Mixed: Retail/Apt. Office</td>
<td>7</td>
</tr>
<tr>
<td>Single-Family Residential</td>
<td>52</td>
</tr>
<tr>
<td>Theater</td>
<td>1</td>
</tr>
<tr>
<td>Truck Terminal/Distribution</td>
<td>1</td>
</tr>
<tr>
<td>Vacant Land</td>
<td>2</td>
</tr>
<tr>
<td>Unknown/Unclassified</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112</strong></td>
</tr>
</tbody>
</table>

Source: Northampton County Blight Reversal & Remediation Plan, 2019
which means, for example, they might not have the resources to fix broken shingles and exterior maintenance might not be a priority expense.

Borough managers typically have a wide variety of responsibilities and limited support from other employees. One person can be responsible for code enforcement and a number of other governmental functions; there are always competing priorities. It is difficult to implement a forward-looking plan and new strategies when the resources to perform routine functions are already stretched thin.

Nate Dysard, manager of Bangor Borough, about three miles to the east of Pen Argyl, said, “It comes down to money and resources.” Bangor generates approximately $20,000 a year on rental registration fees on about 1,000 rental units, and building code inspections just about break even. However, the borough spends more on permitting and enforcement than it brings in. This means supplementing with additional funds from a very small general fund budget. An inspector for one of the third-party code enforcement and zoning services contractors pointed out that it would be inefficient as well as prohibitively expensive for a borough of 5,200 residents to have a full-time code inspector or attorney tasked with pressing code enforcement and blight cases within the legal system. While Dysard believes it would be easier to stay on top of deteriorated properties with in-house staff, the local budget just can’t support additional hiring.

Budget concerns extend to how municipalities think about county services. Dysard also said that he is generally supportive of the county launching a redevelopment authority or land bank that would help municipalities claim and repurpose derelict properties, but he would be concerned that it could mean “something else is taken away.” If the county were to focus money and attention on such an entity, there could be a reduction in or elimination of other valued services, since, Dysard added, “we recognize that the county has limited financial resources.” Local officials from several municipalities had expressed skepticism during the planning process regarding the ability of code enforcement and remediation/redevelopment activities to “pay for themselves” through increased revenue, which several studies have found to be possible (see, for example, Dynamo Metrics and Cuyahoga County Land Reutilization Corporation, 2019; William Penn Data Collaborative, 2014; Delta Development Group, 2013). Given limited resources, Dysard says that Bangor has determined that a proactive approach is the best way to deal with blight, and for about five years, the borough has focused on putting processes in place to track blight and enforcement of local codes.

In regard to both budget and staffing, Northampton County’s Hartney noted that capacity issues are, to some degree, attributable to the presence of so many small municipalities. He noted that this is an issue that other counties across the Commonwealth of Pennsylvania also face. Historically, state law allowed for the proliferation of local government jurisdictions. As a result, revenue generation and service provision can be fractured, inhibiting efficiencies of scale. Boroughs in the Slate Belt and elsewhere in Northampton County expressed interest in sharing code enforcement services, but coordinating such an effort across municipalities itself requires time and effort.

**Measuring Markets**

The Market Value Analysis (MVA) is an objective tool built on local administrative data (for example, property transactions, tax lien sales) to help stakeholders understand their real estate markets. The MVA creates a set of categories that describe the different residential real estate submarkets (also known as a typology) to help stakeholders identify where different types of investment or intervention strategies will be most effective. For any geographic area there is a unique spectrum of markets ranging from the strongest (high sale prices, little vacancy, few foreclosures or tax sales) to the most distressed (low sale prices, high vacancy, many tax foreclosures or sales), with a range of market types in between.

The MVA is conducted at the census block group level. Block groups represent relatively stable geographic areas and provide an opportunity to understand market differences within and between traditional neighborhood boundaries. A cluster analysis is used to create clusters of block groups that are similar within each MVA descriptor. The goal is to form distinct clusters with similar characteristics within each group, but differences between clusters that are notable and meaningful. Since 2001, Reinvestment Fund has created over 40 MVAs for municipal, county, and state geographies across the country, including Allegheny County, Philadelphia, and Pittsburgh in Pennsylvania, as well as Baltimore, New Orleans, Houston, and Monticello, NY.

Reinvestment Fund works with an MVA task force throughout the study process so that local experts and practitioners can review the underlying data and preliminary results. Applying this approach in developing MVAs jointly with the Bethlehem and Northampton County blight plans allowed MVA/blight task force members to think about existing regulations and tools in the context of data and the potential to match tools more precisely to market conditions in the future. Beyond input gathered from the task force, the Reinvestment
Bethlehem MVA
To create an MVA, Reinvestment Fund collects and analyzes data that uniquely define local real estate submarkets. Data indicators are selected to measure general housing characteristics, value and investment, and distress. Three jurisdictions (the City of Bethlehem, Northampton County, and Lehigh County, collectively referred to below as “counties”) supplied data, much of which was supplied at the parcel/address level (for example, home sales). Table 3 presents the final set of indicators.\(^{10}\)

The MVA identified seven market categories in Bethlehem. The defining characteristics of the overall real estate market were the prevalence of historic neighborhoods with mostly well-maintained, single-family homes and two- to four-unit multifamily buildings dating to the early 20th century, little new construction activity, and relatively affordable housing choices. With the exception of “A” markets, Bethlehem households with incomes near the area median could afford a home virtually anywhere in the city. Figure 2 presents the results of the Bethlehem
MVA and Table 4 shows the average values for all MVA data inputs for each market category.

While there were observable signs of stress in “G” markets, these areas do not exhibit the pervasive vacancy, disrepair, and low sale prices compared to the most distressed markets in other cities using the MVA for locations such as Philadelphia, Pittsburgh, or Akron. However, as in many other cities, purchasing activity in the weaker markets is increasingly dominated by investors, and many of these transactions are in cash. Bethlehem’s “G” markets are clustered around the two college campuses and have mostly rental properties, which are occupied by a mix of students and lower-income families.

Northampton County
Sources for the Northampton County MVA data include the county, the Lehigh Valley Planning Commission (LVPC), local housing authorities, and the two electricity utility companies serving the area. Several data elements used for the Bethlehem MVA were not available consistently across the county, so proxies were used. The single biggest challenge was the lack of consistent record keeping related to blight. The indicators for Northampton County are listed in Table 5.

Northampton County’s market types
The MVA identified nine distinct market types in Northampton County (Figure 3). Markets were notably clustered at the strong end of the spectrum, with a quarter of the block groups in the highest value “A” category and only 13 percent of block groups in the two most distressed categories.

Although median sales price was an important factor in clustering the block groups, across the county, owner occupancy, housing unit density, and the presence or absence of new parcels (that is, new construction) were also critical market differences. See Table 6 for the average values for each category.

Northampton County’s “B,” “C,” and “D” markets have median sale prices similar to one another (and to the county median) but are differentiated by density, land use, and the presence of construction activity. The “E” and “G” markets are only found in or adjacent to the cities of Bethlehem and Easton and are distinct in their low share of land use that is residential, their high housing density, and the concentration of renters. More specifically, “E” markets are located in close proximity to colleges and universities; investor activity accounts
for a majority of home sales in areas catering to student rentals. “G” markets are notable for their concentrations of renters with subsidies.

The 19 “H” markets are the most distressed areas in the county and comprise almost 10 percent of all block groups. The investor activity in these markets is significant, making up more than a quarter of all home purchases. “H” market block groups have the highest rate of distressed residential properties (18 percent) in the county along with estimated vacancy rates about twice the county average. The “F” and “H” markets are prevalent in the cities of Bethlehem and Easton and also in the Slate Belt (see Figure 4).

Problem properties identified by Northampton County municipalities are located in all of the MVA market types, although they are concentrated in the “F” and “H” markets—the two market types that are common to both cities and boroughs, including the Slate Belt communities. These markets had above average investor activity and tax sale activity. Municipal staffs in the Slate Belt have observed an increase in flipping activity, in part, they believe, because of the relatively low sale prices compared to

Table 4. Average Block Group Characteristics in Bethlehem by Market Type, 2017

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4</td>
<td>$375, 000</td>
<td>0.44</td>
<td>8%</td>
<td>24%</td>
<td>26%</td>
<td>18%</td>
<td>12.53</td>
<td>24%</td>
<td>10%</td>
<td>1%</td>
<td>2%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>B</td>
<td>22</td>
<td>$184, 481</td>
<td>0.30</td>
<td>0%</td>
<td>1%</td>
<td>90%</td>
<td>3%</td>
<td>5.19</td>
<td>8%</td>
<td>6%</td>
<td>0%</td>
<td>3%</td>
<td>12%</td>
<td>0%</td>
</tr>
<tr>
<td>C</td>
<td>2</td>
<td>$166, 000</td>
<td>0.23</td>
<td>0%</td>
<td>36%</td>
<td>64%</td>
<td>0%</td>
<td>3.72</td>
<td>4%</td>
<td>21%</td>
<td>44%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>D</td>
<td>22</td>
<td>$143, 933</td>
<td>0.40</td>
<td>1%</td>
<td>7%</td>
<td>51%</td>
<td>9%</td>
<td>8.31</td>
<td>16%</td>
<td>4%</td>
<td>0%</td>
<td>4%</td>
<td>17%</td>
<td>0%</td>
</tr>
<tr>
<td>E</td>
<td>11</td>
<td>$125, 386</td>
<td>0.49</td>
<td>13%</td>
<td>0%</td>
<td>47%</td>
<td>8%</td>
<td>14.78</td>
<td>31%</td>
<td>5%</td>
<td>0%</td>
<td>4%</td>
<td>21%</td>
<td>1%</td>
</tr>
<tr>
<td>F</td>
<td>4</td>
<td>$110, 178</td>
<td>0.53</td>
<td>4%</td>
<td>25%</td>
<td>11%</td>
<td>99%</td>
<td>30.70</td>
<td>54%</td>
<td>6%</td>
<td>0%</td>
<td>7%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>G</td>
<td>9</td>
<td>$69, 047</td>
<td>0.84</td>
<td>8%</td>
<td>2%</td>
<td>36%</td>
<td>17%</td>
<td>18.02</td>
<td>46%</td>
<td>4%</td>
<td>0%</td>
<td>6%</td>
<td>28%</td>
<td>2%</td>
</tr>
<tr>
<td>City</td>
<td>74</td>
<td>$155, 385</td>
<td>0.44</td>
<td>4%</td>
<td>6%</td>
<td>55%</td>
<td>10%</td>
<td>13.52</td>
<td>22%</td>
<td>6%</td>
<td>1%</td>
<td>4%</td>
<td>16%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Bethlehem Blight Betterment Initiative Action Plan, 2018
other parts of the county. There are also speculators who purchase properties and fail to maintain them properly or who buy properties at tax sale intending to flip them but without sufficient resources to invest. These areas also have below average sale prices, which can make it more difficult to obtain financing for renovation. See Table 7.

### Data as the Foundation for Stakeholder Action on Blight

**Bethlehem Blight Betterment Initiative**

Bethlehem officials have already implemented several recommendations from the B3 initiative, and they credit the plan process as well as the data and strategies that resulted for their early successes. B3 convened stakeholders from city and county governments, nonprofits, educational institutions, and the private sector as a task force to review the data collected during the MVA process and develop an actionable plan to prevent decline and eradicate blight. The task force articulated four overarching goals: (1) stabilize deteriorating neighborhoods; (2) improve housing conditions; (3) provide consistent and transparent code enforcement and incentives for repairing and/or stabilizing properties; and (4) effectively use limited resources. These goals framed the recommendation of 17 action items drawing on best practices, existing legal tools, and a robust analysis of demographic and market data. The plan organized actions by the responsible party or parties. See Table 8. The action steps reflect a balanced approach to code enforcement, including both increasing resources to help property owners make repairs—particularly low-income homeowners—and imposing stricter enforcement for violators.

Because the task force “brought people to the table,” officials could defuse potential opposition to specific proposals. For example, when the city introduced rental licensing legislation to the City Council in the summer of 2018, the members of the Realtors’ association did not oppose the effort outright, even if they quibbled with certain aspects of it, because they had been part of the effort to find solutions to documented problems. Officials also described a ripple effect of buy-in at the local and county levels that created reinforcing support for changes in formal policy as well as practice. Alicia Miller Karner, director of Bethlehem’s Department of Community and Economic Development (DCED), said, “We had minds to change as well as laws to change.” Following the plan’s completion, the DCED worked for six months to convince City Council and the mayor of the importance of the licensing ordinance.

City officials describe their approach to dealing with legally blighted and other problem properties before the B3 plan as working in the dark. The data-driven approach helped them realize they needed to focus on their housing stock, not just the high-profile vacant commercial and industrial sites that had drawn the most attention. In addition to the 17 action steps, the B3 plan also provided guidance on matching tools to the types of markets where they would have the most impact. The task force reviewed suggestions for targeting each program to arrive at a final tool/market matrix (Table 9). The DCED has used the MVA to phase in implementation of the new rental inspection program, beginning with middle markets to stabilize them, moving to distressed markets the following year, and then targeting strong markets in the third year to establish a

### Table 5. Northampton County MVA Data Sources

<table>
<thead>
<tr>
<th>Variable</th>
<th>Source</th>
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<tbody>
<tr>
<td>Owner Occupancy Rate</td>
<td>5-year ACS</td>
</tr>
<tr>
<td>Percent of area that is residential</td>
<td>RF Calculation</td>
</tr>
<tr>
<td>Density of housing units in residential land area</td>
<td>RF Calculation</td>
</tr>
<tr>
<td>Percent subsidized: multifamily rental units and housing choice vouchers</td>
<td>HUD, county, and local housing authorities</td>
</tr>
<tr>
<td>Median price of sale transactions</td>
<td>Lehigh Valley Planning Commission (LVPC)</td>
</tr>
<tr>
<td>Variance of sales price</td>
<td>LVPC</td>
</tr>
<tr>
<td>Area of new parcels since 2015 as a new construction proxy</td>
<td>LVPC</td>
</tr>
<tr>
<td>Investor sales</td>
<td>RF Calculation</td>
</tr>
<tr>
<td>Sheriff’s sale or tax lien sale listing</td>
<td>Northampton County</td>
</tr>
<tr>
<td>Low electricity usage (vacancy proxy)</td>
<td>PPL Electric Utilities, Met-Ed FirstEnergy Corp.</td>
</tr>
</tbody>
</table>

Source: Northampton County Blight Reversal & Remediation Plan, 2019
Figure 3. Northampton Market Value Analysis, 2019

Rotation in which every neighborhood and every rental property are inspected every three years.

B3 also influenced partners outside of city government to use data in their work. The Community Action Committee of the Lehigh Valley had been using a “block by block” revitalization strategy in Bethlehem’s South Side, buying and fixing up five or six properties on a block to get it over a tipping point for stability and investment. The MVA showed them where similar markets were located throughout the city, which made the organization realize it could apply the same strategy with likely success in other Bethlehem neighborhoods.

Bethlehem has successfully shifted to entirely electronic tracking of inspections as part of the B3 Initiative, replacing a legacy paper system that had not allowed searching by address or owner name and had no ability to allow a comprehensive review. Inspectors are now using iPads to enter data in the field; office staff then review the data to ensure that records are stored correctly and to flag clusters of problem properties. Although the city still feels limited by the amount of staff time and financial resources it can commit to fighting blight, time and money are being deployed more strategically.

Northampton County Blight Prevention and Remediation Plan

The goal of the Northampton County Blight Prevention and Remediation Plan (Blight Plan) was to “create a plan and a set of tools that will reduce blight, improve quality of life, and promote sustainable economic activity.” The Blight Plan recommended three sets of approaches: systemic tools that are promising for all types of municipalities and market conditions; market-specific tools using the MVA; and tools for municipalities with limited administrative capacity. Northampton County’s Hartney said that the plan helped his department to clearly delineate what they, as agents of the county government, actually had control over and could do, and what they could not implement on their own but could educate municipalities about and encourage them to do.

Systemic tools (Table 10) increase predictability and fairness, create stronger enforcement leverage, raise revenue to maintain vacant properties, and generally promote a culture of compliance on a larger scale. Market-specific tools are most effective under a specific set of conditions. For example, there was interest in using the conservatorship tool. This program works well
in markets where a property has sufficient value that neighbors could fix up the problem property and recover their investment through rental or sale; it does not work well in areas with low values and depressed demand. As in Bethlehem, the blight task force reviewed market characteristics and tools in an effort to validate the team’s recommendations. Table 11 indicates the most appropriate market for each tool, along with additional considerations for implementation.

From the task force discussions, the survey, and the interviews, it is clear that rural areas, including the Slate Belt boroughs, will need ongoing county support because of limited staff capacity, reliance on the decisions of individual magistrates, lack of in-house legal counsel, insufficient funding for demolition, and no power to condemn even if they raise the money. Just as the Blight Plan helped the county understand what it could and could not do, it also helped municipalities articulate their limitations and identify areas where they could use county support, as well as what they could reasonably take on and get desired results. Nate Dysard, of Bangor Borough, said it was good to know, as a result of the Blight Plan process, that all municipalities are “in the same boat.”

Table 6. Northampton MVA Market Characteristics, 2019

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</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>52 (25%)</td>
<td>$278,981</td>
<td>0.45</td>
<td>80%</td>
<td>0%</td>
<td>1.22</td>
<td>56%</td>
<td>5%</td>
<td>15.92</td>
<td>1.6%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>B</td>
<td>45 (22%)</td>
<td>$174,583</td>
<td>0.35</td>
<td>74%</td>
<td>1%</td>
<td>5.28</td>
<td>72%</td>
<td>6%</td>
<td>0.54</td>
<td>0.1%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>C</td>
<td>39 (19%)</td>
<td>$173,897</td>
<td>0.5</td>
<td>67%</td>
<td>1%</td>
<td>3.48</td>
<td>36%</td>
<td>7%</td>
<td>5.69</td>
<td>0.2%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>D</td>
<td>11 (5%)</td>
<td>$189,609</td>
<td>0.63</td>
<td>42%</td>
<td>41%</td>
<td>15.23</td>
<td>48%</td>
<td>12%</td>
<td>0.48</td>
<td>0.5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>E</td>
<td>6 (3%)</td>
<td>$120,967</td>
<td>0.68</td>
<td>21%</td>
<td>3%</td>
<td>23.47</td>
<td>23%</td>
<td>53%</td>
<td>0.01</td>
<td>1.1%</td>
<td>14%</td>
<td>20%</td>
</tr>
<tr>
<td>F</td>
<td>26 (13%)</td>
<td>$113,040</td>
<td>0.51</td>
<td>56%</td>
<td>4%</td>
<td>11.24</td>
<td>51%</td>
<td>16%</td>
<td>0.14</td>
<td>0.4%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>G</td>
<td>9 (4%)</td>
<td>$91,768</td>
<td>0.52</td>
<td>37%</td>
<td>81%</td>
<td>27.78</td>
<td>36%</td>
<td>20%</td>
<td>0.13</td>
<td>0.0%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>H</td>
<td>19 (9%)</td>
<td>$73,778</td>
<td>0.77</td>
<td>40%</td>
<td>9%</td>
<td>19.06</td>
<td>57%</td>
<td>27%</td>
<td>0.01</td>
<td>0.0%</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>County</td>
<td>208</td>
<td>$180,195</td>
<td>0.49</td>
<td>64%</td>
<td>8%</td>
<td>7.96</td>
<td>53%</td>
<td>11%</td>
<td>5.21</td>
<td>0.6%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Northampton County Blight Reversal & Remediation Plan, 2019
Data have helped those working with larger county-wide or regional geographies to better support officials working in small municipalities and have improved the ability of those municipalities to ask for targeted help. Robin Zmoda, borough manager of Pen Argyl, said the Blight Plan process, spearheaded by the county and the Lehigh Valley Planning Commission, was “eye opening” and she learned about tools that were missing from her toolbox, such as a vacant property registry.

Stakeholders in Easton also found value in the process, even though the city already has a Redevelopment Authority and a professional staff. Stephen Nowroski, director of Easton’s Department of Planning and Codes, said that “the more evidence and data that is available to create a countywide discussion about what’s necessary improves our ability to combat blight.”

County support for transitioning the municipalities still reliant on paper files to electronic records would also improve blight management. Electronic records of code violations, blight designation, and steps taken to remediate issues associated with a blighted property can make efforts to address blight more effective and promote more consistent record keeping in general. Good record keeping in turn can create a culture of compliance and maintain momentum for blight remediation over time.

Two tools (Table 12) emerged as particularly relevant for small municipalities. Several boroughs and townships expressed interest in shared code enforcement, although a high level of coordination and cooperation is required. Task force members observed that the Blight Plan process did bring the municipalities together and reinforce the sense that they share common challenges. After historically feeling frustrated that the available tools don’t work for them, and that blight management is something that only bigger or wealthier local governments can do, several of the municipal leaders from the task force are continuing to participate in convenings hosted by the county to encourage ongoing peer-to-peer learning and encouragement. The other relevant tool developed as part of the blight planning process was a legal manual designed to help municipal staff navigate the process of taking blight cases to court and determine if and when hiring an attorney would be a wise use of resources.¹³

The Blight Plan process also included the development of several information and outreach strategies to
address gaps in knowledge about the negative impact of blight, the importance of enforcement, and the tools available. The Blight Plan team worked closely with the DCED and the LVPC to develop a curriculum to educate municipalities about the Blight Plan. The two-hour course will help local leaders in Northampton County to use the plan and online tool kit to reduce blight, improve the quality of life, and promote sustainable economic activity across the county. The curriculum addresses what blight is, where it is located, what legal authority municipalities have to address blight, how to match the right tool to the right neighborhood market or property type, and a few ideas about how Pennsylvania communities have funded blight-fighting tools. Northampton County’s DCED will oversee the municipal education effort.

Another educational objective arose from the Blight Plan process. A nearly universal challenge, noted in Bethlehem and Easton as well as in the Slate Belt boroughs and communities of every size in between, was the role of magistrates who oversee code proceedings but who do not always take as stringent a view of code enforcement. Every municipality had a story of what it described as egregious cases of irresponsible property ownership and stubborn noncompliance with the law in which a magistrate would reduce a fine to a nominal fee or just keep giving a property owner more time to address an issue, leaving a troubled property in endless limbo. Task force members attributed the practice to a strong property rights culture and did not see it as a response to any demonstrable hardship on the part of property owners. Interviewees also noted that there is a general lack of understanding of the critical importance of code enforcement as a local government function and of the negative impact blighted properties have on neighboring property owners (and members of the public). An education session designed for the magistrates was held in February.
Tackling Vacancy and Abandonment: Strategies and Impacts after the Great Recession

2020. The county saw this as a promising start to a stronger relationship between the magistrates and the municipalities, but the COVID-19 pandemic inhibited efforts to keep raising the pressure on enforcement decisions.

**Looking Forward**

In Bethlehem and Northampton County, officials could point to several successes already achieved and were optimistic about realizing additional goals. Rental inspections became law in Bethlehem, and the Borough of Bangor partnered with Northampton County to redevelop a set of properties from the tax repository into affordable housing. However, many of the same challenges faced prior to adopting data-driven plans persisted. Limited funds and staff capacity, particularly in the boroughs, continue to be a pinch point. Conducting needed demolition activity in Bethlehem is still a slow process. And all municipalities have to face unpredictable outcomes with their local magistrates. As one interviewee noted, local magistrates do not believe they have any role in enforcing their own orders, a situation that, in many instances, renders those orders without consequence.

Looking forward, Bethlehem and Northampton County both want to establish a loan fund for property repair for owners in need of financial assistance to complete required work, a need that may contribute to blight in Bethlehem and Easton, as well as in the rural areas that identified this as a key challenge. The city and county both saw such a fund as beyond their own administrative capacity, and stakeholders said that it would probably need to be operated by a local community development financial institution. A cultural shift

### Table 9. Matching Tools to Bethlehem MVA Markets, 2018

<table>
<thead>
<tr>
<th>Market-Specific Tools</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>Other Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A quality-of-life ticketing program piloted in middle markets to assess impact and refine implementation before adopting citywide.</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Use in single-family or commercial areas where a ticket can alert owner early to violations and allow for a quick repair. Use with home repair grants/loans.</td>
</tr>
<tr>
<td>Allocate points for CDBG and LIHTC project proposals.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Points for locations in “E,” “F,” or “G” market adjacent to strength in a neighboring “A” or “B” market.</td>
</tr>
<tr>
<td>Neighborhood Revitalization Strategy Area (NRSA)</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Designate area in targeted “F” and “G” areas near stronger markets.</td>
</tr>
<tr>
<td>Prioritize the revitalization of blighted properties.</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Locations within lightly stressed “F” markets and in “E” neighborhoods at risk of becoming distressed.</td>
</tr>
</tbody>
</table>

Source: Bethlehem Blight Betterment Initiative Action Plan, 2018

### Table 10. Bethlehem Blight Betterment Action Steps, 2018

<table>
<thead>
<tr>
<th>Systemic Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt International Property Maintenance Code or Local Property Maintenance Code</td>
</tr>
<tr>
<td>Rental Licensing/Registration</td>
</tr>
<tr>
<td>Vacant Property Registration</td>
</tr>
<tr>
<td>Registration of Foreclosed Properties</td>
</tr>
<tr>
<td>Maintain Countywide List of Blighted Properties</td>
</tr>
<tr>
<td>Permit Denial</td>
</tr>
<tr>
<td>Strategic Demolition of Unsafe Properties</td>
</tr>
<tr>
<td>Tax Sale Reform</td>
</tr>
<tr>
<td>Presale Inspections</td>
</tr>
<tr>
<td>Educate Magistrates to Adjudicate Blight-Related Cases</td>
</tr>
</tbody>
</table>

Source: Bethlehem Blight Betterment Initiative Action Plan, 2018
Table 11. Matching Tools to Northampton MVA Markets

<table>
<thead>
<tr>
<th>Market-Specific Tools</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>Other Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Life Violation Ticketing Ordinance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Use in single-family or commercial areas where a ticket can alert the owner early to violations and allow for a quick repair. Use along with home repair grants and loans</td>
</tr>
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<td></td>
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<tr>
<td>Municipal Code and Ordinance Compliance Act</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Reserve for “worst of the worst” investors who own multiple blighted properties, in areas with both elevated investor activity and property distress.</td>
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<tr>
<td>Doors and Windows Ordinance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Focus on “board ups” in otherwise stable areas.</td>
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<tr>
<td>Asset Attachment</td>
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<td>X</td>
<td>X</td>
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<td>X</td>
<td>X</td>
<td>Target investor owners of blighted property in all weaker markets who have significant assets potentially at risk as a consequence for noncompliance.</td>
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<td>Conservatorship</td>
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<td>X</td>
<td>X</td>
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<td></td>
<td>Encourage repair of vacant properties with nonresponsive owners where market value allows conservator to eventually recoup costs.</td>
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<tr>
<td>Vacant Lot Remediation (side lots, community gardens)</td>
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<td>X</td>
<td>X</td>
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<td>Green lots where size, dimensions, or lack of market demand make development improbable in short or long term.</td>
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<tr>
<td>Targeted Land Bank or Redevelopment Authority Activities (if formed)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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<td>A mix of more and less valuable properties is key to making a land bank budget financially sustainable.</td>
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<tr>
<td>Home Repair Loans</td>
<td>X</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Aimed at seniors on fixed incomes and home-owners who cannot obtain private-market home improvement loans; equity in the “A” markets should eliminate need.</td>
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<tr>
<td>Open and Administer Estate of Deceased Property Owner</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>In Pennsylvania, Redevelopment Authorities are able to administer the estate of deceased property owners who have no heirs, currently only available to Bethlehem and Easton.</td>
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<tr>
<td>Target Tools to Commercial Corridors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Focus ticketing and repair grants to commercial Corridors with a core set of viable businesses.</td>
</tr>
</tbody>
</table>

Source: Northampton County Blight Reversal & Remediation Plan, 2019
The term “blight” is used in Pennsylvania law and has specific physical conditions; it is frequently used in any of investments—not a set of expenses—to accomplish official goals to understand and articulate that it takes a set of decision makers, and in staff hiring and training. Establishing shared code enforcement for multiple boroughs and establishing a redevelopment authority or land bank would also require a significant investment. Over time, these efforts and allocations of resources can create a more effective and fiscally efficient system for addressing and preventing blight in both cities and rural boroughs in the Lehigh Valley.

Additionally, the task force recognized that maintaining current data on blight is instrumental to sustained blight management. An annual survey can ask municipalities to submit an updated list of blighted properties and the number of blighted properties remediated. Ideally, the county would work with localities to conduct a regular structured property survey to identify blighted properties for several reasons: to flag properties in need of attention that may not be high profile enough to make the priority properties list; to track successful remediation of individual properties; and to track the level of blight over time at the local and county levels. The county should be prepared to see a spike in reported blight for a period of time as reporting improves before seeing a decrease resulting from new remediation activities. Bethlehem and Easton already have a process in place to certify blight; the challenge is to support the smaller municipalities to track blight using a standard definition and at regular intervals (every one to three years).

An important outcome of the Bethlehem and Northampton County blight planning processes was helping officials to understand and articulate that it takes a set of investments—not a set of expenses—to accomplish their blight management goals. This includes investment in data systems, in education for magistrates and other decision makers, and in staff hiring and training. Establishing shared code enforcement for multiple boroughs and establishing a redevelopment authority or land bank would also require a significant investment. Over time, these efforts and allocations of resources can create a more effective and fiscally efficient system for addressing and preventing blight in both cities and rural boroughs in the Lehigh Valley.

### Emily Dowdall
Emily Dowdall is policy director for Reinvestment Fund’s Policy Solutions group. She helps civic leaders and government officials use data to make programming and investment decisions that support vibrant and equitable communities. Recent projects include the Northampton County Blight Reversal and Remediation Plan and a multiyear study of evictions that guided reforms and the pandemic response in Philadelphia. Prior to Reinvestment Fund, she researched critical issues facing Philadelphia and other cities for the Pew Charitable Trusts, producing major reports on gentrification and the role of public libraries in big cities, among other topics, and property taxes. She has a BA in metropolitan studies from New York University and a master of city planning degree from the University of Pennsylvania, where she is also a lecturer in housing policy and urban redevelopment.

### Ira Goldstein
Ira Goldstein is the president of Policy Solutions at Reinvestment Fund, where he conducts detailed spatial and statistical analyses of the real estate markets in many cities and regions across the U.S. Those studies are used by government, philanthropy, and other investors to craft policy responses and allocate typically scarce resources based on the assessment of local market conditions. He has also conducted studies of evictions, mortgage foreclosures, and abusive lending practices and developed a novel approach to measuring actionable gaps in a community’s childhood environment. Goldstein’s work has supported civil rights and consumer protection cases brought by federal, state, and local governments. Previously, Goldstein served as mid-Atlantic director of Fair Housing and Equal Opportunity for the U.S. Department of Housing and Urban Development. For more than 30 years, Goldstein has been a lecturer in the University of Pennsylvania’s Urban Studies program. He instructs undergraduates and graduate students in research methods, statistics, and housing policy. Goldstein is a fellow with Penn’s Institute for Urban Research (Penn IUR). Goldstein holds BA, MA, and PhD degrees in sociology from Temple University.

### Endnotes

1 The term “blight” is used in Pennsylvania law and has been defined by statute in Bethlehem and other municipalities across the Commonwealth as properties that have specific physical conditions; it is frequently used...
in formal processes related to property condemnation and redevelopment. The term has also been connected with discriminatory policies and attitudes that historically have had a negative impact on people of color. In the course of our work for the City of Bethlehem and Northampton County, we discussed alternative terms such as “problem properties,” but in both cases, stakeholders preferred the term blight because of its use in the law and common usage. Northampton County adopted Bethlehem’s statutory definition of blight for its plan.

2 2019 One-Year American Community Survey Population Estimates

3 According to the Lehigh Valley Economic Development Corporation, the Lehigh Valley MSA had GDP of $39.1B in 2016, placing it in the top 20th percentile of all major metro areas in the United States.

4 https://archive.bethlehem-pa.gov/ordinance/articles/ARTICLE1732.html

5 35 P.S. Health and Safety § 1712.1 Act No. 1978 - 94.


7 Rebecca Rothenberg of Atria Planning and Karen Black of May 8 Consulting conducted research and collaborated with Reinvestment Fund on producing the B3 document that is the foundation of this case study. May 8 Consulting also co-produced the Northampton County Blight Plan.

8 2019 Census American Community Survey One-Year Population Estimates

9 https://www.reinvestment.com/policy-solutions/market-value-analysis/

10 The 2011-2015 American Community Survey identified 62 block groups in Bethlehem. After discussions with the city, 12 block groups were split and a total of 74 “block groups” were classified by the 2017 Market Value Analysis. Factors taken into consideration were the size of the block groups and evidence of diverging market trends within a block group.

11 PROCHAMPS is a company that contracts with local governments to operate registries of rental, vacant, and/or foreclosed properties.

12 Among those sales made to investors, more than half in Bethlehem (56 percent) were made by LLCs, and 62 percent of investor purchases were made by LLCs and 83 percent were bulk sales.

13 As of January 2021, the legal manual is not yet complete.

14 https://www.northamptoncounty.org/CMTYECDV/Pages/NorCo-Online-Blight-Toolkit.aspx

References


Appendix 1: Interviews
Alicia Miller Karner, Director, Department of Community & Economic Development, City of Bethlehem

Amy S. Burkhart, Deputy Director, Department of Community and Economic Development, City of Bethlehem

Mark Hartney, Deputy Director Community & Economic Development, Northampton County

Stephen T. Nowroski, Director, Department of Planning and Codes, City of Easton

Lisa Borick, Housing Program Manager, Redevelopment Authority of Easton
Appendix 2: Investor Activity by Market Value Analysis Properties
Bethlehem

<table>
<thead>
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<th>Market Type</th>
<th>Investor Sale</th>
<th>Purchase by LLC</th>
<th>Purchase by Other Investors</th>
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<td></td>
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<td>Bulk Sale</td>
<td>Non-Bulk Sale</td>
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<td></td>
<td></td>
<td>Bulk Sale</td>
<td>Non-Bulk Sale</td>
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<tr>
<td>A</td>
<td>22</td>
<td>9%</td>
<td>36%</td>
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<tr>
<td>B</td>
<td>75</td>
<td>19%</td>
<td>32%</td>
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<td>C</td>
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<td>0%</td>
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<tr>
<td>D</td>
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<td>E</td>
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<td>28%</td>
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<tr>
<td>F</td>
<td>64</td>
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<td>16%</td>
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<tr>
<td>G</td>
<td>215</td>
<td>32%</td>
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<tr>
<td>City</td>
<td>655</td>
<td>27%</td>
<td>29%</td>
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Northampton

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<th>Investor Sale</th>
<th>Purchase by LLC</th>
<th>Purchase by Other Investors</th>
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<td></td>
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<td>Bulk Sale</td>
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<td></td>
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<td>Bulk Sale</td>
<td>Non-Bulk Sale</td>
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<td>A</td>
<td>156</td>
<td>38%</td>
<td>12%</td>
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<tr>
<td>B</td>
<td>107</td>
<td>46%</td>
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<tr>
<td>C</td>
<td>122</td>
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<tr>
<td>D</td>
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<tr>
<td>H</td>
<td>237</td>
<td>62%</td>
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</tr>
<tr>
<td>City</td>
<td>931</td>
<td>55%</td>
<td>7%</td>
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Ohio Land Banking
2009–2021:
From Legislation to Operation

Gus Frangos

Introduction
At the height of the foreclosure crisis post-2008, a group of dedicated elected officials, community development practitioners, and lawyers, including me, headed by then-Cuyahoga County, Ohio, treasurer James Rokakis came together to try to identify and craft a strategy to respond to the hemorrhaging real estate market. While the crisis was truly a nationwide catastrophe, the neighborhood in Cuyahoga County commonly known as Slavic Village was widely considered the epicenter of the national foreclosure crisis. This once-thriving middle-class neighborhood with much history, shops, solid housing stock, and cultural treasures transitioned almost overnight into vacant and abandoned streets and retail strips. As bad as it was, no one had any idea at that moment just how bad. To the credit of the local elected leadership of Slavic Village, that community has largely recovered.

Although Ohio’s comprehensive county land bank statute passed in the Ohio General Assembly in 2009, it is helpful contextually to look back briefly to the early 2000s. At the time, Rokakis, in his role as treasurer of a large urban county, was witness to the impending problem. Tax collection was noticeably decreasing. Tax and mortgage foreclosures were increasing throughout the entire county. And when a mortgage foreclosure occurs, typically the first thing an owner stops paying is the real estate taxes. With the benefit of hindsight, these were the symptoms of a very unstable real estate market.

While the world could not predict the magnitude of what was brewing, local officials, community development corporations, and mayors were seeing these destabilizing trends manifest in their communities. More and more foreclosures were leading to more and more vacant and abandoned properties in neighborhoods throughout the county, particularly in lower-income neighborhoods. Municipal leaders charged with keeping their neighborhoods and the housing stock stable had to step up their code enforcement activities. However, it can prove impossible to enforce actions on tax-delinquent owners who are insolvent, out of state, or deceased, or who cannot be identified. As a last resort, leaders can demand that these properties be expeditiously tax foreclosed so that title can be cleansed of old liens, phantom tax receivables, and clouded titles. Only in this way, it was thought, would it be possible to sell and repurpose these properties at sheriff sales to responsible buyers or to transfer the properties to municipal land banks.

Ohio’s Traditional Land Bank Law
In the 1970s, Ohio had passed what can be viewed as traditional land bank legislation, which authorized municipalities, counties, and townships to create “land
banks.” A political subdivision must simply pass an ordinance to create a land bank, at least on paper. These land banks are not entities as such. Rather, the legislation authorized political subdivisions to exercise certain powers over tax-foreclosed vacant and abandoned properties. They are an office or bureau within the creating political subdivision typically administered by a community development, economic development, or planning department.

Although counties and townships are authorized to create these traditional land banks within government, municipalities make up the overwhelming majority of these land banks throughout Ohio. As one municipal function among many, these land banks compete for funding along with police, fire, recreation, and health. Though not a government entity or body politic, the original Ohio land bank laws were designed to: 1) allow municipal land banks to acquire properties through tax foreclosure at no cost after being exposed to sale without bidders and 2) to hold these properties real estate tax exempt until the land could someday be repurposed.

In large urban areas with declining populations, making these properties productive in weak markets is easier said than done. As a result, many of these lots remain in municipal land banks for many years. Moreover, the government land banks’ ability to transact these properties is much more regulated and less flexible when it comes to property disposition compared, for example, to private-entity transactions.

Government ownership comes with traditional rules on conveyance at fair market value, legislative or administrative approvals, board of control authorization, and advertising, for example. Further, these municipal land banks have stringent reporting requirements to overlaying taxing districts, consent from the overlaying taxing districts, advisory panels, and requirements to auction the land every 15 years.

As a practical matter, these land banks are less inclined to hold vacant and abandoned structures because of the potential for open-ended liability exposure, maintenance requirements, and costs that cities often cannot afford, especially when the volume of such properties is great. Municipalities typically will take these properties only when there is an identified end user.

Ohio Tax Foreclosure Reform: Precursor to Ohio’s County Land Banks
Before Ohio’s new county land banks were even conceived, the main goal in 2004 through 2006 was to respond to local leaders’ demand for speedier tax foreclosure of long tax-delinquent vacant and abandoned lands.

At the time, a tax foreclosure case took anywhere from two to four years to adjudicate. During the pendency of these long tax-foreclosure proceedings, properties might be occupied and used for many years. Moreover, the tax foreclosure proceeding generated significant fees to the local taxing districts.

Up to this point, in Ohio, tax foreclosure occurred exclusively in the judiciary sector. Civil tax foreclosures filed in the common pleas courts are procedurally subject to all the Ohio Rules of Civil Procedure just as is any other civil case, whether personal injury, contract, labor, or other dispute. However, because a tax foreclosure is statutory in nature and realistically only involves three primary questions—Is there tax due? Was it paid? Are all relevant parties of record served with process?—the Ohio Civil Rules of Procedure posed a structural impediment to expeditious tax foreclosure of vacant and abandoned properties.

We thought that if we could expedite tax foreclosures, this would go a long way toward getting toxic titles cleansed and back into tax-producing status. This led to the drafting of legislation creating expedited administrative tax foreclosures specifically for vacant and abandoned properties.

In 2006, the Ohio General Assembly passed this legislation. Known as HB 294, it authorized tax foreclosures to occur administratively in county boards of revision, which were preexisting boards that hear real estate tax valuation appeals. Except for due process requirements, which require notice and opportunity to be heard, the civil rules do not apply to board of revision proceedings. Once passed, tax foreclosures were adjudicated through the new administrative forum in as little as four months after service of process was perfected on the delinquent owner and lien holders of record. And, these properties were being sold at sheriff’s sales to responsible rehabbers (in most cases) or to municipal land banks, which would at least keep and manage the unsold vacant lots until a future use could be identified. Little did we know how crucial this reform would become in 2008.

Everything seemed to work as planned—until 2008. For perspective, the number of mortgage foreclosures in Cuyahoga County went from 5,900 in 2000 to almost 7,000 in 2001. This number rose to 8,700 in 2003, 9,700 in 2004, 13,943 in 2006, and 14,946 in 2007. The trend continued for the next several years.

Although the rate of foreclosure in Cuyahoga County had declined as of 2020, much remedial work remains unfinished. Indeed, up to January 2020, the Cuyahoga
Land Bank was still receiving approximately 100 vacant and abandoned parcels per month into its inventory through the HB 294 tax foreclosure law.

Next-Generation Ohio Land Banks
When the foreclosure crisis finally led to the collapse of the real estate market, vacant and abandoned properties were being foreclosed through the new administrative tax foreclosure process like a fire hose. As a result, in 2008, Rokakis tasked our group with brainstorming how our community would respond to the crisis of a declining tax base resulting from blighted vacant and abandoned properties. We concluded that we needed a responsible repository to receive these properties, triage them, provide a modicum of maintenance, and ultimately dispose or demolish these properties. This proved a tall task, particularly because such a new entity would require statewide legislation. Three main concepts were needed to make our efforts at land banking meaningful: first, identifying the responsible repository; second, gaining access to the properties; and third, identifying the funds to initiate programs, retain professional staff, and ultimately dispose of these properties.

Three Components to Ohio’s New Land Bank Legislation
It is often said that a land bank without funding is like a car without gasoline. I prefer the following hospital metaphor. In this metaphor, a land bank is the hospital, the abandoned properties are the patients, and the medical care the “hospital” provides to the “patients” comes in the form of treating the problems that come with these vacant and abandoned properties.

A special land bank entity outside of government, designed to transact nimbly and hold property real estate tax exempt, is the “hospital” where the properties would be triaged. Looking back after 10 years of operation and having demolished, rehabbed, and transacted thousands of properties, creating another layer of government or a separate authority would have stifled the transactional capabilities of a separate board-governed nonprofit. Of course, such an entity would need to take with it a number of governmental capabilities, the most important of which is to receive tax-foreclosed properties expeditiously at little or no cost and hold them real estate tax exempt until transacted with end-users.

The delinquent vacant and abandoned properties in essence are the “patients” that need to get to the hospital for medical care. Indeed, if you cannot get access to the problem (that is, vacant and abandoned properties) then you cannot treat it. Expeditious tax foreclosure is the needed reform that brings the problem into the land bank so that it can be treated. Finally, medicine and medical care are needed to treat any patient. This costs money. Hence, reliable and recurring funding pays for the medicine that treats the abandoned-property problem by supporting professional staff, predictable programming, policies, property maintenance, demolition, and rehabilitation.

Legislatively, these are the three components of comprehensive land banking policy that the Ohio General Assembly embraced. In a very direct sense, these components filtered down to the very transactions and operations of the Cuyahoga Land Bank.

Component 1: The Entity
In 2009, Ohio’s new supercharged land bank statute (SB 353) contained these three essential features. To the credit of the Ohio General Assembly and the support of statewide auditors, prosecutors, and treasurers’ associations, the legislation passed with minimal change. While the legislation required modification of hundreds of sections of the Ohio Revised Code, the highlight of the legislation was the enhancement to Ohio’s traditional land banks. With the passage of SB 353, traditional land banking could now be undertaken through a new type of countywide “community improvement corporation.”

Community improvement corporations are created by a political subdivision to advance a particular public purpose or project. While the original traditional land bank statute remains applicable to existing political subdivisions, the new county land banks can be operated through a new public-purposed, private nonprofit corporation. Prior to the passage of SB 353, community improvement corporations traditionally applied only to economic development activities and projects, and industrial development activities of the creating political subdivision. Chapter 1724 of the Ohio Revised Code was amended to provide for this new kind of community improvement corporation, known as a “county land reutilization corporation” (county land bank). In addition to traditional land bank powers, this new entity possesses enormous transactional capability virtually akin to private corporations, so long as the corporation operates within its government-purposed mission.

Various Ohio Attorney General Opinions and a few court cases describe the nature of these entities. These authorities hold that community improvement corporations are private in the sense that their responsibilities and liabilities may not legally be visited upon the creating political subdivision; they are private nonprofit corporations and independently governed by their own boards. Yet, these entities retain certain public features—namely, they are given a public purpose by the creating political subdivision (in this case land banking);
they are subject to open records and open meeting laws; and their governance must include representation from the political subdivision that incorporated the entity.

**Component 2: Tax Foreclosure Reform**

Tax foreclosure reform is very difficult, particularly in states that employ long-entrenched practices, especially tax lien sales, as a method of tax collection enforcement. If all three of the aforementioned components to comprehensive land banking legislation were not possible, tax foreclosure reform would be the most important reform to start with. Perhaps other colleagues would disagree. Funding is paramount, but having expedited access to the problem properties through tax foreclosure is equally crucial. Most jurisdictions throughout the country are committed to tax lien sales as the first effort at tax collection enforcement.

When people speak of “tax foreclosure” in these jurisdictions, they often use that term interchangeably with the sale of tax lien certificates. The sale of tax lien certificates is just that—it is the sale of a certificate. It is not true tax foreclosure, where a delinquent owner and interested parties of record are named in a lawsuit, similar to a mortgage foreclosure that results in the fee simple sale of the property to a new owner. Without true tax foreclosure, which completely cleanses the title of taxes and all subordinate liens in one up-front consolidated proceeding, properties will eventually make it through “tax lien sale” foreclosure, but at a much slower pace that will often require yet another proceeding in the nature of a quiet title action.

Perhaps the biggest challenge in crafting SB 353 was integrating HB 294 tax foreclosure practice onto the SB 353 land banking provisions in a way that county government would find to be a simple “overlay” on existing tax foreclosure processes. Additional statutes throughout the land banking statute also had to be harmonized, but HB 294, now codified in Ohio Revised Code 323.65 to 323.79, remains a milestone in tax foreclosure practice. Two main features are the expedited extinguishment of the redemption right and the avoidance, in select cases, of sheriff’s sales by allowing the redemption right no longer to be tied to a “confirmed” sheriff sale; but extinguished as a function of time after which a tax foreclosed property can be transferred directly to a county land bank. HB 294 provided that the redemption right could be extinguished 45 days after a journalized decree of foreclosure (modified to 28 days in 2014 pursuant to SB 172) or transferred free and clear to a county land bank if the tax impositions exceeded the auditor’s presumed tax valuation.\(^4\)

**Component 3: Funding**

With tax foreclosure reform and a transactional, public-purposed private entity in place, a reliable and recurrent funding source needed to be identified. Just how did Ohio’s new land bank legislation deal with this question?

In 2008, when SB 353 was being drafted, Rokakis emphasized that unless funding could be identified, the effort might not be worth the trouble. While that can be debated, it was a reality, at that time, that neither the federal, state nor county governments were in a position to provide a recurring, reliable funding stream to land banks (especially since they were a new creation). To emphasize the point, leaders in the Ohio General Assembly, while motivated to pass a bill in the midst of the foreclosure crisis, were clear that they would entertain only a “revenue-neutral” bill.

Our team consulted with then-Genesee County, Michigan, treasurer Dan Kildee,\(^5\) who encouraged us to study Ohio’s version of tax lien sales. He was not a big fan. Attorney and Professor Frank Alexander at Emory Law School, the preeminent authority on land banking and a cofounder of the Center for Community Progress, has written much about the negative side effects of tax lien sales as a method of tax enforcement.\(^6\) Ohio employs both true tax foreclosure and tax lien sales. Because of the success of Ohio land banking, tax lien sales are not used as much in Cuyahoga County.

According to Kildee, the tax lien sale process essentially socialized the loss to the taxpayer in the form of vacant and abandoned properties, while privatizing all the profits from the sale of tax liens on properties that were in higher-value markets in the form of high interest rates, penalties, and fees. Ohio tax lien certificate buyers were purchasing the tax certificates at or around par value—the amount of the tax delinquency. In exchange, the law allowed them to charge 18 percent interest on the tax delinquency inclusive of all the accrued penalties and interest. If the original owner or any buyer wanted to buy the certificate or redeem the property (either before or after it had been foreclosed by the certificate holder), it would have to pay this exorbitant interest along with all costs assessed by the tax lien certificate holder, attorney fees, and additional compounded interest. If this penalty and interest could somehow be recaptured and redirected back into the community, without encroaching onto the budgeted tax corpus of the various taxing districts, this could serve as a source of revenue for land banks.

We explored scenarios where the rate of delinquent tax collection could be forecasted, whereby advance tax payments to the taxing districts in these amounts could be made through privately financed tax anticipation notes on the county treasury’s rolling inactive depos-
The Cuyahoga Land Bank, barely eight months after the foreclosing suburban taxing districts in Cuyahoga County received nearly $12 million. Cuyahoga County’s expertise.

What Is DTAC?
In Ohio, when any delinquent tax is collected (whether residential, commercial, vacant, or occupied), it is subject to a 10 percent penalty. After the annual settlement of the county’s taxes in August or September, interest on the principal tax owed is also assessed. By way of simple illustration, if a $1,000 tax bill is paid late, a 10 percent penalty is added, making the total amount due $1,100 plus interest.

Ohio law says that from all delinquent collections, 5 percent of this collected amount is segregated from the total collection and split between the county treasurer and the county prosecutor to pay for the costs associated with tax collection and enforcement. This would include direct tax collection efforts, publication of delinquencies, administration of payment plans, and tax foreclosure itself, which includes court filing fees, title examination costs, and service by publication, among other expenses.

Because collected delinquent taxes also include the 10 percent penalty on the primary tax owed, we felt that the 5 percent DTAC money carved out to support the prosecutors and treasurers could be increased by another 5 percent to support the operations of county land banks. And, inasmuch as collected delinquent real estate taxes contained the 10 percent penalty over and above the tax corpus, it was felt that this would not encroach upon the tax corpus budgeted by the various taxing districts, such as cities, schools, and libraries.

Shortly after passage of SB 353, this became and remains the universal way SB 353 county land banks are funded in Ohio. With very rare exception, this system has not encroached upon the tax corpus of any of the taxing districts in Cuyahoga County. On the rare occasion that encroachment has occurred, it was nominal and typically due to a large tax valuation appeal or dispute involving a large taxpayer in the particular taxing district.

These enablements are permissive, meaning that a county can decide whether it wishes to use this funding feature for its county land bank. Initially, some outer-ring suburban taxing districts in Cuyahoga County were reticent to embrace the DTAC funding mechanism, as were select legislators in the General Assembly. Once SB 353 eventually passed, the reality that the foreclosure crisis, vacancy, and abandonment were beginning to encroach upon their communities was a major factor in getting the Cuyahoga County taxing districts to accept the idea of foregoing some of the penalty that they would otherwise receive on collected delinquent taxes. In other words, this was no longer an urban issue alone; it was also an inner-ring suburban and exurban problem. High levels of vacancy were spreading and having a negative effect on the tax base. A lesson well-learned was that when advocating for a policy change to skeptical stakeholders, it is important to show them clearly how the problem and the policy directly affect them.

Other states throughout the country might have a harder time adopting the Ohio funding model because penalties and interest are often treated as some form of miscellaneous income and factored into subsequent budgeting. Reform allowing for redirection of penalty and interest would be needed in these states. An alternative is a modest downward readjustment of the charges that tax lien certificates are allowed to receive for redeemed properties, while keeping the charges themselves the same but reallocating that downward adjustment to land bank operations.

Operational Milestones
With the legislative tools in place, the Cuyahoga Land Bank opened its doors on June 1, 2009. The Cuyahoga County Council approved the DTAC funding and capped it at $7 million. That level of funding and transactional capacity afforded the opportunity to engage in large initiatives. At the time, the Congress and the U.S. president had signed into law the Neighborhood Stabilization Program 2, also known as NSP2, to be administered by the Department of Housing and Urban Development (HUD). The Cuyahoga Land Bank, barely eight months old, was tapped to lead a consortium consisting of the City of Cleveland, Cuyahoga County Metropolitan Housing Authority, and Cuyahoga County in applying for an NSP2 grant for housing rehabilitation, demolition, and ancillary policy initiatives. The Cuyahoga Land Bank was awarded $43 million, which required a quick ramp-up of staff, programs, forms, and HUD regulatory expertise.

Several years later, then-Ohio attorney general Michael DeWine, now Ohio’s governor, awarded to Ohio’s county land banks approximately $100 million, of which Cuyahoga County received nearly $12 million. Cuyahoga County then awarded $50 million to the Cuyahoga Land Bank, specifically for demolition. Finally, nearly $70 million was authorized to the Cuyahoga Land Bank from...
the federal government’s agreement to expand the use of Hardest Hit Funds\textsuperscript{20} for demolition. The Ohio Housing Finance Agency administered this money. Also in the first year of operations, the Cuyahoga Land Bank signed a pooling agreement with HUD to receive its low-value assets under $25,000 as an alternative to HUD selling these properties for pennies on the dollar, which could further destabilize comparable values. And finally, the Cuyahoga Land Bank signed a pooling agreement with the Federal National Mortgage Association (FNMA, also known as Fannie Mae) whereby FNMA would transfer its low-value assets to the Cuyahoga Land Bank and provide funding for those transfers that required demolition.

In evaluating why these large-scale engagements were implemented at such an early stage, a high-ranking official at FNMA explained that FNMA was concerned about the moral hazard of making such arrangements with cities and nonprofits that were not fully focused on the problem or were not sufficiently funded. He explained that FNMA desired these arrangements but wanted to avoid the criticism that might come with large-scale property transfers to agencies that could not accommodate the associated costs nor professional management and disposition of the properties. It was felt the Ohio’s legislative model and the reliable funding ($7 million in the case of the Cuyahoga Land Bank) was sufficient to address the moral hazard. To this day, the Cuyahoga Land Bank maintains its pooling arrangement with HUD but on a much smaller scale.

The banking industry also took notice of the Cuyahoga Land Bank. Pooling arrangements with Citibank, Wells Fargo, Bank of America, JP Morgan Chase and others donated low-value assets and paid, in most cases, for those transfers requiring demolition. Within two years of operations, the Cuyahoga Land Bank has consistently received an average of 100 properties per month into its inventory, through January 2020. In the early days, transfers came from FNMA, HUD, banks, and tax foreclosure. By 2020, most transfers came from tax foreclosure.

**Triaging the Properties**

While many properties required demolition, approximately 35 to 40 percent were suitable for rehabilitation. When evaluating a property coming into the Cuyahoga Land Bank’s inventory, the first question is whether it can be rehabbed. Because of such a high volume of properties that could be rehabbed, the dilemma was how to solicit responsible professionals to get these properties rehabbed. This dilemma resulted in the creation of the Deed in Escrow Program (DEP), which remains a robust program today and produces significant income.

The DEP involves an immediate assessment of a property upon acquisition to determine whether it can be rehabbed. The assessment is done by both professional housing managers on staff and independent contractors. If the professional concludes that the property can be renovated, he or she prepares a specification rehab specification of every item within the home that needs repair using a code compliant standard. In marketing the homes, this specification is included with every for-sale property posting so that buyers are aware they cannot acquire the property without committing to renovate it within 120 days. Until the renovation is complete, the deed to the property is held in escrow to assure completion. The Cuyahoga Land Bank has transacted nearly 2,000 properties in this fashion. As long as the property is renovated according to the specification, the property is conveyed for a highly incentivized price considering market conditions and the amount of rehab needed.

**Economic Impact**

One of the issues we confronted throughout the entire process of getting SB 353 passed was the question of what real impact these new land banks could have on urban and rural communities throughout the state. We provided extensive data showing the depth and breadth of the problem and the risk of inaction. We highlighted examples of higher-capacity land banks in Michigan, particularly Genesee County, to show creative tools other states were using. Ultimately, legislators were being urged to act in response to the crisis, and because no other alternatives had been offered to that point, SB 353 seemed worth the try. While SB 353 was designed to apply to all counties in Ohio, when it ultimately passed, it was applicable only to Cuyahoga County. The General Assembly concluded that because of the expansive capabilities and authorities given to these new “land banks on steroids,” it would be good to first allow a pilot land bank, which was the Cuyahoga Land Bank.

Ultimately, the functionality and benefits of SB 353 were apparent almost immediately. Within a few months, the Cuyahoga Land Bank received its initial DTAC funding and signed the aforesaid groundbreaking pooling agreements with HUD and FNMA to receive their low-value assets for rehabilitation or demolition. Because this particular source of properties often included many rehabbable properties that the Cuyahoga Land Bank was able to curate and sell to responsible rehabbers in the DEP program, the revenue from these sales, at one point, exceeded $2 million annually. Because of these early successes, within a year, land banking in Ohio was made available to all counties with a population over 60,000. Today, all 88 Ohio counties are eligible to form county land banks. As of this writing, 60 counties have
done so. These land banks have paid many dividends to urban and rural communities alike.

As to the economic impact of each Ohio land bank, each county has its story. An independent study by Dynamo Metrics evaluated the economic impact of the Cuyahoga Land Bank over its 10 years of operations. The study, published and announced in July 2019 at Cleveland State University, confirmed an economic impact of $1.43 billion, an enormous return on investment. Other counties in Ohio can report similar results proportionate to their size and funding.

In measuring the Cuyahoga Land Bank’s economic impact, the study considered its mission and purpose, which is to acquire blighted properties, return properties to productive use, increase property values, support county goals through collaboration, and improve the quality of life for community residents.

The study focused on the following areas and found:

**Increased property values and blight reduction**
- $415.3 million in increased home value from nearly 7,000 residential demolitions
- $320.6 million in increased home value from more than 2,100 programmatic residential renovations

**Distressed properties back on the tax rolls**
- $13 million from direct property sales
- $18.5 million in property tax revenue collected from Cuyahoga Land Bank-influenced properties
- $302.8 million in direct private investment induced by catalytic Cuyahoga Land Bank activity

**Support for the local economy**
- $305.5 million in local economic impact and 2,114 jobs created between 2009 through 2019
- $57.3 million in local economic impact and 355 jobs created from programmatically incentivized private-sector residential renovation activity

**Expenditures: $178 million (cost benefit)**
- $8 in economic impact for every $1 of Cuyahoga Land Bank expenditure
- 1 job created for every $72,152 of Cuyahoga Land Bank expenditure

The study does not include additional economic impact associated with: (1) property tax revenue preserved because of the increase in home value that the Cuyahoga Land Bank activities provide; (2) the short- and long-term jobs and associated economic activity provided from the private-sector investment induced by Cuyahoga Land Bank activity; and (3) the dozens of large-scale economic development projects that would not have occurred absent the ability to assemble large tracts of vacant, abandoned, and delinquent lands with marketable titles. These projects are chronicled in the 10-year economic impact report, and total $302,077,000.

The Cuyahoga Land Bank has offered many lessons—most importantly, that there are people and communities to be served through county land banking.

**Early Lessons**

One early lesson for new land banks is to harness the enthusiasm that comes with opening the doors. The establishment of a land bank in a community typically generates anticipation and excitement. Because county land banks are typically quasigovernmental—or, in the case of the Cuyahoga Land Bank, nonprofit entities but governed by public officials or public-purposed—there is intense scrutiny at many levels.

It is important to start slowly and to address simple things like property insurance upon acquisition, payroll systems, accounting, employee manuals, ethics policies, the processes of receiving and disposing of tax delinquent properties, and holding and maintaining properties. In the early stages of the start-up, if a new land bank stumbles in these areas, it risks being branded as unprofessional from the very start. To be successful, it is important that all of the seemingly simple “start-up” processes are in place, from making sure property acquisition, bidding procedures, and the like are carefully in place, to making sure the telephone and email systems of the organization are user friendly. In an effort to show good results, public officials might wish to rush operations, but the new land bank should focus first on ensuring that all of the fundamental organizational tasks are instituted. In Cuyahoga County, we opened our doors in June 2009, but didn’t transact a property until November of that year, so that each anticipated property pipeline was tested and debugged. We also created and strictly adhered to a task grid containing all the general start-up tasks applicable to any start-up and refined to apply to our specific work.

Another lesson learned relates to communicating with elected officials and policymakers, especially those who intersect with the land bank or are new on the scene. It is easy to assume that everyone knows what we know about land banking and that they’re as passionate about the benefits of land banking as we are. That, of course, is not always the case. Policymakers and elected officials focus on many other issues. The Cuyahoga Land Bank nearly was stopped before it got started because our
recently elected county executive was unfamiliar with the Cuyahoga Land Bank and assumed it was one of the many routine county government boards and commissions of which he was the sole appointing authority. Of course, Ohio’s land bank governance is prescribed by statute. This experience created conflict and emphasized that policymakers and elected officials come and go. It is essential to stay connected to them, provide routine reorientations and briefings, and develop mutually productive and supportive relationships. Happily, the early crisis of governance was averted.

Last but not least, a healthy attention should be given to equitable contracting and vendor relationships from the inception of operations. If this focus is built into the DNA of the organization early, it will become part of the culture and produce equitable results. Although the Cuyahoga Land Bank is not governed by strict contracting set-asides, its large-vendor relationships (demolition, field servicing, and clean outs) since inception have hovered at the 50 percent level between majority and minority business enterprise/female business enterprise contractors. These large vendors also have accounted for 50 percent of actual dollars contracted. One explanation for this good record is the routine and mandatory training that the Cuyahoga Land Bank provides its vendors, where strict quality expectations are communicated. Correspondingly, expectations of reliable and prompt payment to vendors upon work completion provides an incentive to get the job done satisfactorily. Small business enterprises that have to wait up to 90 days to be paid find it very difficult to manage cash flow and maintain payroll and overhead. We have found that strict guidelines of workmanship and professionalism not only provide a better work product, but also let vendors know that if these standards of professionalism are met, they will receive prompt payment and continued access to Cuyahoga Land Bank work so that they can support their families and their employees.

Gus Frangos served as the city councilman for Cleveland’s 13th Ward from 1986 to 1993, focusing on community development legislation. From 1993 to 1997, Frangos served as a magistrate judge in the Cleveland municipal court. In 2004, on behalf of the Cuyahoga County treasurer, Frangos crafted legislation to expedite tax foreclosure of vacant and abandoned properties. This legislation came to be known as HB 294, which authorized expedited administrative tax foreclosures of abandoned land. In 2008, he drafted SB 353, which established county land banks and created county land reutilization corporations, entities that possess enhanced capabilities for reclaiming distressed properties. Since 2009, Frangos has served as the president and general counsel of the Cuyahoga Land Bank. His areas of expertise include constitutional, real estate, zoning, administrative, and business transactional law. Frangos graduated with honors from Cleveland-Marshall College of Law in 1982.

Endnotes

1 http://cuyahogalandbank.org/aboutUs.php
2 O. Rev. Code Chapter 5722.01 et seq
3 O. Rev. Code 5722.06
4 O. Rev. Code 5722.07 and O. Rev. Code 5722.08
5 O. Rev. Code 5722.09
6 O. Rev. Code 5722.13
7 HB 294 archives.legislature.state.oh.us/bills.cfm?=126_HB_294; archives.legislature.state.oh.us/BillText126/126_HB_294_ENL__N.pdf
8 O. Rev. Code 5715.01 et seq.
9 In cases where a foreclosed property is offered for sheriff’s sale without a bidder or without a land bank requesting the property, the property then “forfeits” to the State of Ohio and its further disposition is governed pursuant to Chapter 5723 of the Ohio Revised Code.
10 http://archives.legislature.state.oh.us/BillText127/127_SB_353_EN_N.html
11 As Ohio Revised Code 1724.01 et Seq provides, these are business entity chapters such as for-profit and non-profit corporations, partnerships, limited liability companies, medical corporations, associations, and more.
12 Ohio Revised Code 1724.02. https://codes.ohio.gov/ohio-revised-code/section-1724.02
14 Archives.legislature.state.ohio.us/bills.cfm?ID=130_SB_172; O. Rev. Code 323.71 archives.legislature.state.oh.us/BillText130/130_SB_172_EN_N.pdf
15 Kildee co-founded and served as the president of the Center for Community Progress. He is now the U.S. Representative for Michigan’s Fifth congressional district.


18 There are 101 taxing districts in Cuyahoga County alone.

19 https://www.hud.gov/program_offices/comm_planning/nsp

20 https://home.treasury.gov/data/troubled-assets-relief-program/housing/hhf

21 Cuyahoga Land Bank: 10-year Economic Impact Analysis, June 2019 prepared by Nigel Griswold, Dynamo Metrics.

22 Data used for the study were supplied by the Northeast Ohio Community and Neighborhood Data for Organizing (NEOCANDO). https://neocando.case.edu/

23 Id. at page 7: See: Whitaker and Fitzpatrick, 2015, Land Bank 2.0: An Empirical Evaluation, Federal Reserve Bank of Cleveland.

24 Id. at page 10.
Introduction
Much of the conversation on property vacancy and its associated physical, social, and legal problems focuses on urban issues. This focus on the urban is not without good reason. Cities such as St. Louis, Cleveland, and Atlanta have substantial property vacancy problems and have also led the way on tackling such problems. Efforts to address property vacancy and dilapidation in those and similar cities serve as models and case studies that offer direction to other communities around the country (Eisenberg, 2018; Johnson, 2017).

But property vacancy and dilapidation pose challenges to rural communities as well. Rural residents, rural local governments, scholars of rural studies, policymakers, and other stakeholders would benefit from a more robust discussion of the unique property vacancy issues that rural communities face. Rural communities are shaped by population sparseness, spatial distance, and often dramatically limited resources. Thus, the strategies to address rural property vacancy—while certainly overlapping with strategies in urban contexts—arguably require a lens tailored to their unique geographical and governance circumstances (Steinberg and Housewright, 2019; Fitzgerald-Mumford, 2019; Johnson, 2017; Pruitt 2014).

Although the problem of rural property vacancy is difficult to quantify because of poor documentation, several factors offer reason to believe that rural property vacancy is a more widespread and pressing problem than many may realize. Rural population loss over the past several decades has been concentrated and protracted. This means that certain distressed rural counties have lost dramatic proportions of their populations in recent years. For instance, a recent sociological study concludes that one-third of rural counties have lost approximately one-third of their population since 1950, though in many communities the losses have been much higher (Johnson and Lichter, 2019). Anecdotal evidence from individual towns struggling to address problem properties—or even becoming “ghost towns” after reaching 100 percent vacancy rates—and the harsh impacts of the Great Recession on rural regions also suggest that this problem is relatively widespread. These trends coupled with the contraction of key traditional rural industries—including agriculture, manufacturing, and natural resource extraction—indicate that a substantial proportion of the built environment in distressed rural regions is no longer in use (Eisenberg, 2020; Fitzgerald-Mumford, 2019; Johnson and Lichter, 2019; Anderson, 2014). In the limited literature on rural property vacancy, commentators agree that this problem is urgent, understudied, and underaddressed (Skobba, Osinubi, and Tinsley, 2019; Johnson, 2017; Jourdan, Van Zandt, and Adair, 2010).

This article explains how rural property vacancy needs to be viewed as a unique phenomenon, rather than a mere geographic variation or smaller-scale version of the phenomenon of urban property vacancy. It then reviews three unique approaches being used or contemplated for their potential to address rural property vacancy in law and policy: creating regional land banks, anticipating end uses to streamline processes and strat-
egies, and using creative code enforcement strategies. These approaches have emerged over the past decade of tackling rural vacancy and abandonment as rural communities have worked to address this problem. These approaches also stand to inform future efforts among practitioners, reform initiatives, and the broader conversation on property vacancy in general.

Understanding Urban/Rural Differences

Recent trends in rural socioeconomic decline
The United States used to be an overwhelmingly rural country. But a diverse set of factors have driven a relatively rapid, dramatic process of urbanization during the 20th century. These factors include farm mechanization and consolidation, liberalized trade allowing manufacturing plants to relocate, decreased natural resource extraction, and increased renewable energy production. Social trends have contributed to urbanization as well, as younger generations have sought out opportunities and amenities associated with cities (Eisenberg, 2020; Johnson and Lichter, 2019).

Despite modern urbanization trends, rural America remains heavily populated when viewed in absolute terms. Forty-six million people, roughly one-seventh of the national population, live in rural areas. Approximately 72 percent of the land mass of the United States is designated as rural. Thus, although the rural proportion of the population has decreased, there is still a sizable rural population, the needs of which warrant attention. The population remaining in the areas with the most depopulation is, of course, shrinking, and currently stands at roughly 6.2 million residents. But depopulation and its associated challenges are not limited to any one region; it affects the Dakotas, Nebraska, Kansas, Oklahoma, Texas, the northern Great Lakes, the interior of the Southeast, the Mississippi Delta, and mining communities in West Virginia and Kentucky (Johnson and Lichter, 2019).

Substantial proportions of the remaining rural population are now saddled with social and economic challenges that once were considered to be solely “inner-city” problems. Today, the regions with the highest levels of concentrated chronic poverty are rural. These regions have been hit hard by high rates of unemployment and the opioid epidemic. These trends place struggling rural communities in a Catch-22 of sorts in working to address their problems, including vacant properties: As distressed areas struggle, they are often in the process of losing the capacity to address their struggles, as tax revenues flow away and the population’s suffering is compounded. Building code enforcement and other measures to prevent and address property vacancy often seem like the least of residents’ and local governments’ worries. Thus, a realistic, creative discussion of rural property vacancy should take these conditions into account (Eisenberg, 2018; Conn, 2017).

Population sparceness, size, and limited resources
Vacant properties are, by and large, a local government issue, and urban and rural local governments could arguably be viewed as fundamentally different. According to the U.S. Census Bureau, rural municipalities have populations of fewer than 2,500 residents. Localities larger than that but still smaller than 50,000 residents are considered “urban clusters.” And a place is officially “urbanized” if it has a population of more than 50,000 (Ratliff et al. 2016). Thus, rural property vacancy may be an issue to be tackled by a literal village, the leadership of which may be constituted by a handful of volunteers with other jobs and limited expertise. This is a different scenario than the city of St. Louis, with a population of several hundred thousand people, attempting to address its vacant properties. Even though St. Louis and similar cities face their own very meaningful challenges, many rural communities lack comparable budgets, expertise, community groups, and other resources to put to the task.

In her research on this topic, law student Mairead Fitzgerald-Mumford explains, “The solutions proposed in much of the existing vacant-property literature cannot be adopted wholesale into a suburban or rural context” (Fitzgerald-Mumford, 2019, p. 1801). In addition to differing local government capacities, the economics of rural land and rural property markets are different from those in urban contexts. In contrast to urban land, rural land is often a low-value burden rather than a commodity. Rural localities have often worked hard to attract development by limiting land-use controls to accommodate developers and make otherwise unattractive land as cheap as possible. Thus, a vacant property in an urban center—even a struggling one—is more likely to end up being reused than a vacant property in a remote, sprawling locality.

Optimal approaches to property vacancy in rural communities will therefore need to aim for a few overarching objectives. Since rural communities in tackling their problem properties may well be attempting to “do something with nothing,” their approaches cannot be overly resource intensive. Municipal land banks, public nuisance lawsuits, condemnation, and other aggressive local government processes may be more suited to the urban context where more resources are available to public actors. Processes that involve a limited amount of investment by the local government, that are neither too complex nor too costly, and that take into account limited regional markets may be likelier to succeed (Eisenberg, 2016).
Approaches to Addressing Rural Property Vacancy in Law, Policy, and Community Initiatives

This section discusses three approaches that have received increasing attention as possible tools that make sense in the context of rural property vacancy. These approaches include regional land banks, the “market-anticipatory” approach, and creative approaches to code enforcement. Each of these holds demonstrable promise as a legal or policy strategy for addressing rural property vacancy in that they focus on consolidating scarce resources, streamlining processes, and accounting for limited local markets for property reuse.

Regional land banks

One of the main themes of the literature on rural property vacancy over the past decade is that the “land bank revolution” of the past 10 years could do more to include rural communities. Land banks are typically defined as “governmental or nonprofit entities that acquire, hold, and manage foreclosed or abandoned properties” (Johnson, 2017, p. 1064). They are usually created at the municipal level, and their use has been gaining popularity throughout the country since the Great Recession.

The use of land banks has proliferated along a timeline of three phases or “generations.” First-generation land banks started the land bank movement in the 1970s in Atlanta, St. Louis, Cleveland, and Louisville. After these cities led the way, more state-level legislation began to follow in step during the 2000s, with legislative initiatives coming out of Michigan and Ohio that largely mirrored the first programs. Most recently and since the Great Recession, the third generation has been the most widespread, as laws enabling land banks have been passed in New York, Georgia, Missouri, Pennsylvania, Tennessee, Nebraska, Alabama, and West Virginia, among others (Johnson, 2017; Alexander, 2015).

The limited literature on rural property vacancy seems to have reached a consensus that rural communities stand to benefit more from regional land banks—and legislation that enables and supports regional property vacancy initiatives—than from the more urban-oriented models of the first land bank generation. Municipal land banks are often not a realistic option in the rural context. Land banks require public or quasi-public resources to acquire, rehabilitate, and redistribute properties—resources that many municipalities lack. In most states, land banks also require enabling state legislation in order to be created. County-level or regional land banks may make more sense than municipal ones for many rural communities because they open the door to joint uses of resources (Eisenberg, 2018; Johnson, 2017; Eisenberg, 2016; Jourdan, Van Zandt, and Adair, 2010).

For example, Jourdan, Van Zandt, and Adair observed after the housing and foreclosure crisis that the focus of land banking policies in Texas “fail[ed] to fully comprehend how the current housing crisis has affected smaller communities that are often harder hit by vacant and abandoned property because of already limited tax bases and lack of market demand for new and better-quality affordable living opportunities for local residents” (Jourdan, Van Zandt, and Adair, 2010, p. 153). The authors noted that because local rural governments often lack the resources of larger municipalities, viewing rural property vacancy through a regional lens made sense for two main reasons. On a regional basis, the scope of the rural property vacancy problem could be better understood. For example, a handful of problem properties in one small town might seem like a small problem not warranting intervention. But expanding the lens of assessment of the problem—revealing proliferations of such clusters on a regional basis—could also help establish a more holistic view of the regional challenges involved with property vacancy. Second, regional initiatives could also allow local governments to pool funds or draw on existing regional entities, such as planning or economic development agencies, which may have more resources and expertise to pursue land banking activities than small municipalities (Jourdan, Van Zandt, and Adair, 2010).

Another promise regional land banks hold for rural communities is the creation of more robust markets for acquiring and redistributing properties. By expanding opportunities for land banks to acquire diverse properties in a dispersed area, a land bank has a greater chance of selling any given property to a new user, helping to overcome limited markets for buyers of rehabilitated properties in any particular rural locality. Increased opportunities for sales can help open revenue streams to the entity, meaning that sales in one area could potentially help finance property remediation efforts in another area.

During the initial land bank boom, most states did not enable the creation of county or regional land banks. The most recent generation of land banking seems to have incorporated rural considerations into enabling legislation more than the first two. New York, Georgia, and Pennsylvania seem particularly interesting as leaders in the movement to incorporate regional land banks more centrally into property vacancy initiatives. As of 2019, New York State had 20 county or regional land banks, and Georgia and Pennsylvania each had 15 county or regional land banks. Many of these were relatively new, created since 2013. Tennessee has only two land banks, but they are both county or regional land banks (Bollwahn, 2019). Although more empirical
research is needed to assess these programs’ efficacy in addressing rural property vacancy, their existence is, at the very least, a sign of efforts toward geographic inclusivity in state-level initiatives to address property vacancy.

The “market-anticipatory” approach

Some commentators have observed that rural communities are not in a position to bide their time and hope that local markets sort out any particular problem property. While an urban vacant property may have interested investors even if it is unattractive in some way, owing to adjacent population density and higher growth potential, a vacant rural property may be more likely to simply sit, unused and burdensome, forever. Similarly, while urban local governments may be able to invest some of their own time and resources in addressing a vacant property with the anticipation that a future tenant or owner will put the property into productive use, rural communities are not in as much of a position to start down a resource-intensive path with the mere hope of a positive outcome (Eisenberg, 2016; Fitzgerald-Mumford, 2019).

One tactic rural communities have used with some success is what Fitzgerald-Mumford calls the “market-anticipatory” approach. This approach involves making a determination as to the new reuse and tenant for a property in question first and then “identify[ing] the path of least resistance” and the means to removing the barriers to putting the property into that tenant’s hands (Fitzgerald-Mumford, 2019, p. 1802). She recommends that the first step be a diagnostic to determine the highest-value use for the property. For example, perhaps an abandoned retail store should still be used for retail, or perhaps its best use has shifted to something else, such as an office facility or senior center. The next step is finding an appropriate tenant or new owner. The third is working to reduce as much as possible the transaction costs of putting the property into the new owner’s hands (Fitzgerald-Mumford, 2019).

Various complexities affect this process and will make it unique to each property’s and community’s context. The question also arises as to whether the local government will be acquiring the property itself, with a view to a rapid turnaround for a new end-use, or whether the local government is acting as more of a facilitator between the current owner and a prospective one, which is along the lines of Fitzgerald-Mumford’s prescribed process (Fitzgerald-Mumford, 2019). But the principle seems like an important one for reshaping rural processes in tackling rural property vacancy: Rather than starting the process without a view to the end result, rural local governments can determine the end result and then seek to streamline their processes to arrive there.

Anecdotal data from the City of Spencer, West Virginia, population 3,000, also suggest that this approach is worth deeper consideration as a potentially helpful tool, both philosophically and practically, for the unique context of rural property vacancy where markets are thin. In 2014–2015, researchers and practitioners at West Virginia University College of Law interviewed stakeholders from small municipalities about their challenges and success stories in tackling their problem properties. An interview with Spencer’s city attorney, Tom Whittier, reflects an approach that sounds similar to Fitzgerald-Mumford’s “market-anticipatory” approach (Anderson et al. 2015).

Whittier’s approach involves streamlining processes as much as possible and focusing on end uses first. He described “using legal proceedings as ‘the last resort.’” Rather, he identified problem properties, prioritized them, and then, along with the mayor, contacted the owners to try “to work out a deal based on the particular problem.” These conversations range “from simply encouraging the owner to make repairs to trying to convince the owner that the building poses substantial liability and title should be transferred to the City.” According to Whittier, “[t]his has been . . . to date, our most successful method of taking care of these buildings. They get donated to the city for a small amount, then the city demolishes about ten buildings a year” (Anderson et al. 2015, p. 43).

Whittier and the mayor did not want the city saddled with the costs of holding and maintaining these properties, or even the full cost of demolition, so they also prioritized seeking out potential new end users early on. They spoke to residents neighboring the problem properties. Before starting a demolition, they would ask, “If they tear down this building, will you buy this lot?” Local government officials acquainted themselves with neighboring houses and sought to negotiate deals, “maybe selling half to one adjacent property owner and half to another, so the City can recoup a substantial amount of its demolition costs.” Residents were often interested in acquiring the lots for parking or for expanding their own lots. Whittier attributed his success to avoiding the slow pace and conflict associated with formal legal processes and using the prospect of legal processes for leverage in negotiations while ultimately persuading property owners to “solve their own problems.” Thus, perhaps ironically, one of the most effective legal strategies for rural communities to address problem properties may be the strategy that avoids using the legal system altogether (Anderson et al. 2015, p. 43).

Creative code enforcement strategies

Whittier incorporated another approach that he credited as helping to use scarce resources more efficiently: shar-
Tackling Vacancy and Abandonment: Strategies and Impacts after the Great Recession

State legislation on intergovernmental agreements may be a potential legal barrier to rural communities taking advantage of this approach, and it is one potential topic worthy of more consideration in the context of reform with a view to facilitating remediation of rural blight. Intergovernmental agreements (IGAs) are often the necessary avenue for two small municipalities to formally agree to sharing resources. Most states allow local governments to enter IGAs, but Delaware, Alaska, and Hawaii do not. Statutory requirements for entering IGAs may also be difficult for small rural localities to navigate, especially if the closest potential collaborator is located across state lines. States seeking to empower rural localities to enter IGAs could provide technical assistance for doing so, expand local government contracting authorities, and simplify processes for entering IGAs (Eisenberg, 2018).

Other commentators have also observed the potential for creative code enforcement options to benefit rural communities’ blight-remediation efforts. Code enforcement can encounter unique challenges in rural communities. Residents are more likely to know each other than in cities, making actual enforcement of the code more interpersonally and politically uncomfortable and stressful. There may be less of an understanding of the existence or importance of the building code. Rural politics may be more likely to involve skepticism of government involvement in property matters. Thus, it is important that small towns adopt strategies that are effective in light of their own circumstances (Slaughter, 2018; Eisenberg, 2016; Pruitt 2014).

A few context-specific strategies for improving code enforcement efforts hold promise for rural communities. Community development practitioner Kyle Slaughter recommends several steps that rural local government officials can take. First, messaging is important: Officials can emphasize the benefits of code compliance to their communities, rather than the punishment for noncompliance. Second, enforcement can be shaped as a community-level effort rather than a task limited to an enforcement officer. For example, the community can be involved in and learn about code compliance through clean-up days and programs to assist the elderly in maintaining their properties. Third, Slaughter recommends a measured approach involving “incremental steps that slowly grow the community enforcement program to the right size” (Slaughter, 2017).

Conclusion
Rural communities have unique needs for preventing and addressing vacant and dilapidated properties. Population sparseness, limited local markets, and limited local government resources all shape the landscape for practitioners and officials seeking to take on this problem. But more lessons about legal frameworks, legal strategies, and policy approaches that hold promise for rural communities are emerging. Regional land banks, market-anticipatory approaches, and creative code enforcement practices are three examples of approaches that seem to better account for rural conditions than approaches created and tested solely in urban environments. More research needs to be done to understand the prevalence of rural property vacancy, the barriers to addressing it, and the successful strategies being used around the country.

Ann Eisenberg is an associate professor of law at the University of South Carolina School of Law, which she joined in 2016 after spending two years as the land use and sustainable development law fellow at West Virginia University College of Law. Her scholarship focuses the lens of law and political economy on rural communities, examining how law, policy, and public institutions influence rural economic opportunity. She is also among the nation’s leading legal experts on rural property vacancy and dilapidation. Her work has been published or is forthcoming in numerous law journals and book chapters, including the Southern California Law Review, the Harvard Law and Policy Review, the Boston College Law Review, and the Washington University Law Review. She received her JD, cum laude, from Cornell Law School and is a member of the New York State Bar.

References


Vacancy Strategies That Emphasize Partnerships
Land Banks and Community Land Trusts: Emerging Partners for a Resilient and Equitable Recovery

Kim Graziani

Introduction

Across the country, land banks and community land trusts (CLTs) have evolved over the last few decades. While each was created to address a different challenge, they are more effective in supporting local community goals when they work together. Many communities have rebounded from the Great Recession, yet others continue to struggle with inventories of vacant, abandoned, and tax-delinquent properties (problem properties) that the private market has walked away from, an outcome that has harmed neighbors and neighborhoods (Scott, 2019). As the COVID-19 crisis continues to unfold, many communities have seen an increase in higher-wage families purchasing new homes, while others are seeing an increase in evictions and foreclosures and a growing deficit of quality affordable housing for their most vulnerable residents (Green and McCargo, 2019). While much is unknown regarding the long-term impact of this most recent public health crisis, it is clear that, once again, Black communities are disproportionately affected (Bouie, 2020). Using the unique powers of a land bank to acquire, stabilize, and transfer problem properties to a CLT to create long-term community benefit exemplifies the different yet complementary missions of these two entities and how they can be used to support a more resilient and equitable recovery in neighborhoods across America.

Although there are few examples of land banks and CLTs coordinating effectively and in a sustained manner, places like Albany, New York, Atlanta, Georgia, and Columbus, Ohio, are pioneering models of how these partnerships can support neighborhood stabilization and prevent displacement of vulnerable residents. As more local leaders embrace the challenge to unwind the harm of systemic racism, these examples illustrate how a land bank and CLT partnership can help advance equitable development and housing justice goals. Unlocking properties that the private market has rejected because of various legal and financial barriers and transferring control and ownership to residents and local businesses create wealth-building opportunities for generations to come.

Communities that have mixed housing markets also present an opportunity for land bank and CLT partner-
Table 1. Comparison of Land Banks and CLTs

<table>
<thead>
<tr>
<th></th>
<th>Land Banks</th>
<th>Community Land Trusts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>Stabilization and revitalization of problem properties guided by community goals</td>
<td>Primarily but not exclusively supports community goal of lasting affordability</td>
</tr>
<tr>
<td>Legal Structure</td>
<td>Public entity (nonprofit or public authority)</td>
<td>Private nonprofit</td>
</tr>
<tr>
<td>Governance</td>
<td>Board defined by statute or local ordinance</td>
<td>Tripartite board (public/private/community)</td>
</tr>
<tr>
<td>Acquisition</td>
<td>Special acquisition powers by tax/lien foreclosure, no eminent domain</td>
<td>No special acquisition powers although nonprofit status may allow for some preferred access</td>
</tr>
<tr>
<td>Tenure of Ownership</td>
<td>Temporary, but able to hold/maintain long term</td>
<td>Permanent steward of property</td>
</tr>
<tr>
<td>Disposition</td>
<td>Can flexibly dispose of land in line with community goals</td>
<td>Permanently hold land for public good</td>
</tr>
</tbody>
</table>

In thinking through how land bank and CLT partnerships can best be used to support the equitable recovery of neighborhoods across the country, certain assumptions must be made about the long-term impact of COVID-19:

1. Black neighborhoods located in historically “red-lined” neighborhoods and exhibiting concentrated poverty and systemic lack of investment will continue to be disproportionately affected by vacancy and abandonment (University of Richmond).

2. Historically Black neighborhoods that are experiencing rapid gentrification will continue to be harmed by displacement and a lack of quality affordable housing.

3. In the coming months (and, potentially, over several years), there will be an increased inventory of problem properties as a result of evictions and mortgage and tax foreclosures, and, as was seen in the Great Recession, another wave of outside investor activity will result in dramatic changes in land ownership in communities across the nation (Young, 2019).

4. Profound systemic changes and resources will be required to ensure that Black residents control the capital and capacity required to stabilize and control land in Black communities.

As the nation acknowledges an urgent and moral need to demonstrate a deeper and authentic commitment to...
racial equity, now is the time to invest in land bank and CLT partnerships as well as the full range of resources, tools, and strategies that can be deployed in these communities.

Evolution of Land Banks and CLTs
Both land banks and CLTs have evolved over the last few decades. And while they serve different yet complementary roles in supporting equitable development, they were both designed to respond to different systemic challenges to support local community goals, and they do this in different ways and for different time frames.

Over the past 40 years, the majority of land banks have been created across the country as public entities with unique governmental powers, usually public nonprofit corporations or public authorities that are solely focused on converting problem properties into productive use (Alexander, 2015). There are over 200 land banks in operation across the country, many of which were developed in the last decade as a direct response to the Great Recession and the resulting increase in vacancy and abandonment (Graziani and Abdelazim, 2020). Land banks are one of several tools in a larger system that seeks to break the cycle of vacancy and abandonment in any given community. Most land banks focus on a subset of vacant problem properties that are causing the most harm to a community by creating public safety hazards, driving down property values, and draining local tax dollars through repeated service calls from police, fire, and housing and building code enforcement staff. The targeted inventory of land banks is usually those properties that the private market has rejected given various legal and financial barriers such as tax or other public liens against the property that exceed the value of the property.

Many of the most effective land banks around the country have special powers granted by state-enabling legislation that allow them to undertake their work more effectively and efficiently than other governmental or nonprofit entities, and they have the authority and flexibility to focus on more equitable outcomes in line with the good of the community. State-enabling legislation can allow a land bank to use the tax and lien enforcement process to acquire tax-delinquent property for substantially less than the amounts due on the property, extinguish past liens, and hold property in a tax-exempt status until it is sold. These laws also allow land banks to market and convey properties more flexibly than local governments, prioritizing best outcome over highest offer. The best state-enabling legislation also identifies sources of dedicated funding to help pay for land bank operations.

Five Essential Elements of Land Banks
1. Connected to the tax foreclosure process
2. Aligned with other strategies and systems affecting vacant, abandoned, and tax-delinquent properties
3. Scaled in response to local land use and community goals
4. Driven by policy, transparency, and accountability
5. Authentically engaged with communities most affected by vacancy and abandonment

The community land trust model in the United States was pioneered by Black farmers during the civil rights movement to ensure land tenure for their families (Center for Land Trust Innovation). The historical roots of the CLT model are aligned with many of the goals of the national civil rights movement: supporting ownership and control of land and achieving greater economic security for Black individuals and families (Velasco, 2020). As more communities realized the potential of CLTs to preserve permanent access to land for additional uses such as affordable housing, the number of CLTs inevitably grew, numbering more than 270 today (Schumacher Center for New Economics).

Although many variations on the model exist, CLTs are most often private, nonprofit organizations that own property where the land and the structure are separated. The CLT retains ownership of the land and enters a 99-year renewable ground lease with the homeowner. The homeowner purchases the structure on the land at a subsidized price, pays the mortgage on the structure, and, per the terms of the CLT ground lease, is responsible for upkeep and maintenance of the entire property (land and structure), making the arrangement little different from traditional homeownership. Given that the purchase price is subsidized, the CLT model increases access to homeownership for those who could not pay full market price. The CLT ground lease ensures that most of the cost savings realized by the original CLT homeowner are passed on to future purchasers and owners by placing limits on the future sales price of the property so that the home remains accessible to low- and moderate-income homebuyers at an affordable rate in perpetuity. Typically, the development, rehab, or purchase of CLT homes is subsidized through public or philanthropic funds, and this subsidy stays with the property forever, underwriting the purchase price again and again for generations of owners.

CLTs offer many pre- and post-home-purchase services to their homebuyers, such as pre-purchase counseling, down-payment assistance, foreclosure prevention, and ongoing community organizing, to name a few. Such long-term “stewardship” services fall under the category of “perpetual responsibility,” one of the key features
of the classic CLT model (Emmeus and Jacobus, 2008). CLTs also conventionally use a tripartite board consisting of one-third CLT homeowners, one-third members of the community, and one-third public representatives.

Across the country, the impact of land banks and CLTs is impressive. Communities with land banks are showing incredible signs of progress, demolishing hundreds of blighted structures, stewarding pipelines of properties in support of local ownership, reducing absentee landlordism and speculation, increasing the supply of quality affordable housing, and attracting private investment to neighborhoods where most financial institutions still fail to lend. As the number of CLTs has grown, more Black families are taking advantage of this shared equity model of homeownership, and there are promising signs that progress is being made to narrow the racial wealth gap (Wand, et al., 2019). The CLT model has proven to be resilient, too. As the impact of the Great Recession rippled through our communities, the mortgage foreclosure rates of CLT homeowners were significantly lower than those of conventional homeowners (Thaden and Rosenberg, 2010). When land banks and CLTs are aligned, a model is created that, when properly capitalized, can transform decades of distress into long-term community investment despite the next crisis that may be presented.

Overview of Land Bank and CLT Partnerships

In this context, a partnership is defined as an acknowledgment by both entities’ governing bodies of the importance of working together, the strengths of each entity and how they can be leveraged, the goals of the partnership, and identification of some level of support, incentive, or resource to help ensure the partnership’s success.

It is important to consider the general challenges and opportunities each entity brings to the table. Given that the typical inventory of most land banks includes problem properties located in some of the most disinvested neighborhoods, many land banks are challenged with finding responsible transferees that have the capacity and the commitment to return properties to productive use in a manner consistent with local community goals. CLTs generally have difficulty acquiring properties given the significant legal and financial barriers of problem properties in mixed housing markets as well as the competitive level of activity, capital, and capacity of private investors, particularly in strong housing markets. Although there are few examples of land banks and CLTs coordinating effectively and in a sustained manner, more communities are recognizing the value of a strategic partnership between these two entities, and that one may be a solution to the other’s challenges.

Based on discussions with several land bank and CLT leaders, below are five of the most common actions taken in communities that are building successful land bank and CLT partnerships:

1. **Leading with Racial Equity**: Strong political and community leadership that leads with a commitment to racial equity and acknowledges the impact that systemic racism has had and continues to have on communities that suffer from disinvestment and their responsibility to address this moving forward. Multiracial leadership and white leadership that are actively engaged with, learning from, and seeking to share power with and turn over power to Black leadership and Black-led organizations will begin to address the systemic changes that are needed.

2. **Committing to Quality Affordable Housing**: Strong political and community leadership that not only acknowledges the importance of quality affordable housing but also uses its power and influence to direct critical resources toward producing and preserving such housing. This type of commitment helps enable the level of support and resources needed to transform distressed properties into affordable housing.

3. **Committing to Authentic Engagement and Partnerships**: Engaging residents and community stakeholders (particularly in disinvested neighborhoods) in explicit discussions about the challenges facing their community and how land banks and CLTs are both tools that must be aligned within a larger network of partners and resources. These types of honest discussions build trust, yet manage expectations about what is needed to stabilize and revitalize communities.

4. **Leveraging Unique Powers and Strengths**: When land banks have comprehensive state and/or local land banking authority, they can leverage their unique powers to unlock a specific subset of properties that are causing the most harm to a community and prioritize the transfer of these properties to a CLT. Likewise, one of the strengths of CLTs is the long-term stewardship of land and ensuring that the pipeline of properties acquired from a land bank continues to serve the community in perpetuity—directly aligned with the land bank’s core mission.

5. **Dedicating Flexible Funding and Capital**: When properly capitalized, land banks and CLTs can have the necessary capacity to bring their work to scale
and consider additional mechanisms to acquire property before the market heats up. This type of flexible financial support can also leverage subsidy on the back end given the costs associated with transforming distressed properties into quality affordable housing for generations to come.

In the following examples, each of these five actions is present to varying degrees with these emerging land bank and CLT partnerships in Albany, New York, Atlanta, Georgia, and Columbus, Ohio. These examples are designed to serve as models that are still emerging for other land banks and CLTs to also consider making the case for how more dedicated flexible funding and capital could advance these partnerships to ensure a more resilient and equitable recovery for neighborhoods across America.

**Albany County Land Bank and Albany Community Land Trust in New York**

In 2017, the Albany County Land Bank (ACLB) and the Albany Community Land Trust (ACLT) signed a memorandum of understanding that formalized months of ongoing discussions about how both organizations can work together to achieve their shared goals of addressing vacancy and abandonment and preserving affordability (Graziani and Abdelazim, 2017). The primary goals of their partnership to date have focused on how to address the racial wealth gap and provide permanent affordable homeownership (and rental) opportunities to financially underserved individuals in Albany’s more stable neighborhoods with stronger housing markets. Through the Equitable Ownership Program and the Inclusive Neighborhoods Program (described below), the ACLB is tapping into its special powers to efficiently unlock a targeted pipeline of properties, and the ACLT is tapping into its expertise in developing permanently affordable housing and the relationships that have been built over the decades with some of the most vulnerable residents in Albany. This partnership has also been integral in working with the City of Albany to create a more comprehensive and coordinated approach to vacant land that brings together various government agencies and local community stakeholders and connects residents to vacant land in more productive and sustainable ways.

**Leading with racial equity**

In addition to being the capital of New York, Albany is also home to the second largest gap in homeownership between Black and white households of any city across America (McCargo and Strochak, 2018). The ACLB developed the Equitable Ownership Program (EOP), which is designed to increase homeownership rates in underserved communities that have historically experienced discriminatory and inequitable practices and policies. The program draws upon the ACLB’s flexibility, partnerships, and available resources to eliminate many of the barriers that first-time homebuyers encounter when purchasing real estate in economically distressed neighborhoods. Through the EOP, the ACLB seeks to reduce the amount of capital needed for lower-income

| Table 2. Albany County Land Bank and Albany Community Land Trust Organizational Information (as of October 2020) |
|--------------------------------------------------|--------------------------------------------------|
| **Albany County Land Bank** | **Albany Community Land Trust** |
| Year Founded | 2014 | 1987 |
| Number of Staff | 7 FT, 2 PT | 2 FT, 1 PT |
| Current Inventory | - 50 buildings for sale  
- 272 lots for sale  
- 60 contiguous properties assembled as “development clusters”  
- 59 banked for further evaluation  
- 138 pending sales | - 35 owner-occupied homes  
- 56 rental units in 37 buildings  
- 5 homes under development |
| Annual Budget Estimate (2019) | $3,000,000 | $561,000 |

Source: Albany County Land Bank.
individuals or families by selecting properties that need less rehabilitation, selling the property for 50 percent or less of the market value, and partnering with a local community development financial institution (CDFI) to prequalify buyers and/or serve as the lender. The ACLT and other local organizations have been able to help identify eligible program participants, who are provided with a scope of work and access to a building specialist to assist with the rehabilitation of the vacant building. The EOP serves as a model for how land banks and CLTs can leverage their missions and networks to foster equitable development and promote homeownership in economically distressed communities.

**Committing to quality affordable housing**

While there is consensus on the need for quality affordable housing in Albany, the goal of permanent affordable housing was not initially shared by all Albany stakeholders. Some advocates argued that permanent affordable housing denied families the chance to build wealth, which led to important clarifying discussions regarding how the CLT model works. Upon the sale of an ACLT home, owners receive all the equity they have invested in their home (down payment and mortgage principal write down) plus a 25 percent share of any appreciation of the property. CLTs are one of the significant steps toward stable homeownership, enabling many families to create generational wealth through the next house they buy.

Some city officials pointed to excessive vacant properties as an indication that Albany was not in danger of “pricing out” residents any time soon. However, after a series of thoughtfully planned and well-attended stakeholder meetings, local partners in Albany determined that any effort to intentionally drive investments into distressed neighborhoods should also aim to preserve some amount of permanent housing affordability from the onset of planned investments. Intentional preservation of permanently affordable housing stock early on can prevent displacement, close the affordability gap when it is minimal, and strike the balance between individual wealth creation and multigenerational benefit.

**Committing to authentic engagement and partnerships**

Both the ACLB and the ACLT have committed to engaging residents and community stakeholders as one of their top priorities. Each month, the ACLB holds community roundtable meetings that serve as a forum for residents to share ideas and information related to the land bank. The ACLT is governed by a tripartite board consisting of one-third ACLT homeowners and tenants, one-third members of the community, and one-third public representatives and elected by ACLT members. This governance structure ensures that ACLT residents not only have a seat at the table but also helps guide all aspects of the organization.

In addition to the need to transform problem properties into permanent affordable housing, the ACLB and the ACLT also recognized an opportunity to work together and with other city and community partners on the issue of vacant land. One of their first joint efforts was to work with the city to create the Vacant Land Working Group, which brings together various government agencies, neighborhood associations, community gardening groups, and other interested stakeholders to create a more comprehensive and coordinated approach to the maintenance and ultimate reuse of vacant land. Several parcels of vacant land that were adjacent to the properties of current CLT homeowners and renters and owned by the ACLB were identified as a good starting point. Community clean-up events were hosted on these parcels, and through the Mow to Own program, the ACLB has also sold or has committed to sell over 20 vacant lots to the ACLT for one dollar each for CLT homeowners and renters who are interested in community gardening and more green space. With the support of the city and the Affordable Housing Partnership, the Albany Vacant Lot Tool Kit was also developed as a resource to help build interest in the program and to help educate the broader public.

**Leveraging unique powers and strengths**

Through the New York Land Bank Act, the ACLB, like most land banks, acquires the bulk of its inventory through the tax foreclosure pipeline, with strong support from the county. The ACLB has also made limited open-market purchases and received donated properties. Of the tax-foreclosed properties received from the county, more than 80 percent are in Albany’s most disinvested neighborhoods, which correspond to the ACLB’s Focus Neighborhoods. With a deeper appreciation for how scattered, permanent affordable housing would be key to achieving an inclusive community, the ACLB and the ACLT explored and successfully launched the Inclusive Neighborhoods Program. Now, thanks to this program, any tax-foreclosed property acquired by the ACLB that is located outside the Focus Neighborhoods (in stronger neighborhoods with more stable housing markets), the ACLT may have first right of refusal for 45 days and can purchase the property at a discounted rate. The ACLB board approved this program in September 2017 and amended the disposition policy accordingly. While the actual number of homes added each year may be minimal, over a 20- or 30-year period, this program could make significant contributions to seeding permanently affordable housing choices throughout Albany, consistent with the community’s
and political leadership’s long-term goal of building a more inclusive city.

To date, the ACLT has purchased four buildings (a combination of single-family and multifamily) for homeownership and rental with several more in the pipeline.

**Dedicating flexible funding and capital**

Both the ACLB and the ACLT recognize the need for dedicated flexible funding and capital to be able to build the necessary capacity to continue their collective work and adequately build their acquisition pipeline, particularly given that the demand from out-of-town and institutional investors escalated throughout 2020. In 2020, the ACLB saw a 125 percent increase in property purchase applications for land bank properties over the previous year, as well as an increase in the proportion of applications submitted from outside the region. This level of interest from outside investors is reminiscent of what happened during the foreclosure crisis and both the ACLB and the ACLT are committed to working with legacy residents and business owners to prevent displacement and another wave of outside investors wresting control of properties from local and community ownership.

**Metro Atlanta Land Bank and Atlanta Land Trust in Georgia**

The partnership between the Metro Atlanta Land Bank (MALB) and the Atlanta Land Trust (ALT) is one of the longest standing examples of land bank and community land trust partnerships across the country and has recently benefitted from city leadership with a strong commitment to affordable housing. Many neighborhoods in Atlanta are still feeling the negative impact of the foreclosure crisis and the level of interest from outside investors has only grown over the last decade. Therefore, if properly capitalized, the land bank and CLT partnership in Atlanta can scale up and use its acquisition powers and long-term stewardship to ensure that there is responsible ownership and that protections are in place for legacy residents.

As this partnership has evolved over the last decade, both entities recently decided to formalize their commitment through the execution of a memorandum of understanding, which lays out the partnership’s goals, geographic focus, and the roles of each organization. The primary goal of the partnership is to streamline the conveyance of land bank parcels to the CLT in neighborhoods adjacent to the BeltLine. The BeltLine has transformed a 22-mile loop of historic rail lines into a new transit system, multiuse trails, and green space, and one of the results has been a huge increase in market demand and prices in several neighborhoods in the urban core. In its earlier years, the land bank and CLT partnership was focused on a place-based initiative in the Pittsburgh neighborhood in Southwest Atlanta and more recently has evolved with the One Atlanta: Housing Affordability Action Plan given that both the land bank and the CLT are key stakeholders in the plan.

**Leading with racial equity**

As one of the epicenters of the Great Recession, Atlanta saw one of the largest declines in homeownership rates among Black households (Stokes, 2017). In neighborhoods like Pittsburgh, many Black homeowners were targets of subprime lending and the rate of mortgage foreclosures skyrocketed, leaving over 35 percent of properties vacant and magnets for crime and in the hands of absentee landlords and institutional investors. (Annie E. Casey...
Foundation, 2020). This situation is coupled with increasing rates of gentrification and displacement in neighborhoods adjacent to the BeltLine; therefore, both the MALB and the ALT have recognized that racial equity and inclusive growth must be at the forefront of the partnership’s guiding framework in addition to ensuring that affordable housing opportunities go to legacy residents of color. Both organizations have recognized that intentionality and a strategic approach are needed to operationalize this commitment; therefore, they both have updated their strategic planning frameworks to begin to institutionalize racial equity and justice in their policies and operations.

Committing to affordable housing
Mayor Keisha Lance Bottoms ran on a platform to make Atlanta affordable and released the One Atlanta: Housing Affordability Action Plan, which is built around the creation and preservation of 20,000 affordable homes by 2026 as well as an investment of $1 billion from public, private, and philanthropic sources (City of Atlanta, 2019). Rents and home prices in many neighborhoods have skyrocketed because of investments made by the city, including the BeltLine and the new Westside Park; therefore, local government has recognized its obligation to do more to support legacy residents who have been most affected by the tremendous change and rapid growth that Atlanta has experienced. The MALB has been integrally involved in these planning discussions and has been designated as one of five organizations charged with implementing many of the recommendations from the One Atlanta Plan. The ALT has also been identified as the primary entity for executing the community land trust model.

Comitting to authentic engagement and partnerships
The city’s current approach to affordable housing has been informed by HouseATL, a comprehensive and diverse group of highly respected business, nonprofit, government, and philanthropic leaders who came together to brainstorm how Atlanta could tackle its affordability challenges. This unique task force, which includes the MALB and the ALT, has defined the problems, identified the barriers to success, and engaged in thoughtful problem solving so that civic leadership in Atlanta will have a shared, comprehensive set of policies and adequate funding to address housing affordability. Five working groups were created to develop specific recommendations on: 1) community retention and anti-displacement; 2) preserving existing affordable housing; 3) scaling strategies and resources for under 50 percent AMI; 4) using public resources for production; and 5) harnessing the power of private resources to increase production and fill funding gaps.12

Both the land bank and the CLT have used different engagement strategies over the years; however, the ALT regularly holds community information sessions to provide education on the CLT model and engage more renters who may be interested in becoming homeowners as well as legacy families along the South and West BeltLine corridors.13

Leveraging unique powers and strengths
Through the Georgia Land Bank Act, the MALB uses its strategic acquisition powers to take title to vacant, abandoned, and tax-delinquent properties, extinguish past-due tax liens, and receive marketable title for new responsible ownership. In addition to acquiring properties through tax foreclosure, donation, and market purchase, the MALB also has a Depository Program whereby nonprofit affordable housing developers (including the ALT) can deposit land in the land bank’s inventory and the property is tax exempt and maintained by the land bank. This has become a very useful tool for many nonprofit and for-profit developers as they proceed with site assembly for an affordable housing development.

One of the earlier examples of how the MALB and the ALT have leveraged their unique powers and strengths is through a place-based initiative in the Pittsburgh neighborhood. Recognizing that one of the biggest obstacles to providing affordable housing is the cost of purchasing the property when in competition with private investors, the Annie E. Casey Foundation purchased 53 vacant homes while values were low—the average cost of acquisition in 2009 was approximately $30,000—and the homes are now selling for closer to $100,000 (Annie E. Casey Foundation, 2020). The MALB’s Depository Program served as the steward of the vacant houses during pre-development, and the ALT became the final transferee for several of these homes to ensure permanent affordability and community benefit for generations to come.

With recent market shifts, more energy is being focused on transferring homes to the ALT given the risk of gentrification and the benefit of keeping the subsidy with the house versus traditional homeownership models that typically use a forgivable lien to cover any subsidies and loosen income restrictions after a few years or when the homeowner sells the house.

Dedicating flexible funding and capital
As part of the One Atlanta Plan, the Atlanta City Council passed legislation in January 2020 to create a $50 million Housing Opportunity Bond Program to preserve and create 3,500 units of affordable housing.14 This money will fund a variety of initiatives, including homeowner renovations, multifamily developer loans, nonprofit development loans, and land assemblage. Both the MALB and the ALT, along with other organizations, will be used to support acquisition and help ensure that final transferees
for several of the units are kept affordable in perpetuity. Given the projected budget shortfalls of many local governments across the country from the COVID-19 pandemic, this bold move will help ensure that those most vulnerable and disproportionately affected by decades of disinvestment and predatory lending practices will have the opportunity to access grant dollars and low-interest renovation loans as well as new affordable housing.

Central Ohio Community Improvement Corporation-Franklin County Land Bank and Central Ohio Community Land Trust Organizational Information (as of October 2020)

<table>
<thead>
<tr>
<th>Central Ohio Community Improvement Corporation - Franklin County Land Bank</th>
<th>Central Ohio Community Land Trust</th>
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<tbody>
<tr>
<td>Year Founded</td>
<td>2012</td>
</tr>
<tr>
<td>Number of Staff</td>
<td>7</td>
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<tr>
<td>Current Inventory</td>
<td>970 single residential lots, all vacant lots</td>
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<tr>
<td>Annual Budget Estimate (2019)</td>
<td>$12,665,000</td>
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Source: Central Ohio Community Improvement Corporation-Franklin County Land Bank and Central Ohio Community Land Trust.

Leading with racial equity

In 2019, the Franklin County commissioners released a report called Rise Together: A Blueprint for Reducing Poverty in Franklin County in which structural racism was identified as one of the greatest challenges facing the region (Franklin County Board of Commissioners, 2019). Although central Ohio has experienced steady growth, there are still great disparities in employment, education, incarceration, homeownership, and educational attainment rates among Black residents. Several steps and action items were identified in the blueprint that range from a declaration of racism as a public health crisis to a $25 million commitment to address the causes of poverty and the racial wage gap. COCIC and COCLT have been identified as key partners in addressing the regional housing affordability gap.

Committing to affordable housing

Affordable housing preservation is a major focus for both the City of Columbus and Franklin County as central Ohio’s population continues to rise, rents increase due to demand, and incomes for certain populations are not keeping pace with housing costs (Affordable Housing Alliance of Ohio, 2017). These trends are expected to continue as population numbers increase in central...
Ohio. Organizations such as the Affordable Housing Alliance of Central Ohio and Greater Ohio Policy Center have helped analyze the needs and advocate for solutions that have helped influence the creation of COCLT as well as the creation of a Housing Action Fund and bond issuance that has resulted in $150 million to preserve and increase the number of affordable homes in Columbus and Franklin County.

Working closely with the City of Columbus Land Bank, COCIC has committed to addressing this affordable housing challenge in multiple ways. Since its creation in 2012, COCIC has worked hard to build a solid track record with local government and community partners and was able and willing to create the CLT as its subsidiary to support some of the immediate affordable housing goals identified by the city and county and its regional partners. In addition to leveraging its strategic acquisition powers, COCIC has also been involved in several tax credit developments on land bank properties in tipping point neighborhoods as well as financing and funding construction and rehab of affordable owner-occupied units to address the appraisal gaps common in distressed neighborhoods.

COCIC has a countywide land use initiative whereby affordable housing is developed with COCLT in both strong and weak housing markets; suburban areas as well as within the city’s footprint; and in undercapitalized areas with a majority of Black residents. In addition to providing the development gap financing for the CLT homes, COCLT also writes down the purchase prices for each homebuyer to ensure that the homes are affordable and to give lower-income households more opportunity to qualify for financing and become homeowners.

**Committing to authentic engagement and partnerships**

The Land Banks of Franklin County (COCIC) and the City of Columbus formed a unique land banking partnership in Ohio (and nationally) in that they are two separate, fully functioning entities that operate hand-in-hand to eliminate blight, stabilize neighborhoods, reposition land, and restart markets. The City of Columbus’ Land Bank has a presence on COCIC’s board, and as of 2017, the two entities are colocated at the Land Bank Center in the Southside neighborhood of Columbus. The two organizations work hard to maximize their partnership while retaining clear distinctions of responsibility based on geographic jurisdiction. The cooperation between these two land bank authorities builds upon their strengths for the greatest possible impact on neighborhood revitalization.

COCIC and COCLT have built strong relationships with local government and community partners. COCIC and COCLT are governed by the same board; however, a Community Advisory Committee has been created to ensure engagement and transparency to guide their work, which will eventually also include CLT homeowners beginning in 2021. COCIC has created a Trusted Partner Program, which awards grants to a small list of local, experienced nonprofit housing partners to complete new build projects as well as rehabilitation of abandoned homes countywide. In an effort to address housing inequality, the COCLT program has been structured to partner with several critical agencies and organizations such as HUD-approved counseling agencies and established community housing development organizations that help address some of the barriers to homeownership.

Central Ohio also benefits from strong regional public-private partnerships focused on affordable housing as evidenced by the Affordable Housing Alliance of Central Ohio (AHACO), which was formed in 2015 by a group of nonprofit organizations that represent the full spectrum of affordable housing development and operations. In addition, the Mid-Ohio Regional Planning Commission, the City of Columbus, Franklin County, and other partners have recently focused their efforts on housing challenges facing the region.

**Leveraging unique powers and strengths**

Through Ohio’s land bank law, COCIC uses its strategic acquisition powers through four different methods. Most commonly used is the regular tax foreclosure process; however, if properties are considered abandoned under the Ohio Revised Code, the foreclosure process can be expedited and the property conveyed to the land bank generally within 6 to 12 months. If tax-delinquent properties do not get sold at two public sales, the property is forfeited to the state and COCIC is also able to purchase the property free and clear of taxes. Last, COCIC also has the option of purchasing tax lien certificates from the county treasurer and foreclosing on the owner’s right of redemption.

COCIC and the City of Columbus Land Bank serve as the primary acquisition pipeline for COCLT as well as other nonprofits operating in distressed neighborhoods. Properties are identified for the CLT based on a series of factors, including priority areas identified by the City of Columbus and Franklin County, whether the neighborhood housing market is at a tipping point, available subsidy and extent of appraisal gaps, and interest from nonprofit lenders.

**Dedicating flexible funding and capital**

Under Ohio law, land banks are eligible to receive dedicated funding with up to 5 percent from the county’s delinquent tax and assessment collection fund
This is another unique aspect of this partnership, given that this dedicated funding allows COCIC and COCLT to maintain strong operational capacity and capital to leverage regional subsidy for affordable housing development.

In 2019, the City of Columbus, along with Franklin County, corporate partners, and the Columbus Foundation, announced a $100 million Housing Action Fund to address the need for affordable housing in Franklin County. The fund will provide a flexible source of capital dollars managed by the Affordable Housing Trust, which will offer low-cost loans to developers who commit to specific affordability requirements in order to preserve and increase the number of units in Franklin County. These funds, in addition to the $50 million in bond money approved by Columbus voters, represent the foundation of a comprehensive community approach to filling the gap that was identified through the work of the Affordable Housing Alliance of Central Ohio.

Key Considerations Moving Forward and a Call to Action
It will take bold leadership and the utilization of every available tool and resource for cities and towns to be models for inclusive and equitable rebuilding and recovery. Flexible and nimble capital is needed; partnerships are crucial; and honest discussions must be had about the racist housing, land-use, and lending policies that have helped create the ongoing crises that many neighborhoods continue to experience. Land banks and CLTs must continue challenging themselves to build relationships and trust with the communities that are most affected by the lingering effects of racist policies and demonstrate a deeper and authentic commitment to racial equity.

Much is unknown about the long-term impacts of COVID-19 and whether they will resemble the after-effects of the Great Recession. However, one thing is clear: Black communities continue to be disproportionately affected. Drawing from the rich history of the civil rights movement, CLTs can serve as critical partners to land banks to ensure that Black residents control the capital and capacity required to stabilize and control land in Black communities; therefore, resources need to be intentionally dedicated to these emerging land bank and CLT partnerships. Using a land bank’s special acquisition powers and a CLT’s permanent stewardship for community benefit provides a direct conduit to transferring control of land and creates a pathway for a more resilient and equitable recovery.

As the moratoriums on evictions and mortgage foreclosures end, land banks and CLTs need to be capitalized to create a pipeline of permanent affordable housing. In the three examples of land bank and CLT partnerships, only one in Ohio has dedicated funding. Dedicated funding for both operational support and subsidies to create quality affordable housing in distressed neighborhoods is needed now more than ever. Land banks and CLTs need to access capital that is flexible and nimble and allows them to compete with institutional and absentee investors, so that community benefit is realized at scale and investments prove their returns for generations to come. Institutional and absentee investors cannot be allowed to acquire properties once again in our most distressed communities and either let them sit and deteriorate or use them as rentals to extract wealth out of the community. Likewise, this type of investment cannot be used to displace and acquire more homes from legacy residents who simply cannot afford the required renovations or the tax bill for next year, given a job loss and/or an increase in health care costs.

Land banks and CLT partnerships are just one of many tools needed to address the myriad of challenges that arise from COVID-19 and decades of disinvestment. However, it is an emerging model that is starting to have a track record and is worthy of more resources moving forward.

Kim Graziani serves as senior adviser to the Center for Community Progress and as president of Indigo Collaborative LLC, a consulting firm. Over the past 10 years, Graziani helped build and lead the National Technical Assistance Program at the Center for Community Progress, which has served over 300 communities in 35 states. Prior to her national work, Graziani served as the director of neighborhood initiatives for the mayor of Pittsburgh, Pennsylvania, and was instrumental in developing and implementing innovative policies and strategies for the equitable reuse of vacant and abandoned properties that prioritized resident engagement, neighborhood preservation, and community wealth-building. She also has in-depth expertise in affordable housing and community organizing through her work with multiple community development corporations, private foundations, and social service agencies across the country. She received her master’s degrees in public administration and social work from the University of Pittsburgh, where she also served as part-time faculty.

Endnotes
1 See Table 1 for a brief description of land banks and CLTs.

2 Backed by the federal government and beginning in the 1930s, many banks in the United States denied mortgages to people, mainly Black individuals and families in urban areas, preventing them from buying
a home or getting a loan to renovate their houses in certain neighborhoods. This has resulted in the loss of Black wealth that has been compounded across several generations.

3 Other preventative tools that are used to address problem properties include delinquent property tax enforcement and housing and building code enforcement. For more information on how these tools work together with land banks to create effective, efficient, and equitable systems, please visit the Center for Community Progress’ website at: www.communityprogress.net.

4 Since 2011, 15 states have passed land bank legislation. See Graziani and Abdelazim, (2020).

5 For more information on the outcomes of land banks, please view the following reports: New York Land Bank Association and Center for Community Progress (2017); Toering, (2019); and Greater Ohio Policy Center (2018).

6 For the past six years, the Center for Community Progress and the Grounded Solutions Network have engaged land banks and CLTs across the country through a variety of remote and in-person discussions at national conferences, webinars, and through phone calls.

7 For more information on the ACLB’s Equitable Ownership Program, please visit its website at: https://www.albanycountylandbank.org/eopp.

8 One of the first community clean-up events was documented in this video: https://www.youtube.com/watch?v=ofmQ0oQ5jPw

9 For more information on the Albany Vacant Lot Tool Kit, please visit: https://www.vacantlottoolkit-albanyny.com/

10 As of November 2020, Fulton County/City of Atlanta Land Bank Authority is doing business as Metro Atlanta Land Bank.

11 For more information on the Atlanta BeltLine, please visit: https://beltline.org/.

12 For more information on the recommendations made by HouseATL, please visit: https://houseatl.org/recommendations/

13 The ALT’s new strategic plan for 2020-2025 identifies several goals related to community engagement and awareness, which can be found at: https://atlantalandtrust.org/wp-content/uploads/2020/10/Atlanta-Land-Trust-Strategic-Plan-1.pdf.

14 In January 2021, the Atlanta City Council passed affordable housing legislation, and in March 2021, the City of Atlanta Department of Finance closed a $50 million housing bond transaction to help advance the goals of the One Atlanta: Housing Affordability Action Plan to continue creating and preserving 20,000 affordable homes by 2026. See https://www.investatlanta.com/impact-insights/mayor-bottoms-announces-50-million-housing-bond-closing.


16 Ohio Revised Code. Title III Counties. Chapter 323 Collection of Taxes. 323.66 Expedited foreclosure by board of revision on unoccupied land.

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Building Resilience:  
Leveraging Innovative Partnerships and Low-Cost Capital to Meet Affordable Single-Family Housing Needs

John O’Callaghan  
Mandy Eidson

Introduction
More than a decade after the 2007-2008 foreclosure crisis, our nation is reckoning with social, economic, and racial disparities compounded by the effects of the COVID-19 pandemic. In addition to its immediate public health impacts, COVID-19 has deepened already pervasive inequities faced by low-income families and people of color, for whom the American Dream has never been an equal-access opportunity. Communities of color that have historically suffered from disinvestment and other discriminatory practices have borne the brunt of COVID-19, with minorities experiencing higher death rates, job losses, and business closures than Whites.

In this climate, COVID-19 has thrown a spotlight on the deep racial inequities in housing and other systems while illustrating the fundamental importance of housing stability to protecting public health. Rising housing costs, supply gaps, and displacement risks facing longtime residents have been severely compounded by the pandemic, presenting new challenges for already disadvantaged residents and neighborhoods. Now more than ever, community development organizations are tasked with building organizational resilience to address growing housing challenges and deliver a scaled response to our nation’s dire housing needs.

Since its inception in 1991, the Atlanta Neighborhood Development Partnership, Inc. (ANDP) has been at the forefront of building scalable and replicable models for addressing systemic disparities through affordable housing development. In particular, the organization’s Foreclosure Response Program—launched in 2008 in direct response to the devastating foreclosure crisis—has proven a resilient model for affordable single-family development, which is badly needed in cities like Atlanta, where the bulk of affordable housing is single family and where the homeownership divide and related wealth gap between Black and White households present one of the greatest obstacles to racial equity. Over the years, ANDP has adapted its single-family production strategies in response to changing market conditions and funding opportunities, enabling the organization to become a regional leader in rehabilitating and repopulating single-family homes for low- and moderate-income (LMI) households.

As new resources at the local and federal levels emerge to address affordable housing challenges, ANDP is doubling down on its efforts to further scale its production...
and mitigate the more recent impacts of the COVID-19 pandemic. Beginning in 2020, the organization has embarked on an unprecedented plan to preserve or build 2,000 units of affordable housing over the next five years, including 1,250 affordable multifamily units; 500 affordable homeownership units; and 250 single-family rental units. Key to the organization’s success will be its continued ability to respond nimbly and flexibly to uncertain market conditions—a skill that ANDP has honed over the past decade through the creation of risk-sharing partnership models and innovative strategies for raising capital.

In this report, we share how ANDP’s development model has evolved and expanded since the foreclosure crisis and how other nonprofit housing organizations can use these strategies to minimize risks, build resilience, and maximize outcomes for LMI residents and communities of color. Today, with the longer-term impacts of the COVID-19 pandemic still unfolding, such strategies offer compelling examples of how to mount an effective response to the array of challenges facing our nation’s most vulnerable residents and communities.

Building Resilience: ANDP’s Comprehensive Foreclosure Response Efforts
Over the past 13 years, ANDP has developed and continuously refined a production model that prioritizes and links risk-sharing partnerships and leverages enterprise-level capital to achieve scale in developing affordable single-family housing. This work began in 2008 when ANDP shifted from being a primarily urban-focused multifamily housing developer to launching a large-scale Foreclosure Response Program focused on rehabilitating vacant and blighted single-family properties. At the time, Georgia was facing the nation’s highest rate of bank failures, and Atlanta consistently ranked in the nation’s top metro areas for foreclosures (Georgia Watch, 2010). In response, ANDP’s board of directors unanimously voted to redirect all of the organization’s programming (housing development, lending, and advocacy) toward combating metro Atlanta’s devastating tide of foreclosures. Since that time, ANDP has increased its production of single-family housing from a six-home pilot to a pipeline now totaling over 700 homes benefitting LMI families, with 122 single-family units affected in fiscal year 2020 alone.

ANDP’s Foreclosure Response Program has achieved significant outcomes for local residents and neighborhoods. Of the 700+ single-family units rehabilitated by ANDP as of June 30, 2020, the majority of ANDP’s production has been scattered throughout the Atlanta MSA, with a targeted focus on predominantly African American LMI communities south of Interstate 20 and along the Interstate 85 corridor (see Figure 1). Residents

Figure 1. ANDP Single-Family Developments Shaded by LMI Census Tracts, January 2010 – June 30, 2020

Note: Several properties in outlying areas have been excluded from the map owing to visual formatting restrictions.
Source: Atlanta Neighborhood Development Partnership
in these areas were especially hard hit by the foreclosure crisis and suffered disproportionately from high rates of homeowner negative equity in its wake. In some suburban counties—where the poor population more than doubled from 2000 to 2015 (Brookings Institution, 2017)—ANDP has often been one of the few affordable housing nonprofits, and in some cases the only one, engaged in rehabilitating and repopulating single-family homes for LMI households.

As indicated in Table 1, which shows a breakdown of ANDP’s homebuyer demographics by fiscal year, ANDP’s work has primarily benefitted low-income families, first-time homebuyers, African Americans, and female heads of household. The program has served over 1,250 residents, including 483 children, with an average household income of $42,561, or 75 percent of area median income. Approximately 82 percent of ANDP’s homebuyers have received down-payment assistance to help reduce their home purchase costs, allowing families with limited savings to access homeownership and build equity. With an average home purchase price of $126,287, the majority of ANDP's homebuyers have found homeownership to be more affordable than renting.

In addition to providing cost savings for LMI residents, ANDP’s single-family work has further helped build resident and neighborhood wealth, restore lost homeownership levels, and enhance neighborhood stability and other outcomes in communities hard hit by the foreclosure crisis. Through studies commissioned in Douglas and DeKalb Counties, ANDP has found as much

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<td>62</td>
<td>64</td>
<td>51</td>
<td>39</td>
<td>38</td>
<td>54</td>
<td>68</td>
<td>53</td>
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<tr>
<td># Household Members</td>
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<td>60</td>
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<td>Average Income</td>
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<td>77%</td>
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<td>Average Sales Price</td>
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<td>Average DPA</td>
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<td>$19,633</td>
<td>$16,751</td>
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<td>63%</td>
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<td>8%</td>
<td>9%</td>
<td>19%</td>
<td>8%</td>
<td>10%</td>
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</tbody>
</table>

Source: Atlanta Neighborhood Development Partnership
as a 15:1 leveraging effect for every dollar invested in home repairs, which helps to lift property values in neighborhoods mired in negative equity and restore home equity among affected families (ANDP and Epic Intentions, 2015; ANDP and DeKalb County, 2017). Furthermore, a 2019 study conducted by ANDP found that homebuyers who have been living in their homes for five years or longer have experienced $88,797 in average wealth gains through home price appreciation, down-payment assistance, and mortgage payoff. The study also found that 93 percent of ANDP’s homebuyers are still living in their homes, leading to greater neighborhood stability, lower student transiency rates, and improved educational outcomes (ANDP, 2019).

Today, ANDP remains focused on developing affordable single-family homes in distressed neighborhoods and generating wealth for low-income families and families of color. The restoration of equity is of utmost importance in metro Atlanta, which currently leads the nation in income inequality and ranks second-to-last for upward mobility (Bloomberg, 2018; Chetty et al., 2014). Given the 10:1 wealth divide and 29 percent homeownership gap between White and Black households (Omeokwe, 2020), expanding affordable homeownership opportunities for households of color is critical to addressing many of the pervasive racial disparities witnessed across our city and nation.

Adapting to changing market conditions: From NSP to private capital and partnerships

ANDP’s scaled production and its impact have been predicated on thoughtful strategies to adapt to changing market conditions and transition its work from being largely HUD funded to being supported by a diverse mix of public, private, and charitable funds. Simultaneously, the organization has forged risk-sharing partnerships with private developers to maximize acquisition opportunities and learn from the efficiencies of the private sector. As ANDP pursues its goal to preserve or build 2,000 units of affordable housing by 2025, the organization will continue to build on these strategies while navigating new challenges posed by COVID-19.

Key to the early success of ANDP’s Foreclosure Response Program was federally funded programs, including the Neighborhood Stabilization Program (NSP) and HOME funding for designated community housing development organizations (CHDOs). Authorized by Congress in three rounds from 2008 to 2010, the NSP provides targeted emergency assistance to reduce the number of foreclosed and abandoned properties and restore depressed housing markets. The NSP fueled the bulk of ANDP’s single-family housing production from 2010 to 2015, during which time ANDP established partnerships with seven metro Atlanta jurisdictions to implement their NSP programs. ANDP became one of the largest NSP1 and NSP3 producers in the nation, with over $34 million in NSP funding leveraged since 2010.

When NSP funds began to dry up, ANDP made a strategic decision in 2013 to apply for certification as a community housing development organization in several local jurisdictions. By becoming a CHDO, ANDP increased its access to federal HOME funds for foreclosure redevelopment administered by local governments so that it could continue to redevelop single-family homes at scale. Although becoming a CHDO added complexity to ANDP’s internal operations—since each jurisdiction has different program requirements and disbursement processes—it allowed ANDP to continue rehabbing single-family homes at minimal financial risk, since ANDP is reimbursed for all cost overruns on homes acquired and redeveloped through the HOME program. In addition, ANDP has been able to rotate approximately 60 percent of proceeds from the sale of its HOME-funded homes to rehabilitate additional HOME properties, further augmenting its single-family pipeline.

Another strategy that ANDP enacted to mitigate the impact of declining NSP funds was its participation in real estate owned (REO) disposition programs, including bank REO portfolios.

From 2013 to 2017 ANDP received more than 50 single-family REO properties, largely from Bank of America and Wells Fargo. Acquired at no cost to ANDP, many of these homes were redeveloped and made available at highly affordable prices for veterans and other low-income buyers. From 2016 to 2018, ANDP additionally benefited from “first look” opportunities to bid on discounted REO properties held by Fannie Mae and Freddie Mac through the Neighborhood Stabilization Initiative (NSI). However, these offerings decreased over time as foreclosures dwindled and the availability of REOs declined.

Transitioning to philanthropic support and private developer partnerships

When it became apparent that federal funding for the redevelopment of foreclosed properties was diminishing, ANDP’s board of directors approved plans to expand homeownership production outside of traditional HUD funding sources and implement innovative risk-sharing partnerships with local private developers. Although programs like the NSP and CHDO came with distinct advantages—including full reimbursement of project costs—these programs entailed significant compliance and reporting functions and limited ANDP’s ability to serve
particular jurisdictions where funds were allocated. By raising private capital, ANDP has been able to broaden its impact across the 10-county metropolitan region, take advantage of unique acquisition opportunities in distressed markets, and leverage private funds to access other sources of public capital such as new markets tax credits (NMTCs) and the Capital Magnet Fund (CMF). These strategies have positioned ANDP to embark on its recently launched “2K by 2025” plan to preserve or create 2,000 units of affordable housing by 2025. ANDP anticipates that this initiative will leverage $438 million in total investments sourced from enterprise-level debt, social impact funds, $18 million in charitable grants, and public funds like the CMF, NMTCs, and low income housing tax credits, with approximately $100 million invested in single-family homeownership projects and $40 million in single-family rental units.

ANDP’s pursuit of new production strategies and capital resources (Table 2) has enabled the organization to grow while minimizing operational risks. From its initial six-home pilot in 2008—when ANDP assumed full financial risk for project delivery—to today, ANDP has navigated a changing environment of federal funding and acquisition opportunities while innovating risk-sharing execution models with private developers and securing more flexible capital such as philanthropic grants and enterprise-level debt. These strategies have ultimately bolstered ANDP’s financial position and capacity to serve its mission at greater scale.

Transitioning from its reliance on HUD funding has been a long but rewarding process for ANDP, requiring considerable relationship-building and fundraising capacity. ANDP’s first significant foray into raising private charitable capital for single-family housing development was its “One Home Makes a Difference” campaign from 2012 to 2015, which leveraged over $4 million in private equity to rehabilitate 275 homes in hard-hit metro Atlanta neighborhoods. Funds were raised through new

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### Table 2. Evolution of ANDP Single-Family Development Capital Resources and Financial Timeline

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Program</th>
<th>Resources</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Pilot Homes</td>
<td>$20k/home philanthropy; Debt: HPN, Self-Help, CDFIs</td>
<td>Full Risk</td>
</tr>
<tr>
<td>2009-2020</td>
<td>NSP</td>
<td>HUD funding via competitive county NSP bids</td>
<td>Compliance Risk</td>
</tr>
<tr>
<td>2013-Present</td>
<td>HOME</td>
<td>HUD funding via competitive county HOME bids</td>
<td>Compliance Risk</td>
</tr>
<tr>
<td>2013-2017</td>
<td>REO Donations</td>
<td>REOs: direct and via NCST; CDFI construction debt</td>
<td>Limited Risk</td>
</tr>
<tr>
<td>2013-2015</td>
<td>Private Partner Pilot</td>
<td>$200k initial enterprise capital; CDFI debt</td>
<td>Shared Risk</td>
</tr>
<tr>
<td>2016-2019</td>
<td>Private Partner</td>
<td>$2M-5.5M enterprise capital; social impact; CMF; NMTC</td>
<td>Shared Risk</td>
</tr>
<tr>
<td>2020</td>
<td>Private Partner Expanded</td>
<td>$8.8M enterprise capital; social impact; CMF; NMTC</td>
<td>Shared Risk</td>
</tr>
<tr>
<td>2020-2025</td>
<td>“2K by 2025” Campaign</td>
<td>$438M: enterprise, philanthropy, social impact, CMF; NMTC</td>
<td>Shared Risk</td>
</tr>
</tbody>
</table>

Source: Atlanta Neighborhood Development Partnership
and existing relationships with local and national corporations, foundations, and individuals, as well as bank settlement funds and funding from NeighborWorks America—of which ANDP became a chartered member in 2013.⁶ That same year, ANDP further broadened its Foreclosure Response Program to include a special focus on veterans and active duty personnel, generously funded by the Home Depot Foundation and other veteran-focused groups.

Since the “One Home Makes a Difference” campaign, ANDP has continued to expand its charitable fundraising through annual campaigns and special initiatives such as “Home South DeKalb,” a three-year initiative launched in 2018 to invest $20 million and restore a minimum of 100 single-family homes in hard-hit neighborhoods of suburban South DeKalb County. With generous support from Kaiser Permanente and the Kendeda Fund, ANDP has incorporated higher energy-efficiency protocols and health standards for its South DeKalb homes while providing down-payment assistance, homebuying resource guides, and other “housing plus” benefits to local residents.

A critical component of ANDP’s work is understanding when and where to lead community development activity and when to support the work of others. Whereas in suburban areas like South DeKalb ANDP has taken on a “community quarterback” role—given ANDP’s expertise in scattered site work and the absence of other high-capacity nonprofits active in these areas—it has strategically taken a more supportive role in inner-city revitalization efforts. Recent urban initiatives include ANDP’s involvement in Atlanta’s Pittsburgh neighborhood, a fast-gentrifying, historically African American community south of downtown where ANDP is partnering with the Annie E. Casey Foundation (AECF) to redevelop and construct single-family homes on parcels that AECF acquired in the wake of the foreclosure crisis. In Atlanta’s distressed Westside neighborhoods such as Vine City and English Avenue, ANDP has also recently entered into a partnership with the Westside Future Fund to redevelop an initial 30 homes. By participating in these initiatives, ANDP is able to leverage private capital for developing affordable single-family housing to support the broader place-based efforts of local stakeholders who are well positioned to lead holistic community transformation.

**ANDP’s Private Developer Partnership Program**

Critical to ANDP’s scaled production has been its innovative Private Developer Partnership Program, which the organization first piloted in mid-2013 as it began transitioning away from the NSP. Confronted with dwindling HUD subsidies for the development of foreclosed properties, the organization began developing strategic partnerships with mission-aligned private developers to rehabilitate affordable single-family homes using a market-based flip model. Working with as many as eight general contractors ranging in size from sole proprietorships to scaled single-family developers, ANDP deploys its own capital to fund projects and collaborates with its partners to maximize “first look” opportunities for REOs. Partners scout for projects that meet ANDP’s geographic mission, sustainability, and financial objectives, while ANDP provides portfolio oversight and delegates decisions on project execution and scope of work. ANDP also provides community engagement support, expanded access to down-payment assistance, close connections to real estate professionals serving LMI borrowers, and parcels for new construction. The program has become a hallmark of ANDP’s operations, with private partners accounting for 79 percent of ANDP’s homeownership production during ANDP’s 2020 fiscal year (July 1, 2019—June 30, 2020).

Through this program, ANDP benefits from the efficiencies and production capacity of its private-sector partners while maintaining a lean core staff. ANDP partners with developers that are mission-aligned, have a demonstrated track record of working in ANDP’s lower-income target areas, and can ensure sales points affordable to households earning no more than 120 percent of area median income. Beyond wanting to further ANDP’s mission, private partners benefit from incentives such as developer and management fees and profit splits from sales proceeds. Partners also share a smaller portion of loss risks. Since ANDP provides all the capital for home acquisition and construction costs, its partners are freed from having to carry these or associated debt costs on their books. Many of the smaller, African American–led contractors with which ANDP partners have been able to increase their staff and business operations as a result of these partnerships, allowing them to recover from the aftermath of the foreclosure crisis that devastated countless minority developers and real estate professionals. For these groups, the presence of a strong nonprofit partner that can consistently provide steady business and pay timely invoices is the recipe for fueling their growth.

As depicted in Figure 2, ANDP’s production of single-family housing more than doubled from fiscal year 2016 to fiscal year 2020, largely because of its Private Developer Partnership Program. Over the years, ANDP’s private partners have been critical to implementing new programs such as ANDP’s Veterans Program, NMTC Program, and place-based initiatives in areas like Atlanta’s Pittsburgh neighborhood and South DeKalb County. More recently, ANDP has begun partnering with several of its private partners to construct new single-family
homes. Since pricing estimates for new builds are typically easier to predict and control than those for distressed properties—which whose rehab costs can be difficult to estimate at the time of purchase—this approach is often proving to be more financially reliable than ANDP’s conventional rehab work.

In addition to augmenting ANDP’s production of single-family housing for homeownership, private partners have been critical to managing ANDP’s increased single-family rental and lease-purchase portfolio, which saw the addition of 56 units in fiscal year 2020, as shown in Table 3. In recent years ANDP has been actively adding to its single-family rental portfolio in order to: (1) address the need for affordable rental opportunities in metro Atlanta, where rents have been rising dramatically and the bulk of affordable housing is single family; (2) ensure greater ownership of single-family rentals by nonprofits as opposed to institutional investors, who often charge high fees and strip away wealth from local neighborhoods; (3) preserve affordability in gentrifying areas, thereby reducing displacement and enhancing neighborhood stability; and (4) help position families from renting to owning over time. To this end, ANDP launched a city-focused Atlanta Single-Family Preservation Initiative (ASFPI) in 2020 that is on track to

Figure 2. ANDP Single-Family Production by Fiscal Year and Program Type

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Source: Atlanta Neighborhood Development Partnership
preserve over 55 units of affordable single-family rental homes by year-end 2021. Two of ANDP’s private developer partners are providing rehabilitation and property management services for this initiative, which is serving a very low-income clientele, the majority of whom (more than 70 percent) hold Section 8 vouchers.

Beyond its private development partners, ANDP has partnered with other organizations to expand access to down-payment assistance for ANDP and non-ANDP homebuyers, filling yet another mission niche. In recent years ANDP has successfully managed several privately funded down-payment assistance programs through special opportunities provided by NeighborWorks America/Wells Fargo, Bank of America, and the Federal Home Loan Bank of Atlanta. Considering that saving for a down payment and other upfront costs is often the greatest barrier for first-time homebuyers, these programs have been pivotal in expanding local affordable homeownership opportunities. Through these programs, more than 1,000 metro Atlanta homebuyers have received some form of down-payment assistance thanks to ANDP’s efforts.

**Leveraging low-cost, enterprise-level capital to build resiliency**

Another essential strategy of ANDP’s efforts to build resiliency and scale its work has been its success in raising low-cost, enterprise-level debt to support its production of single-family housing. When ANDP first launched its Foreclosure Response Program, the organization was borrowing at high rates (6 percent interest and higher) on a property-by-property basis, requiring individual draws and transaction fees for each home. Beginning in 2012, ANDP began pursuing unsecured, lower-cost, enterprise-level loans from local and national banks that it could use as rotating capital for its single-family work. As depicted in Table 4, ANDP has since increased its enterprise-level debt sources to $8.8 million, with 10 mission-aligned investors providing program-related investments for its single-family homeownership work. ANDP’s enterprise-level loans have an average interest rate of 2.55 percent and typical terms of three to seven years, providing the organization with a sustainable cash source for acquiring and developing single-family homes. While the majority of ANDP’s single-family investors are CRA-motivated banks, ANDP has also been successful in securing social impact funds from groups like NeighborWorks Capital, the Community Foundation for Greater Atlanta’s GoATL Fund, and the newly formed Atlanta Affordable Housing Fund.

The process of raising enterprise-level capital has involved significant relationship building with investors and the internal capacity to manage multiple investment applications, reporting, and compliance needs. The pay-
off, however, has been substantial. Raising longer-term, lower-interest enterprise-level debt has enabled ANDP to reduce its net borrowing and debt management costs by approximately $8,500 per home, compared to what it would otherwise cost were ANDP still borrowing at 6 percent to 6.5 percent interest on a property-by-property basis and managing construction draws. These savings translate into reduced costs for homebuyers and improved financial outcomes for ANDP.

Raising enterprise-level capital has also been pivotal to the success of ANDP’s NMTC program, which ANDP launched in 2017 with its first $10 million NMTC suballocation from the Housing Partnership Network (HPN). At this time, ANDP partnered with the Smith NMTC Associates and the HPN to build on Habitat for Humanity International’s creative use of NMTCs for single-family homeownership projects, which Habitat first developed for its membership of high-capacity nonprofit developers. ANDP subsequently partnered with the HPN in 2019 on a second $10 million NMTC suballocation and is partnering with Reinvestment Fund and Enterprise Community Partners on two separate 2021 NMTC transactions. Through the NMTC program, ANDP receives upfront cash to quickly acquire, rehabilitate, and sell single-family homes to LMI families in NMTC-eligible census tracts. Thanks to the cash infusion, NMTC proceeds are providing a critical subsidy to cover the gap between what it costs to buy, rehabilitate, and sell single-family homes at affordable prices and/or provide down-payment assistance in distressed neighborhoods. However, ANDP must provide a leveraged investment for NMTC equity that cannot be secured by property-level loans. For this reason, obtaining unsecured, low-cost, enterprise-level capital is central to ANDP’s successful use of NMTCs.

Low-cost, longer-term (seven years or more) capital is also central to increasing ANDP’s single-family rental portfolio. In 2020, ANDP leveraged highly competitive mortgage capital from RBC Bank and Renasant Bank with below-market impact investments from the Atlanta Affordable Housing Fund to access low-cost debt sourced from the City of Atlanta’s housing opportunity bond and managed by Invest Atlanta. In early 2021, Atlanta Mayor Keisha Lance Bottoms and the Atlanta City Council approved an additional $50 million in bond funding, with an eye toward ultimately issuing $100 million in housing opportunity bonds to preserve or create approximately 3,500 affordable units across the city (SaportaReport, 2021). Thanks to these sources as well as an additional $750,000 in social impact investment from the Community Foundation for Greater Atlanta’s GoATL Fund in South DeKalb County, ANDP has been able to double its single-family rental portfolio to 100+ homes and is on track to preserve or create 250 single-family rental homes by 2025 as part of its goal to build 2,000 units in five years.

The Impact of COVID-19 and Strategies on the Horizon
In the wake of the COVID-19 pandemic, the need for expanded affordable single-family homeownership and rental opportunities is all the more pressing, particularly for low-income residents and families of color. As countless reports have already indicated, the pandemic has disproportionately affected minorities from both a health and a socioeconomic perspective. Disparities in health care and access to health care have contributed to vastly higher COVID-19 case counts among Black residents in areas like Fulton County, where African Americans comprise 43 percent of the population but are suffering 69 percent of COVID-19-related deaths (Georgia Department of Public Health, 2020). African Americans have also been more likely to suffer job and income losses and fall behind on their mortgage and rental payments, putting them at greater risk of foreclosure or eviction as a result (U.S. Census Bureau, 2020).

In this context, the already severe racial homeownership and wealth divisions are anticipated to widen further, especially considering that banks have been raising minimum credit scores, thus disadvantaging countless minority households that were already disproportionately targeted by predatory lenders preceding the foreclosure crisis and that have lower credit scores on average than Whites (Omeokwe, 2020). Furthermore, for-sale single-family housing inventory has declined, particularly in more affordable areas where Black families are more likely to purchase homes but are facing increased competition from other mortgage-ready households (Fairweather, 2020). And unlike many families that have been able to relocate to more affordable areas owing to expanded remote-work opportunities, African American workers—20 percent of whom hold jobs that allow them to work remotely, compared with 30 percent of Whites—have had fewer chances to move to more affordable or higher-opportunity areas in COVID-19’s wake (Fairweather, 2020).

In metro Atlanta, ANDP has witnessed heightened demand among prospective LMI homebuyers as mortgage rates have decreased. However, the organization has experienced increasing difficulty in meeting demand because of rising development costs and a severe shortage of affordable inventory. Supply chain disruptions have led to significant increases in the costs of lumber and other materials and backlogs in the availability of household appliances. In the long term, this poses a risk for both developers of affordable single-family housing like ANDP and prospective LMI homebuyers in terms
of creating untenable price increases. However, the risk that homebuyer sales will dip owing to broader macro-economic conditions is mitigated in part by the simple fact that demand for affordable, quality, single-family homeownership and rental units is likely to continue to exceed supply and that the market will adjust correspondingly.

To confront the potential risks from COVID-19, ANDP is drawing from the lessons it has learned over the past decade to remain nimble and responsive to ever-changing market conditions. As ANDP pursues its five-year, 2,000-units plan, the organization is continuing to test new product models, including lease-purchase, accessory dwelling units, new construction, and smaller homes, all with an eye toward reducing displacement, building minority wealth through homeownership, and improving the financial trajectory of LMI families. Working with private development partners with the experience and sophistication to provide precise cost projections is also essential, as is continuing to raise low-cost, enterprise-level capital for new NMTC investments. Last but not least, ANDP’s growing single-family rental portfolio is providing additional security for the organization while preserving affordability in an otherwise uncertain housing market.

Although the impetus for present-day housing challenges differs from that of the 2007–2008 foreclosure crisis, many of the strategies implemented since then have the potential to help stem negative housing effects related to the COVID-19 pandemic. What is needed now more than ever is the funding, political willpower, and strategic leadership to ensure that we not only avoid further entrenching existing disparities but also work actively to reverse centuries-old inequities that threaten our nation’s most vulnerable residents and the shared communities we inhabit.

John O’Callaghan serves as the president and CEO of the Atlanta Neighborhood Development Partnership (ANDP), where he leads the organization’s programs to develop, finance, and advocate for affordable housing on a scale that promotes racial equity and healthy communities where families thrive. O’Callaghan spent nearly a decade in local government, serving as a Fulton County commissioner, Atlanta City Council member, and director of intergovernmental affairs under Atlanta Mayor Maynard Jackson. Prior to ANDP, O’Callaghan spent 11 years with Fannie Mae. His board appointments include the Housing Partnership Network, the National Housing Conference, Framework, and the Atlanta Metropolitan College Foundation. He is actively engaged in national and local policy work to address racial equity and the wealth gap through better use of government funding to support affordable homeownership. O’Callaghan is leading ANDP’s “Closing the Gap” unit plan and capital campaign to develop and preserve 2,000 units of affordable housing by 2025. He is a graduate of Georgia Tech.

Mandy Eidson is an Atlanta native and currently senior manager of the ANDP Loan Fund, a CDFI subsidiary of the Atlanta Neighborhood Development Partnership (ANDP) that provides loans to affordable housing developers. Eidson received her bachelor’s degree in English from the University of North Carolina—Chapel Hill and a master of science degree in urban studies from 4Cities, a unique program funded by the European Union in which a cohort of international students spend two years studying community development in Brussels, Vienna, Copenhagen, and Madrid. She is passionate about conducting purposeful research and securing mission-driven capital to finance affordable housing and promote equitable outcomes in metro Atlanta and Georgia. She has received extensive training in community development from NeighborWorks America, the Opportunity Finance Network, and the University of New Hampshire’s Carsey School of Public Policy.

Endnotes

1 A component of the Community Development Block Grant (CDBG) program, the NSP is administrated by the Department of Housing and Urban Development (HUD) and was first authorized by Congress in 2008 through the Housing and Economic Recovery Act. The NSP was subsequently funded through two additional rounds in 2009 and 2010 (NSP2 and NSP3). Under the program, state and local governments can use their NSP funds to acquire, demolish, and rehabilitate foreclosed or abandoned properties; establish land banks; and/or offer down-payment and closing cost assistance to LMI homebuyers. The NSP program also requires that grantee set aside at least 25 percent of funds to serve very low-income households, that is, those earning 50 percent of area median income (AMI) or less. Within these guidelines, grantees are given wide latitude to develop their own NSP programs and funding priorities in order to most effectively meet the needs of their communities (HUD, 2020a).

2 HUD’s HOME Investment Partnerships program, enacted through the 1990 Cranston-Gonzalez National Affordable Housing Act, is an ongoing grant source for states and localities to increase affordable homeownership and rental opportunities for households earning 80 percent of AMI or less. Participating jurisdictions must set aside at least 15 percent of their HOME allocations for community housing development organizations (CHDOs), which are nonprofit housing developers that apply for CHDO designation to state and local governments (HUD, 2020b).
The NSI was a program developed by the Federal Housing Finance Agency (FHFA) and administered by the National Community Stabilization Trust (NCST) in 2014 to dispose of REOs held by Fannie Mae and Freddie Mac in 30 select markets across the United States. Metro Atlanta received designation as an NSI market in 2015, enabling nonprofits like ANDP to have an “enhanced first look” at Fannie Mae and Freddie Mac foreclosed properties that were not yet publicly listed for sale, allowing for savings through a quicker sale and the receipt, in some cases, of funds for demolition of certain properties based on market costs (FHFA, 2017).

Authorized under the Community Renewal and Tax Relief Act of 2000, the NMTC program is jointly administered by the U.S. Department of Treasury's CDFI Fund and the Internal Revenue Service. NMTCs provide a 39 percent tax credit for investors that invest in community development entities (CDEs) serving low-income communities (CDFI Fund, 2021b). Although NMTCs are typically used to support larger-scale retail and community facilities and mixed-use projects (including multifamily rental housing), in recent years ANDP and others have pioneered a strategy to expand utilization of NMTCs for the development of affordable housing for homeownership. ANDP received its first two NMTC suballocations from the Housing Partnership Network in 2017 and 2019 to finance the development of more than 135 affordable single-family homes. Building on this success, ANDP is implementing 2021 NMTC projects with Reinvestment Fund and Enterprise Community Partners.

Established under the Housing and Economic Recovery Act of 2008, the CMF is a competitive grant opportunity administered by the CDFI Fund for qualified CDFIs and nonprofit housing organizations to finance affordable housing activities and related economic development and community facilities projects in distressed areas. Funding for the CMF comes from allocations made by Fannie Mae and Freddie Mac and varies from year to year (CDFI Fund, 2021a). To date, ANDP has secured a total of $2,433,750 in CMF funds in fiscal years 2016, 2017, and 2019 to develop a minimum of 183 single-family homes. As with the NMTC program, the CMF is providing ANDP with a critical subsidy source for its homeownership projects, particularly benefiting households earning 80 percent of area median income or less. However, CMF funds are highly competitive, must be leveraged 10:1 with outside capital, and have more complex reporting requirements and less subsidy per home than NMTCs.

NeighborWorks America (NWA) is a congressionally chartered nonprofit that provides grants, professional training opportunities, technical assistance, and other services to more than 240 community development organizations nationwide. The NWA supports organizations that provide communities with affordable housing, financial counseling and coaching, training, and resident engagement and collaboration in the areas of health, employment, and education.

These include: (1) ANDP’s Affordable Housing Assistance Program (AHAP), which provided $1.9 million in down-payment assistance to 67 LMI families in 2016–2017 through a one-time Bank of America funding opportunity; (2) a $5 million Wells Fargo/NeighborWorks America NeighborhoodLIFT down-payment assistance program launched in 2018, which provided 0 percent, five-year forgivable down-payment assistance loans to more than 280 LMI families across metro Atlanta’s five core counties; and (3) an Affordable Housing Program launched in 2020 through the Federal Home Loan Bank of Atlanta, which provides up to $1 million annually in down-payment assistance funds for member banks serving low-income households.

The Community Reinvestment Act (CRA), enacted in 1977, requires regulated financial institutions to invest in LMI communities where they do business. Banks regulated by the Federal Reserve, Office of the Comptroller of the Currency, and FederalDeposit Insurance Corporation are rated on their CRA performance and accountability to LMI communities, which can affect their business standing and their ability to acquire other banks, enact mergers, and so forth. Banks can also receive CRA credit by investing in nonprofits like ANDP that are directly engaged in serving LMI communities (Federal Reserve, 2021).

References


Resident Engagement in Vacant Lot Greening: Empowering Communities for Neighborhood Revitalization

Laney A. Rupp
Alison R. Grodzinski
Evaine K. Sing
Bernadette C. Hohl
Marc A. Zimmerman

Introduction

Approximately 15 percent of U.S. cities consist of vacant land, or more than 9 million acres (Bowman et al., 2004). Vacant land is especially prevalent in shrinking cities with an industrial past, declining populations, and limited tax bases (Lee, Newman, and Park, 2018). To complicate the issue, vacant land is often abandoned by its legal owner, resulting in a pattern of disinvestment and a lack of regular maintenance. Vacant lots, when left unmaintained, become liabilities for communities and may give rise to consequences such as crime, including violence (Branas, Rubin, and Guo, 2013), dumping, and creating unsightly conditions (Garvin et al., 2012). Lots with overgrowth, dumping, and other signs of deterioration discourage positive social interaction (Garvin et al., 2012) and have adverse effects on the physical and mental health of residents (Augustin et al., 2008; Cohen et al., 2003).

Major federal investments in the demolition of vacant structures in recent years, including the Hardest Hit Program, have resulted in a growing supply of vacant lots in communities across the country (U.S. Department of the Treasury, 2019). A 2019 national survey of greening and land management organizations, such as land bank authorities and nonprofit service providers, found that, on average, vacant lots now make up 75 percent of vacant property inventories (O’Keefe et al., 2020). The dominance of vacant lots in America’s vacant property landscape is expected to continue, as nearly two-thirds of organizations surveyed reported that their vacant lot inventories had increased over the past two years (O’Keefe et al., 2020). Meanwhile, funding for vacant lot greening and maintenance has not increased and has even declined for more than 20 percent of public organizations such as government agencies, land bank authorities, and redevelopment corporations (O’Keefe et al., 2020).

In the community development sector, fewer resources, less scholarship, and less attention have been devoted to the effective management of vacant lots than to vacant...
structures, despite their shared negative effects (O’Keefe et al., 2020). Addressing the strategic management of vacant lots often falls to the bottom of a long list of organizational priorities. Yet, as is the case with structures, effective management of vacant lots requires planning, investment, collaboration, and best practice approaches. Without such management, vacant lots become a public health burden in communities, contributing to a variety of negative social, ecological, and economic impacts.

In contrast, when the management of vacant lots is effectively addressed at scale through greening programs, these lots can deliver diverse public health benefits to communities. Greening programs support the systematic upkeep of vacant lots and may include activities such as obtaining professional mowing services or engaging residents to purchase and maintain side lots, mow community lots, plant gardens, or create pocket parks (Beauregard, 2012; Schilling and Logan, 2008). Greening not only remediates physical conditions, it can also add value by repurposing lots in ways that benefit communities, often in ways not previously considered. Because of its connection to many critical development and ecological issues, vacant land maintenance and greening have the potential to be catalysts for many broader community development and regeneration efforts (Kim, 2016). Greened lots can address environmental challenges (for example, green infrastructure), increase opportunities for recreation (for example, parks and trail systems), improve access to food (for example, urban agriculture), and restore community vitality and pride (for example, murals, pop-up restaurants) (Carlet, Schilling, and Heckert, 2017; De Sousa, 2014; Németh and Langhorst, 2014). Greening can reduce crime and violence (Heinze et al., 2018), improve community health outcomes (Branas et al., 2011; South et al., 2015), and rebuild social and economic value in neighborhoods (Alaimo, Reischl, and Allen, 2010; Garvin et al., 2012; Heckert and Mennis, 2012). (See figures 1 and 2.)

To capitalize on these benefits for the expanding vacant lot inventories in low resource settings, communities require strategies that maximize program responsiveness, capacity, and sustainability. Resident engagement in greening is one such approach.

Importance of Resident Engagement in Vacant Lot Greening
Resident engagement in vacant lot greening may safeguard and benefit communities while advancing the capacity and sustainability of greening programs. Residents are most affected by vacancies in their neighborhoods, and the future of vacant lots will most immediately affect their lives. Ensuring that residents’ priorities for revitalizing their neighborhoods are respected is therefore a foremost ethical concern. Historically, the voices and priorities of residents have often been marginalized in the name of community improvement (Arnstein, 1969; Giloth, 2018). Prioritizing residents’ concerns is vital to preventing the types of exclusionary practices and policies that have led to the displacement of low-income and minority residents (Fullilove, 2004; Lopez, 2009). In addition to preventing these types of historical abuses, strategies that amplify and prioritize the voices of residents can help ensure that greening programs build value for all community members (Lowe and Thaden, 2016).

Residents’ involvement in implementing and planning greening efforts may also be important for advancing program capacity and sustainability. Involvement can improve program responsiveness by building on residents’ local knowledge and existing community relationships. This engagement can help generate strategies that are locally relevant and more acceptable to communities (Faga, 2006; Garvin et al., 2012; Schilling and Logan, 2008), including those that are identified and led by residents. Residents’ involvement may also expand program capacity by enabling more lots to be greened more affordably through shared stewardship (Heinze et al., 2018). As participants in planning and developing programs, residents can increase the legitimacy of programs, support their use, and help to sustain them (Rémillard-Boilard, Buffel, and Phillipson, 2017).

Current status of resident engagement in greening and the engagement continuum
Many scholars and practitioners view resident engagement as essential to community development and revitalization (Arnstein, 1969; Lowe and Thaden, 2016; Carlet, Schilling, and Heckert, 2017; Wright and Reames, 2020). Requirements for engaging residents are common in grant guidelines and in the mission statements and bylaws of organizations ranging from land bank authorities to neighborhood associations (Alexander and Torring, 2013; City of Detroit, 2020; HUD Exchange, 2020; New York State, 2020; Olens, 2014). Yet, engaging residents also incurs time and resource costs that may deter program managers from prioritizing engagement in their work (Moynihan, 2016). As a result, the depth and quality of residents’ engagement in community development work such as vacant lot greening are inconsistent and wide ranging (Moynihan, 2016; Barnes and Mann, 2010; Heikkila and Isett, 2007; Giloth, 2018).

Resident engagement practices fall along a continuum, with increasing levels of resident participation and influence in decision-making. Each form of engagement offers different benefits to organizations and communities (see Figure 1).
At the most foundational level, organizations communicate with residents to keep them informed about agency activities and decisions (International Association for Public Participation, 2018; Schilling and Logan, 2008). Informed residents may be more likely to seek additional ways to become involved. At the next level, organizations gather resident input through channels such as surveys and town hall meetings to guide their work (International Association for Public Participation, 2018). Soliciting input helps organizations align their plans with community needs and priorities, improve decision-making, and promote wider acceptance of greening plans and programs (Faga, 2006; Garvin et al., 2012; Schilling and Logan, 2008). Soliciting input can begin to build trust when the input is clearly addressed in the final outcomes of plans and decisions (International Association for Public Participation, 2018). At more intensive levels of engagement, organizations involve residents directly in planning and implementing greening programs (International Association for Public Participation, 2018), thereby tapping into residents’ skills and talents that can benefit organizational capacity and the quality of service delivery. Involving residents in decision-making capitalizes on their local knowledge to design more responsive, equitable, and sustainable programs (Rémillard-Boilard, Buffel, and Phillipson, 2017; White, 1996). Benefits may expand when organizations use multiple forms of engagement and involve residents in ways that support them to define and implement greening in their communities (Lowe and Thaden, 2016; Arnstein, 1969).

Despite the hypothesized expanding benefits of engagement across the continuum, few researchers have examined how organizations are engaging residents in vacant lot greening and how these practices affect their programs. Recognizing the value of community-engaged greening of vacant lots for improving public health and community safety, the Michigan Youth Violence Prevention Center at the University of Michigan’s School of Public Health partnered with the Center for Community Progress (Community Progress) to conduct a national study of greening and land management organizations. Through the study, we explored the factors that helped these organizations advance the capacity and sustainability of the greening work while ensuring that communities benefitted. Since resident engagement emerged as the top facilitating factor, we explored how these organizations are currently engaging communities in their work and how their engagement practices support their programs. This article highlights many of the findings of this new line of research and poses questions for how resident engagement can advance future efforts to green vacant lots across the United States.

### About the Study

We conducted a two-phase implementation study to examine the factors necessary for greening programs to expand community benefits and increase program capacity and sustainability. The first phase of the implementation study included in-depth interviews with stakeholders at established greening programs and their partner networks in three cities experiencing high levels of abandonment and vacancy: Flint, Michigan, Youngstown, Ohio, and Camden, New Jersey. Semi-structured interview questions focused on the resources and capacity required to take greening

### Figure 1. Resident Engagement Continuum: Examples of Practices and Related Benefits

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<th>Involvement</th>
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<td>• Flyers</td>
<td>• Flyers</td>
<td>• Hosting listening events</td>
<td>• Supplying tools and resources to residents</td>
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<td>• Door knocking</td>
<td>• Door knocking</td>
<td>• Speaking with community based organizations</td>
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programs to scale and ensure their optimal functioning. We conducted 11 interviews that were 45 minutes to 1 hour in length in Flint (4 interviews), Youngstown (4 interviews), and Camden (3 interviews). Interview participants included program managers, city officials, foundation leaders, land bank executives, and other stakeholders who support greening programs.

For the second phase of our implementation study, we partnered with Community Progress to conduct a national survey of greening and land management organizations. Organizations were eligible to participate if they owned an inventory of vacant property or were involved in maintaining or greening vacant property. Organizations were recruited through a listserv maintained by Community Progress that included land bank authorities, government agencies, nonprofits (that is, 501c3), community organizations (for example, block groups and neighborhood associations), redevelopment authorities, and other organizations that had previously participated in Community Progress programming.

The survey questionnaire included closed- and open-ended questions to assess organizational capacity, including the types of partners they worked with, the types of activities they conducted to improve vacant lots, their sources of funding, and the methods they used to engage residents in their work. Respondents completed short-answer questions to share the top three practices that facilitate their success, the top three things they need to scale up their greening work, and the advice they would give to other organizations interested in increasing their greening capacity. Our final sample included 119 organizations from 27 states, Washington DC, and Puerto Rico (see Figure 2).

Data analysis
Interviews and short-answer responses (Qualitative)
All interviews were recorded and transcribed. Short-answer responses from the national survey were extracted and analyzed along with the interview transcripts. We applied open coding to establish a set of codes to describe key components of greening programs. We identified barrier and facilitator codes to apply to instances when these components either supported or impeded greening program outcomes, including community benefit, capacity, and sustainability. Two coders independently applied codes to interview transcripts and short-answer responses from the national survey. Discrepancies in coding decisions were resolved through consensus discussion with a third coder. Our thematic analysis examined the relationships between resident engagement practices along the continuum of engagement (for example, communication, input, and involvement) and dimensions of community benefit and program capacity and sustainability, including the degree to which residents buy into and champion the work.

National survey data (Quantitative)
We used national survey responses to examine the ways in which organizations are engaging residents in their work. We also explored how resident engagement practices across the continuum affect organizational capacity and sustainability. Resident engagement measures were
based on the resident engagement continuum and included the number of activities undertaken by an organization to communicate with residents (for example, informal discussions and presentations), gather input from residents (for example, focus groups and surveys), involve residents in program planning (for example, serving on advisory groups and serving on the board), and involve residents in implementing greening activities (for example, design selection and ongoing maintenance).

We created an index of organizational capacity and sustainability composed of three dimensions: partnership network diversity and support, breadth of programs, and diversified revenue. We chose these dimensions because greening and land management organizations depend on diverse partner networks to obtain resources and create financial efficiencies (O’Keefe et al., 2020; Peterson and Zimmerman, 2004). Since each vacant lot is unique, the ability to conduct more types of activities to improve vacant lots (for example, gardens, parks, and green infrastructure) may support organizations in reclaiming more lots in ways that are responsive to community priorities (Kim, Miller, and Nowak, 2018; Schilling and Logan, 2008). Maintaining a diverse revenue stream is an important strategy for organizational sustainability because it can promote financial stability and protect against financial distress (Berrett and Holliday, 2018; Froelich, 1999; Frumkin and Keating, 2011; Tuckman and Chang, 2016). The organizational capacity and sustainability index was therefore calculated as the sum score of the total number of different types of organizations the responding organization had partnered with in the past year, the number of types of resources they had received from partners, the number of different types of activities they conducted to improve vacant lots, and the number of revenue streams they had that accounted for at least 10 percent of their organizational budget. Using a series of linear regression models, we tested how each subsequent form of resident engagement along the continuum influenced our index of organizational capacity and sustainability.

Key Findings
Finding 1: Resident engagement is critical
Resident engagement was the most mentioned and most widely endorsed facilitating factor for greening programs across the two implementation studies. In qualitative interviews, 100 percent of participants mentioned resident engagement as a factor facilitating community benefit, capacity, or sustainability. Resident engagement was also the most mentioned facilitating factor in the national survey, with over half of respondents reporting it as one of their top three practices for success. Reports that resident engagement was critical to program success were unprompted and endorsed by practitioners across the country. The value of resident engagement was also triangulated by our quantitative survey results, which indicated its positive association with program capacity and sustainability.

Finding 2: Benefits expand as depth of engagement increases
Qualitative and quantitative analyses revealed that different resident engagement practices along the continuum may have distinct benefits for greening programs. Engaging residents at lower levels, including communication and input, was associated with enhanced program responsiveness to community priorities and increased community buy-in. As engagement progressed to higher-level involvement, organizations reported increased community control and expanded capacity and sustainability, in the form of greater resident investment in and sustained stewardship of greening. Below, we describe how resident engagement practices across the lower and higher ends of the resident engagement continuum advance (a) community benefits and (b) program capacity and sustainability.

Community benefits
Qualitative findings from the interview study and national survey indicate that resident engagement practices, including soliciting input and involving residents in the greening work, may be key to respecting residents, increasing community control, and building more responsive greening programs that directly benefit communities.

Gathering input helped organizations to understand residents’ interests, priorities, and concerns before taking any action. This practice was fundamental to respecting residents’ right to shape the greening that affects their immediate environment.

“We go to the community members and ask them what you like to have done? [Not doing this] is just like going into somebody’s house and going straight to the refrigerator without asking.”

“I’m not going into a neighborhood without first talking to the community organization. If I’m doing something in your neighborhood, it’s in partnership with you.”

 “[One of our top practices is] community organizing - we talk to neighbors adjacent to each property about the end use.”

Gathering residents’ input helped organizations identify community preferences about vacant lot greening and understand community needs and priorities.
“The advantages are that you end up with true, genuine community input. So a skateboard park, we had no idea that that’s what they were going to say they wanted.”

Soliciting residents’ input supported organizations in tailoring programs so they could better respond to residents’ needs and prioritize residents’ concerns to maximize community benefit.

“[Resident input] is a positive because you actually know within that neighborhood what is important to the residents. They are the issues that you try to address first to bring up their quality of life and to stabilize their neighborhood.”

“And so you can actually meet those needs when it might be something that you hadn’t thought about before.” (See image 3.)

Once organizations identified residents’ concerns and priorities, honoring these wishes was paramount for building trust and ensuring that greening and revitalization efforts reflected the community’s interests and vision.

“It’s a respect thing that we need to make sure that residents know that their opinion is what matters to us. If they don’t want it to be stabilized, if they want it to be left alone, then we’ll leave it alone.”

“[One of our top practices for success is] building community trust by showing up, listening, and ensuring designs are community-led and community-implemented.”

While residents’ input is beneficial for improving program responsiveness and meeting community needs, relying on input alone has potential pitfalls. For example, organizations may choose not to prioritize input or to use the process of consulting residents to rubber stamp initiatives without true resident buy-in (Arnstein, 1969; White, 1996). According to our participants, involving residents more closely in the work through formal staff and leadership roles is vital to ensuring that vacant lot greening efforts remain in alignment with residents’ priorities, allowing for expanded community benefit.

“[One of our top practices is to] have community members and leaders represented in the organization’s work groups and leadership roles.”

“When engaging with community, it helps to have staff who are not only knowledgeable about the community but also representative of the community and able to identify with the lived experiences of community members.”

Letting go of control and deferring to the community were other strategies cited as methods to ensure that the work addresses residents’ concerns and furthers residents’ ownership of greening.

“This is a different kind of work that requires deference to community. It involves more give and take and letting go of control of the work.”

“Seek to empower residents and neighborhood groups to take control over their communities. Ultimately, residents go home to their neighborhoods every day and should be the primary point of reference for building a vision for their neighborhood.”

**Capacity and sustainability**

Resident engagement practices were also associated with a key dimension of capacity and sustainability: increased community buy-in and community stewardship.

Organizations reported that engaging residents early in the planning process, including communicating with residents and gathering their input, were important practices for ensuring that programs were acceptable to community residents.

“We listen first, and then act on a project. Although there is never universal consensus on a city project, this helps to ensure buy-in from the bottom-up.”

“Plan early and often. Our annual plan was produced with input from a community advisory group, which helped get buy-in from stakeholders early in the process.”

Communicating and gathering input helped organizations align their programs with residents’ interests and priorities. Without this step, respondents reported that residents would be likely to reject programs in the short or long term:

“Make sure to follow the lead of neighbors. If they don’t feel like it’s a priority, then it probably won’t be sustained.”

While gathering input was associated with foundational buy-in, organizations that involved residents in greening reported deepening resident commitment to the greening efforts.
Residents who were involved in the work not only accepted it but also came to champion it by ensuring ongoing quality and capacity as stewards.

“It’s advantageous to involve community members in improving conditions which affect quality of life; because the community groups’ work directly affects their neighborhoods, we have not had quality control issues.”

“The resources that residents provide and just that they take ownership of the project and have eyes on the lots, I think that makes a huge difference.”

Although building relationships with and involving residents was more time-intensive, organizations reported that this investment improved the sustainability of their programs.

“It’s a more time-consuming approach in that you’re developing relationships with people who are helping make the stabilization possible, but at the same time, your results will hopefully last longer and take less effort on your part to keep them that way.”

“I really feel like if our program disappeared tomorrow that the lots would still look better than they did before we started the program. I know there would be some variation in quality, but it wouldn’t go back to where it was before because people just wouldn’t allow that.” (See images 4 and 5.)

We also examined the relationship between resident engagement practices and capacity and sustainability using quantitative data from our national survey. We found that the more organizations involved residents in planning and implementing the greening work, the higher they scored in terms of their organizational capacity and sustainability index. These findings held true after accounting for potential alternative explanations, including organization type, organizational budget, number of staff and volunteers, and length of time since initiating the greening program. These findings suggest that organizations that involve residents in program planning and greening implementation are more likely to enjoy a diverse partner network, obtain more resources from partners, perform more different types of activities to improve vacant lots, and obtain more diversified fund-

ing sources overall. Organizations with more diverse partner networks can leverage shared capacity and operate more efficiently and cost-effectively (O’Keefe et al., 2020). Organizations that conduct more improvement activities, such as green infrastructure, parks, and energy, may be better able to address more lots in ways that respond to community needs (Kim, Miller, and Nowak, 2018; Schilling and Logan, 2008). Diversified funding may help organizations weather financial uncertainty, including the loss of a revenue stream.

Resident involvement may support these dimensions of capacity and sustainability by catalyzing multiple benefits across the greening system. Residents who are actively involved may help organizations identify new partnerships through residents’ networks and shared connections to advance their work. Broader networks can increase access to funders that can contribute resources to expand program offerings (Glickman and Servon, 1998). Involving residents may support organizations in tapping into local motives for reclaiming vacant land (for example, access to food, storm water infrastructure, creative arts, and placemaking), allowing more lots to be reclaimed in alignment with community priorities (Schilling and Logan, 2008). Residents who are actively involved may be more likely to participate in volunteer programs, donate time and money, and take on new roles within their community. Involving residents can deepen their knowledge of an organization’s needs and priorities, which can support them in advocating on behalf of the organization (Neshkova and Guo, 2012; Glickman and Servon, 1998). Organizations that demonstrate robust resident engagement can better advocate for their priorities to funders and policymakers because they can more credibly represent the interests and priorities of their communities (Glickman and Servon, 1998). Increasingly, funders such as community foundations require evidence of resident engagement before investing in neighborhood improvement initiatives (Gilot, 2018; Denver Foundation, 2020). Actively involving residents may increase eligibility for and access to funding sources that help organizations expand and diversify their portfolios. Collectively, these findings suggest that resident engagement may support a more responsive, diversified, and capable system of greening.

**Finding 3: Resource constraints limit engagement to lower-level activities**

Despite the benefits of more intensive engagement, we found that it was more common for greening and land management organizations to engage residents at lower levels of the engagement continuum rather than at higher levels. The majority of organizations communicated with residents through mailings or e-newsletters (85 percent), informal face-to-face communication
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(77 percent), presentations (75 percent), or website and social media (74 percent). It was also common for organizations to solicit input from residents, although this primarily occurred through informal discussions (78 percent), as opposed to more structured methods like surveys (35 percent) and focus groups (27 percent). It was much less common overall for organizations to involve residents in their work. A little more than half of organizations involved residents in performing greening work (55 percent), about a third involved residents in strategic planning, and only about a fifth (21 percent) involved residents in leadership roles on their staff or board (see Figure 3).

Overall, engagement that reached wide audiences through informal channels and that required less resident collaboration in implementation and decision-making was most common.

Organizations cited expanded resident involvement in their work as among their top needs to increase program capacity and meet rising demand for vacant lot greening. These same organizations reported that a lack of dedicated staff time (74 percent) and reliable funding (60 percent) were their most significant barriers to expanding residents’ involvement in greening activities. For more detailed findings from these studies, visit: https://www.communityprogress.net/vacantland.

Conclusion
As inventories of vacant lots expand across the country, we have a unique opportunity to convert the potential of vacant lots for the benefit of communities, including public health and safety. In our current context of rising inventories and limited resources, communities need strategies that increase their capacity to green vacant lots while ensuring long-term community benefits. The expanded participation of residents is critical to achieving these goals.

Results from two implementation studies indicate that resident engagement may be vital to strengthening the system of greening, so that it can deliver diverse benefits that are responsive to community priorities. While
all forms of engagement have some associated benefits, engagement that expands involvement and community control of greening offers unique rewards because the revitalization is driven by community priorities and taps into the talents and capacity of communities. Resident involvement may benefit organizations by increasing their own networks of committed volunteers and stewards who can assist in advocating for and completing the work. Neighborhoods benefit from an increased number of residents who are actively paying attention to the physical condition of the community and are more likely to report issues to the relevant public authorities. Resident-engaged greening can increase social connections within neighborhoods, build awareness of community conditions that affect quality of life, and foster community stewardship that strengthens greening programs.

The positive changes catalyzed by resident-engaged greening support the upward spiral of neighborhood improvement described by the “busy streets” theory (Aiyer et al., 2015) and offer a counterpoint to cyclical neighborhood disinvestment and decline (Kubrin and Weitzer, 2003; Wilson, 1982).

Our findings also reveal that organizations across the United States are struggling to engage residents through more intensive involvement because of a lack of dedicated funding and staffing. Critically, resident engagement in greening is not free for organizations or community residents. Expanded resident involvement requires time, resources, and strategic management (Moynihan, 2016; O’Keefe et al., 2020). This type of engagement also has potential pitfalls, such as overburdening residents who may already experience time and resource constraints (Lowe and Thaden, 2016). Residents deserve compensation and support for their efforts to green neighborhoods and respond to systemic failures.

With greater investment and support for sustained resident involvement, greening programs could revitalize more land and better serve communities. While resident engagement has costs, it can be a worthwhile investment because of its potentially wide-reaching and reinforcing benefits for greening systems. Investing in residents’ work and furthering their commitment with dedicated financial support are not just the right thing to do; they offer a practical path forward, as we seek more systemic solutions to vacancy.

Laney A. Rupp is project manager for the Michigan Youth Violence Prevention Center at the University of Michigan School of Public Health, funded by the Centers for Disease Control and Prevention (CDC). Her research examines community-engaged vacant lot greening as a tool for preventing community violence and promoting health. She has a master’s degree in public health from the University of Michigan and a bachelor’s degree in gender studies from Scripps College.

Alison R. Grodzinski is the managing director of the CDC-funded Michigan Youth Violence Prevention Center and Prevention Research Center of Michigan. She leads multiple research teams examining the effect of environmental change on community health outcomes. She has expertise in community-based public health research. Grodzinski has a master’s degree in library and information science and a graduate certificate in public health.

Evaine K. Sing is the owner of a community-focused consultancy, EKS Solutions LLC, and has spent over 15 years working with nonprofits and local governments focused on reclaiming vacant land in partnership with residents to encourage sustainable change, beginning with incremental actions. Her background is in sustainable landscape architecture, public policy, and nonprofit management. She holds a bachelor’s degree in landscape architecture from Virginia Tech and a master of science degree in public policy and management from Carnegie Mellon University.

Bernadette C. Hohl is a research scientist who employs mixed methods, community-based participatory research approaches, and epidemiological study designs to examine the influence of neighborhood factors on community well-being, youth development, and violence. She is part of several community and academic partnerships focused on addressing health and safety issues facing urban, minority, and disadvantaged communities, including two CDC-funded Youth Violence Prevention Centers. She has a master’s degree and a PhD in public health from Temple University.

Marc A. Zimmerman is the Marshall H. Becker Collegiate Professor at the University of Michigan School of Public Health. He is the director of the CDC-funded Michigan Youth Violence Prevention Center and Prevention Research Center of Michigan. His research focuses on environmental change, violence prevention, and community empowerment. He holds a master’s degree in community psychology from the University of Oregon and a PhD in psychology, personality, and social ecology from the University of Illinois.

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Afterword
Three dominant themes permeate all of the work with vacant, abandoned, and deteriorated properties. The first is that of the underlying systems—most importantly, the legal systems—that both facilitate the ease of abandonment and yet hold the keys to strategic solutions. The second is the enduring racism and economic inequality that are the outward and visible signs of our dominant American heritage. The third is that our approach to property conditions mirrors the human condition of vulnerability, brokenness, and ambivalence. For all three of these themes, the year of COVID-19 has been an exclamation point.

This volume is a story of steps taken over the past generation to understand why vacant, abandoned, and deteriorated properties exist in our neighborhoods and communities, why they are tolerated, the harm they impose, and new tools and approaches that can be used to transform vacant spaces into vibrant places. Each chapter offers an analysis of a specific part of this challenge, dives deeply into the details of policy reforms, and points toward these three dominant themes. Each chapter also offers hope of transformation in our systems, in our biases and tolerance for inequality, and in our relationships with land. What has been learned allows us to grow and to change and to anticipate the next steps to be taken.

These three themes of our legal and cultural systems, of racism and inequality, and of human vulnerability, tell the stories of our struggles together. In the words of Blaise Pascal, “Justice and power must be brought together so that whatever is just may be powerful, and whatever is powerful may be just.”

Lessons from the Steps Taken

The systemic breaks
Vacant, abandoned, and deteriorated properties exist in part because existing legal systems tolerate them and contribute to them. Law and legal systems in all of their various forms reflect at times the worst of the human condition, yet also hold the highest aspirations of humanity. Legal systems may be broken because they no longer work, as in the instances of property tax enforcement and code enforcement. Legal systems may also be broken because they work too well in serving dominant castes, as in the case of slavery, Jim Crow laws, mortgage redlining, and the denial of women’s rights. They are broken because they are based in the worst forms of human behavior and broken because times change. Legal systems also embody the very best aspects of human nature in the rule of law and in aspirations for equality and justice under law. To paraphrase Reinhold Niebuhr, the human capacity for justice makes democracy possible; the human capacity for injustice makes democracy necessary.

Property taxes and property tax enforcement are a microcosm of such a legal system. Property taxes provide
the largest single source of general and discretionary funding to local governments across the country. Authorized at the state level and administered at the local level, property tax enforcement is simultaneously one of the most complex and one of the most reviled systems. It is largely grounded in 19th and early 20th century formulations that minimize notice to interested parties, create categories of preferred uses of property for taxation, and elevate market values over community and cultural values. It has been used as a primary tool to destroy Black ownership of property and to support economic segregation.

In the context of vacant, abandoned, and deteriorated properties we learned that property tax laws are often part of the problem, as they may specify that property tax enforcement cannot be completed for four to seven years from the initial date of delinquency. When owners have elected to abandon property—and nonpayment of taxes is the first and best warning sign of potential abandonment—the property deteriorates rapidly over these years. The title problems stemming from many years of delinquency are multiplied by the policy of selling tax liens to private speculative investors.

We have learned, however, that property tax enforcement laws also contain a key element for a strategic solution for abandoned properties. In all jurisdictions, property taxes are a senior lien on the property and have “super-priority” status over all other liens and encumbrances. When property tax enforcement laws are reformed to encompass a shorter time period for enforcement against abandoned property, with proceedings conducted in compliance with contemporary constitutional requirements of due process, the properties can be returned to new uses with new owners consistent with local priorities.

A second example of lessons learned from steps taken over the past generation is land banks and land banking. The origins of the term “land bank” can be traced to the mid-18th century and attempts by Deacon Adams (the father of Samuel Adams) to create a “land bank” as an early equivalent to mortgage banking. The term later emerged in the Great Depression when Congress created a system of federal land banks for the purpose of providing long-term agricultural loans. The contemporary form of land banks is what emerged as steps were taken in the last generation to confront the challenges of vacant, abandoned, tax delinquent, and foreclosed properties. Land banks are special-purpose governmental entities that focus on the conversion of these properties into new, productive uses.

It is in this context that the Center for Community Progress was created in 2010 as a national nonprofit entity focused on systemic reforms to permit vacant, abandoned, and deteriorated properties to be converted from community liabilities into community assets. With technical assistance provided by Community Progress, at least 15 states have enacted land bank—enabling legislation, and local land banks have been created in over 200 municipalities.

**Enduring racism and economic inequality**

Property is identity, power, and control; property is that which defines relationships between persons with respect to a thing. Property is inherently relational. Each parcel of real property exists in relationship to adjoining properties, with the use and activities of the property imposing both positive and negative externalities on other properties in ever-increasing concentric circles. Just as no person is an island unto herself, no parcel of land exists entirely in isolation.

Vacant, abandoned, and deteriorated properties are disproportionately located in low- to moderate-income neighborhoods and communities of color. This is, in part, a direct consequence of hundreds of years of racism, both de jure and de facto. In the latter half of the 20th century, this racism was embodied in the redlining practices of federal mortgage programs, in the targeted displacement resulting from urban renewal and interstate highway construction, in the concentration of high-density underfunded public housing projects, and in the injustices of environmental racism.

Because each parcel of property exists in relationship to adjoining parcels, each parcel confers positive or negative externalities throughout the community. Vacant, deteriorated, and abandoned properties impose significant negative externalities on adjoining properties, on the neighborhood, and on the community at large. One of the key lessons learned from the steps taken over the past generation has been to quantify the costs of neglect. They are found in lost property tax revenues, in declining values of adjacent properties, in mounting police and fire calls, in declining public safety, and in the unraveling of community cohesion. These costs are borne disproportionately by low-income communities and communities of color.

As various organizations and entities have quantified, measured, and mapped these costs and these properties, the case has been made to the community at large that all are harmed by not taking affirmative steps to change the conditions of these properties. It is no longer acceptable to allow individuals and corporations simply to consume their lands and buildings and then leave them behind as harms to be endured by others. At its core, the message of the steps taken thus far and the
lessons learned is that vacant, abandoned, and deteriorated properties are the litter of a consumption society. It is time we stop littering.

A second lesson learned derives from the increasing range of economic inequality in our country and the inadequate constraints on a market system. When the costs of property ownership are imposed on the community at large, the existing legal system has offered few options. It is all too easy for a single-asset limited liability corporation to walk away, both legally and financially, from a deteriorating investment. Far too often, housing and building code enforcement systems have relied on criminal sanctions that have no effect on property owned by a corporation but yet are used to charge an individual, who is likely to own only a fractional interest in an inherited property, with a crime. Criminal enforcement of housing and building codes is rarely equitable, efficient, or effective. Civil code enforcement may be effective at the level of minor property nuisances and can certainly be effective at the levels of new construction and rehabilitation as embodied in the various forms of the international codes. Code enforcement was not designed, however, to deal with true abandonment.

The steps taken in recent years include systemic reforms to the enforcement of housing and building code violations, with a shift away from reliance on criminal sanction, or even attempting to seek personal liability. They have been replaced with judicial in rem proceedings or the simpler step of adding code violations to the annual property tax bill.

A third lesson saturated in the theme of racism and economic inequality is that the goal of safe, decent, and affordable housing for all Americans is not going to be accomplished by allowing structures to deteriorate over time, ultimately demolishing them, and then hoping that new homes will be built that can provide lasting affordability and homeownership. Many (but certainly not all) of the communities confronted with inventories of vacant, abandoned, and deteriorated properties are also confronted with a growing need for affordable housing. In these communities the steps taken have involved creative new alliances between the abandoned property inventory acquired by land banks and community development corporations, community housing development organizations, and community land trusts to use the property for lasting affordable housing. This is but one of the many forms of turning vacant spaces into vibrant places.

**Property and the human condition**

The human condition is, at its essence, vulnerability. We have the capacity for hopes and dreams, for joy and celebration, for creativity and service. We have the capacity to be in community, to serve one another in community, and to lean on the shoulders of others. We also have the tendency to place ourselves at the center of the universe and view all other persons and things as subservient. Alone among all living species, we have the capacity to engage in random acts of violence.

The vulnerability of the human condition is manifest in humanity’s ambivalence toward property and the environment. The American ethos is dominated by a myopic anthropocentric world view in which concepts of environmental stewardship, dignity, and integrity are marginalized at best. Far too often the prevailing ethic is that property, land, and the entire ecosystem is to be dominated, used, and consumed by humanity. We use and abuse the physical world for our own purposes, either ignorant of or not caring about the negative consequences to the environment, to ourselves, and to future generations. We lose sight of the fact that humanity is but part of the environment, existing in community with the environment in the deepest sense of community.

Every parcel of vacant, abandoned, and deteriorated property is a quintessential example of the human condition and property conditions. It is a symbol of our tendency to use it, abuse it, and discard it.

One of the lessons learned in the steps taken over the last generation is that this does not have to be the dominant theme. Just as each individual exists in relationship to other persons, each parcel of property exists in relationship to others. The costs can be tabulated, and the evidence is now clear that both the short-term and the long-term costs of neglect can be outweighed by the benefits of holding each person, each owner, accountable for the costs imposed on the community and the environment.

Another lesson learned is that each parcel of vacant, abandoned, and deteriorated property is and can be an asset. It can become an asset to a neighborhood in the form of a community park or community garden. It can become an asset to a family seeking lasting affordable housing. It can become an asset to the ecological environment in the form of protected open spaces, wetlands, and marshes.

**Next Steps to Be Taken**

As we anticipate the steps to be taken in the next generation, we can only see through the glass darkly and anticipate as best we can. What we do know is that things will continue to change and that the lessons learned, and the tools created from the steps taken in the last generation, will be essential. Perhaps more importantly, what we have learned is that climate change is now
upon us and vulnerable communities will be the ones that lose the most.

**Climate change**

We are already witnessing and experiencing the early signs of dramatic environmental climate change. The rise of coastal sea levels has already produced regular daylight street flooding, and major storm damage is an annual, if not monthly, event rather than a once in a decade possibility. It is not just the rise of sea levels, but storm surge and the fact that inland coastal water tables are rising even faster than sea levels, with inland flooding occurring miles from the coast. It is the severity of droughts and wildfires, of tornadoes, and of environmental contamination.

We know that the next generation will experience the largest sudden migration in human history. Over 140 million people in the world are now living on land that will be below the high tide line by midcentury (World Bank). Over 300 million people in the world will experience severe flooding events annually (World Bank). Over 13 million Americans will migrate from the coast in the coming decades, with 6 million from Florida alone if sea levels rise six feet (Hauer). Over 300,000 homes and commercial properties are at risk of chronic disruptive flooding—flooding that occurs 26 times per year—in the next 25 years (Union of Concerned Scientists). Roughly 40 percent of all Americans reside in coastal counties, and an additional 41 million are at risk from flooding rivers (Owens).

As a result of these climate changes, we are also likely to witness the largest sudden increase in American history of inventories of vacant, abandoned, and deteriorated properties. We know empirically that hundreds of thousands of parcels of property in coastal areas will simply become uninhabitable and no longer suitable for any form of residential or commercial development. None of the existing legal and policy systems have begun to anticipate the ownership, maintenance, and use of these properties. The devastating hurricanes of the past two decades have left countless parcels of land with concrete slabs, or footings, or collapsed structures, with all owners and mortgagees disclaiming any interest or responsibility. A next step will challenge us to determine who is going to pick up these pieces and return them to vibrant places.

**Vulnerable communities**

It is not just the abandoned coastal structure. It is the individual, the families, the neighborhood, the community, with which we must be concerned. In major metropolitan areas and along high-income coastal communities, billions of dollars are being devoted to storm resiliency and hazard mitigation planning. The impacts of global warming and sea level rise fall disproportionately on the poor and vulnerable (UN IPCC). However, those communities that are exposed to deeper vulnerabilities as a product of generations of racism and economic inequality are now doubly vulnerable (Federal Reserve Bank of San Francisco).

One of the key lessons learned over the past generation in dealing with vacant, abandoned, and deteriorated properties is the vital importance of listening to those who have the most at stake. It is flawed and misguided paternalism to think that we as policymakers and policy advocates know best how to solve the challenges. The construction in the latter half of the 20th century of large-scale high-density public housing projects with inadequate design and insufficient resources is the story of fractured dreams created not by residents but by those looking in from the outside. The voices of the residents of the neighborhoods containing vacant, abandoned, and deteriorated properties are the most important voices; they need to be heard, and they need to be at the table for any discussions of strategies, tactics, and visions. We must not seek to do things to individuals and neighborhoods or even for individuals and neighborhoods. We must seek to do things with individuals and neighborhoods.

A central case of this double vulnerability is those rural communities that are beginning to experience the impacts of climate change. These are found throughout our coastal areas but also along the Great Lakes and the drought-stricken Midwest. From a property ownership perspective, these residents may hold only a fractional interest in an inherited property, or a naked ground lease for a mobile home, or a short-term lease on substandard housing. Existing legal and policy systems create tremendous barriers for these individuals and families to access flood and storm insurance or forms of disaster relief. For high-income families and communities, the properties are commonly second homes. For socially and economically vulnerable communities, residents have no other place to go.

For vulnerable communities there are two specific topics that are, at this point in time, rarely on the radar screen of any policy advocates seeking to anticipate the challenges of the next generation. One such topic is wastewater management, or septic systems. Precious little is known about such systems in terms of adequacy and efficiency, yet the public health consequences are immense, as even today some counties in this country have the largest incidence of hookworm in the world as a result of failed septic systems (Flowers). Rural communities rely heavily on on-site wastewater management,
but we have precious little empirical knowledge of the location, status, or quality of such systems. Far too often there are no public records of the installation of septic systems, no legal requirements for periodic inspections, and woefully inadequate data on system failure (Tipping Points). As inland water table levels rise, exacerbated by sea level rise and storm surges, these septic systems will quickly fail, and the property will simply become no longer habitable.

The second topic is that for many vulnerable rural communities, the current residents and families have been there for many generations, and a key cultural point of cohesion lies in the faith communities. A key part of the faith community is the cemetery that holds the graves and grave markers of generations of ancestors, family history, and community culture. These cemeteries are grounding the community. As we think about social and economic vulnerability combined with climate change vulnerability, we must begin exploring how to protect and preserve, and relocate if necessary, these central points of community and culture. With rare exceptions for graves and cemeteries with national “ownership” or national historic designation, there is very little law or policy on the simple question of who has the authority to relocate a grave. Its current location does make a difference, whether it is on private land, in a cemetery of a faith community, or in a public cemetery. But the range of persons with a legal interest, or multigenerational cultural interest, in a grave gives depth and breadth to the meaning of “heirs” that we have not yet begun to unpack. In similar fashion, a small community group in San Juan, Puerto Rico, CasaTaft 169, proclaimed Todos Somos Herederos (We are all heirs) as the symbol of their collective work to rebuild an abandoned structure destroyed by Hurricane Maria in 2017 into a new community center (CasaTaft). As we begin to confront the impact of climate change, sea level rise, and inland flooding on vulnerable communities, the existing graves and cemeteries are a powerful symbol that we are all heirs.

It is about property, but not just property. It is about housing, but not just housing. It is about life together in a community and as a community. It is about all of us as broken, fragile individuals, with histories of racism and inequalities, learning to be in community together and in harmony with a changing environment. From the steps taken in the last generation, many lessons have been learned about legal and policy systems. Systems have been redesigned and reformed. New tools have been created and new programs and alliances have emerged. The steps taken in all of this growth and change are but a foundation for the next steps to be taken.

Frank S. Alexander is the Sam Nunn Professor of Law Emeritus at Emory University School of Law, cofounder and senior policy adviser of the Center for Community Progress, and founder of the Vulnerable Communities Initiative Inc. He served as interim dean of the Emory Law School and as a visiting fellow at the Joint Center for Housing Studies, Harvard University. He is the author of over 60 publications in the fields of real estate finance, law and theology, and community development, including Land Banks and Land Banking. He served as a fellow of the Carter Center of Emory University, specializing in neighborhood redevelopment activities and low-income housing, as a commissioner of the State Housing Trust Fund for the Homeless, and as an adviser to the residents of East Lake Meadows in the redevelopment of the public housing project. He received his juris doctor degree from Harvard Law School.

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