Welcome to the 2022 Vacant, Abandoned, and Deteriorated Properties Training Academy

VAD Academy

June 15, 2022

Join the conversation on social media using #VADAcademy!
Thank You to Our Sponsor

TRUIST
REGISTER TODAY!

Reclaiming Vacant Properties
CONFERENCE 2022

September 7-9, 2022 | Chicago, IL

reclaimingvacantproperties.org
What are VAD Properties?

- Vacant Buildings
- Vacant Lots
- Occupied, but Substandard Buildings
What Causes VAD Properties?
It All Starts with Supply and Demand

Supply \leq \text{ Demand} = \text{ Strong Market}

Supply > \text{ Demand} = \text{ Weak Market}
What Drives Demand?

- Location
- Physical Deterioration
- Supply
- Market Obsolescence
Location Drives Demand

Newton, MA
$799,000

Springfield, MA
$209,900

Cleveland, OH
$69,000

In different regions…
The Type of Supply Matters

- Physical deterioration – cannot be rehabbed or will cost too much to rehab

- Market obsolescence – too small or old fashioned to interest homebuyers
Weak Demand Triggers a Vicious Cycle

- Greater Tax and Mortgage Delinquency
- Reduced Property Investment

→

- Property Deterioration
- Property Abandonment

←

Weak Demand
Rental Housing Matters

➢ Most rental housing is small-scale (1 to 4-unit buildings)

➢ Most landlords are ‘mom and pop’ small landlords – not hedge funds or REITS

➢ Most low-income families live in rental housing

➢ Most low-income families live in NOAH (naturally-occurring affordable) housing.

➢ Much of this housing is unsafe, unhealthy or otherwise substandard.
Not All VAD Properties are Empty

- Substandard, unhealthy and unsafe rental housing is a pervasive problem in lower income communities

- It affects thousands of single-family homes that have flipped from owner-occupancy to rental occupancy.

- It is a particularly serious problem in neighborhoods where sales prices are low relative to rents

- It is often a way-station to future abandonment.
VAD Properties are Not JUST a Result of Weak Demand

They are about....

LAWS POLICIES and PRACTICES that are INADEQUATE INEFFECTIVE IRRATIONAL COUNTERPRODUCTIVE or DISCRIMINATORY

➢ These can all be impediments to reusing vacant properties
Critical Problem Areas

- Mortgage foreclosure
- Tax foreclosure
- Property regulation and code enforcement
- Mortgage lending & capital access
- Real estate practices
Disasters Can Also Trigger VAD Properties

➢ Hurricanes
➢ Flooding
➢ Earthquakes
➢ Fires
➢ Civil unrest

All of these can cause property damage resulting in properties being unusable and often infeasible to restore.
What About COVID-19? What We Were Worried About in 2020

Missed rent payments ➔ Evictions ➔ Reduced maintenance
Landlord financial losses ➔ Abandonment

Mortgage delinquencies ➔ Foreclosures ➔ Evictions
Abandonment

What are we seeing now? (some good news)
Evictions are up, but it’s not a tsunami
US Foreclosure Starts 2005 to 2022

Foreclosures are still well below historic rates

Source: ATTOM
Starting Points for Change

- Revise laws and ordinances
- Change problematic policies and practices
- Be prepared for the unexpected
- Identify untapped market potential and build stronger markets
How Do VAD Properties Impact Communities?
Effects of Vacant Properties

➢ Impose costs on municipal government
➢ Reduce property values and sales prices
➢ Increase crime and perception of crime
➢ Increase fire and health risk
➢ Trigger negative property owner behavior
➢ Undermine resident confidence in neighborhood
Municipal Costs of Vacant Properties

Baltimore study (2008):
➢ Public safety costs alone $1,472 per vacant property

Chicago study (2005)
➢ Total costs per foreclosed property that becomes vacant and unsecured $5,358 to $34,199

Detroit (2020)
➢ Mayor has proposed a $250 million bond issue to demolish or stabilize vacant properties
Vacant Properties and Home Values

As vacant properties increase, house values go down

Youngstown, OH

Effect of all additional vacant properties

Effect of 1st vacant property

Philadelphia, PA
Vacancy and Violent Crime

Loss of Confidence

Percent of homes that are tax-delinquent

Percent of tax liens bought by investors

Trenton, NJ
➢ VAD properties do not cause neighborhood problems, but make any problems a neighborhood may have that much worse

➢ VAD properties undermine residents’ faith in their neighborhood’s future.
Questions?