

Estimated Scale and Direct Costs of Blighted Properties in Michigan

The scale of vacant and abandoned properties, or “blighted properties,” is significant across our state, and the direct costs to address these properties are more than individual communities can bear.

Statewide Scale and Cost

While no perfect dataset exists to capture the true direct costs of addressing blighted properties, property tax foreclosure and vacancy data can provide rough estimates to inform statewide cost.

\$1.7 billion is a conservative estimate of the minimum cost to address vacant, blighted structures statewide.

Property Tax Foreclosures

Tax foreclosed properties make up a significant portion of vacant and abandoned properties, though do not account for all. From 2016-2019, there was a total of 56,245 tax-foreclosed

properties across the state.¹ It would cost an estimated \$148 million to address 2019 tax foreclosures alone.²

Residential Vacancy

372,137 non-seasonal housing units were vacant, with an estimated 223,774 of those abandoned in 2019.³ Demolishing 25% of abandoned homes would cost \$839 million⁴ and stabilizing another 25% would cost \$559 million.⁵ Full rehabilitation of salvageable properties would significantly increase total costs.

Commercial and Industrial Vacancy

In 2021, there were a total of 149,498 vacant business addresses.⁶ Assuming that only 5% of vacant business addresses represent blighted commercial and industrial properties, the cost to demolish and stabilize that subset still amounts to a conservative estimate of \$280.3 million.⁷ Full rehabilitation of salvageable properties would significantly increase total costs.

Land Banks

A Tool to Address Blighted Properties

Land banks were established in Michigan as a flexible tool to return blighted properties to productive use as new homes, businesses, or greenspace through demolition, rehabilitation, and maintenance.

There are currently 48 county/local land banks in Michigan.



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The Costs to Michigan's Land Banks⁸

The vast majority of properties in land bank inventories consist of tax foreclosed properties that have gone unsold at public auction, a significant subset of vacant and blighted properties in Michigan. The costs below reflect the status of land bank inventories in early 2022, prior to receiving additional 2022 tax foreclosures.

\$131.5M+
for demolition

It will cost land banks an estimated \$131.5M for demolition of properties currently in their inventories. This breaks out to \$120.5M for residential and a minimum of \$11M for commercial and industrial.⁹

\$100M+
for stabilization

It will cost land banks \$100M just to help stabilize salvageable structures currently in their inventories.¹⁰ Full rehabilitation would carry much higher costs.

\$14.5M+ per year
for vacant lot cleanup

It costs land banks roughly \$14.5M per year to perform basic annual maintenance (e.g. mowing, clearing sidewalks) on vacant lots in their inventories.¹¹ This does not account for the significant remediation costs land banks bear to prepare vacant land for redevelopment.

To learn more, contact us at technicalassistance@communityprogress.org.

Notes

- 1 Michigan Department of Treasury, Statewide Real Property Tax Foreclosure and Forfeiture Statistics, 2016-2019. Note: 2020 data were not yet publicly available. Due to pandemic-related property tax foreclosure moratoria across the state, 2020 and 2021 are also outlier years.
- 2 This estimate applies a \$15,000 average investment per property. \$15,000 is the average cost of demolition in Michigan for a residential structure. While not all tax foreclosed structures will require demolition, costs to rehabilitate homes can often be higher, and the costs of commercial and industrial demolition or rehabilitation are substantially higher.
- 3 American Community Survey, 2015-2019 5-Year Estimates. We used "other vacant" as a proxy for abandonment. "Other vacant," and "non-seasonal" vacancy data are not yet available from the 2020 Decennial Census.
- 4 The average cost to demolish a residential structure in Michigan is \$15,000. Percentage estimates were based on a comparison of "other vacant" unit counts and property condition parcel surveys conducted in four Michigan cities.
- 5 Stabilization includes securing and making limited repairs to prevent further property deterioration. A \$10,000 average per property cost was applied to estimate total cost.
- 6 United States Department of Housing and Urban Development, Aggregated USPS Administrative Data, Q3 2021.
- 7 There is significant variation in demolition and stabilization costs for commercial and industrial properties due to size, age, and previous use. We assume 50% of 7,474 properties for demolition at an average per property cost of \$50,000 (\$186.9M) and 50% for stabilization at an average per property cost of \$25,000 (\$93.4M) to help illustrate the statewide scale.
- 8 2021 and 2022 inventory data supplied by individual land banks. Average intervention costs were applied to estimate statewide totals.
- 9 This assumes an average demolition cost of \$15,000 per residential structure and \$50,000 per commercial and industrial structure.
- 10 This assumes an average stabilization cost of \$10,000 per residential structure and \$25,000 per commercial and industrial structure.
- 11 This assumes an average annual cost of \$150 per lot.

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