Vacant Properties and Smart Growth: Creating Opportunity from Abandonment

This paper is the fourth in the Livable Communities @ Work series published by the Funders’ Network for Smart Growth and Livable Communities to focus on the practical aspects of how we create smarter, more livable communities for all. The series highlights successful strategies, explores tensions created by competing issues, and generally helps spur informed debate on critical topics. This paper was written by John Bailey and edited by Cheryl Little from Smart Growth America. Previous topics in the series include the fiscal and competitive advantages of smarter growth development patterns, the role of environmentalists in city building, and community organizing.

Introduction

The American landscape is dotted with hopes and dreams—homes that provide security for countless families, main streets lined with opportunity, schools and parks that knit our communities together. As surely as these bricks and beams fulfill our aspirations, the abandonment of houses, neighborhoods, and once great landmarks represents dreams unattained and lost, the tragedy of places no longer cared for.

In some cities, vacant properties are rare, standing out like a few missing teeth. But in other communities, the scale of abandonment is far greater, with entire streets and neighborhoods resembling urban ghost towns. For those living among them, vacant properties are nothing short of a curse. Neighbors are forced to tolerate eyesores that attract crime, arson, vermin, and dumping. Derelict buildings present safety and fire hazards, reduce property values, and degrade environmental health and quality of life.

Fortunately, some communities are beginning to address these challenges head-on. In recent years, cities like Richmond, Va., Flint, Mich., and Philadelphia have launched ambitious initiatives to reclaim their vacant properties. Others, such as San Diego, and Savannah, have taken aggressive steps to prevent abandonment in the first place. The challenge is attracting a broader set of stakeholders—from environmental advocates who see property reclamation as a way to offset urban sprawl to affordable housing groups seeking to rehabilitate homes.

The vacant properties problem is also generating more scrutiny from researchers and policy makers than ever before—yet another indication of the expanding search for solutions. The Brookings Institution’s Metropolitan Policy Program (formerly the Center on Urban and Metropolitan Policy) and CEOs for Cities have recently co-sponsored research looking into the challenges cities face with abandonment, and the specific steps local governments can take to encourage reclamation. The Fannie Mae Foundation and the Ford Foundation continue to sponsor research and trainings.
For many, abandonment is still considered a phenomenon of older, industrial cities. Many of these cities, such as Muskegon, Mich., Erie, Pa., and others in the Northeast and upper Midwest, suffer from severe cases of abandonment. However, the fast-growing Southeast and West are also struggling with vacant properties, such as Phoenix and San Bernardino County, Calif. Much like their Eastern counterparts, as these areas continue to sprawl past the metropolitan fringe, their cores hollow, leaving commercial corridors and formerly stable residential neighborhoods scarred with abandoned buildings and vacant lots.

Based on their research of “Broken Windows,” public policy experts James Q. Wilson and George Kelling document what police officers and neighborhood residents have known for years: neglected buildings with one broken window will soon have several. The same theory holds for vacant properties. Abandoned property sends a clear message to existing residents, neighboring blocks, and prospective investors that the block is unsafe. As these properties are left to rot, other properties begin to exhibit the same signs of neglect. The authors go on to suggest that disorder and crime are inextricably linked with the physical environment at the community level.

The success and popularity of programs designed to clean up and redevelop brownfields provide a good model that one can adapt to other vacant properties (brownfields are, of course, vacant properties but they are unique in that their redevelopment is hampered by real, or perceived, threats of contamination). Except for a core group of zoning and building inspectors and planners, few people had heard the term a decade ago, and even fewer thought about it as a smart growth or environmental issue. Now, redeveloping brownfields has become a central goal of environmental groups, smart growth advocates, mayors, business leaders, and community developers. Hopefully the reclamation of vacant properties, and the revitalization of their surrounding neighborhoods, will be as successful.

This paper is divided into five sections. First, it goes into more depth about the connection between reclaiming vacant properties and smart growth. The second section looks at the “hidden costs” of vacant properties, from increased police and fire protection, nuisance abatement, and reduced tax revenues. Third, it discusses some of the stubborn obstacles that prevent reclamation, and fourth, it notes many of the successful innovations across the country. Finally, it ends with suggestions on how grantmakers from very different disciplines can ensure that the vacant property agenda is central to the smart growth agenda.

**Smart Growth Principles**

1. Mix land uses.
2. Take advantage of compact building design.
3. Create a range of housing opportunities and choices.
4. Create walkable neighborhoods.
5. Foster distinctive, attractive communities with a strong sense of place.
6. Preserve open space, farmland, natural beauty, and critical environmental areas.
7. Strengthen and direct development towards existing communities.
8. Provide a variety of transportation choices.
9. Make development decisions predictable, fair and cost effective.
10. Encourage community and stakeholder collaboration in development decisions.

Reclaiming vacant properties and abandoned buildings is a key smart growth strategy. The practitioners of smart growth seek to stem the harmful effects of sprawl by encouraging reinvestment in the places people already live, work, and play. The long-term solution to farmland preservation, air and water quality, biodiversity, and a host of other environmental concerns will be the creation, and re-creation, of vibrant and diverse cities, suburbs, and towns. “To decry sprawl is not the same as resisting growth,” notes urban affairs writer Tony Proscio. “The alternative to sprawl is not stagnation, but a better, fuller use of already-developed spaces—especially those whose deterioration and neglect is now causing the flight that fuels sprawl in the first place.”

The reclamation of vacant properties supports many smart growth principles. By definition, vacant properties are in existing communities, and their redevelopment can often spur revitalization efforts in adjoining neighborhoods. Since many of these neighborhoods were built before the advent of “sprawl zoning,” which encourages the segregation of uses and requires large amounts of surface parking, they often create more walkable places, already laid out for a mix of uses (residential, commercial, office). As communities work to change their zoning codes to allow for more mixed-use development—after making it illegal for several decades—these buildings offer ready-made examples of how a building conforms to mixed-use standards.

Since community development corporations (CDCs) often struggle to find affordable land in urban locations, reclaimed abandoned buildings are ideal locations for affordable housing construction and rehabilitation. In fact, many CDCs got their start battling the city over abandoned buildings, and ended up as successful affordable housing developers.

**Neighborhood Parks**

The adaptive and creative reuse of vacant land can be used for much more than other buildings. Vacant lots offer ideal locations for neighborhood parks and community gardens, which provide urban residents—who are typically “under-parked” vis-à-vis their region—with a long sought after amenity.

As the rise in downtown and urban living continues, new and existing residents demand many of the same amenities as their suburban neighbors. Safe and well-kept neighborhood parks can often be a catalyst for revitalization. While the larger more famous city parks receive the lion’s share of the fame and funding, smaller, local parks often define neighborhoods.

The restoration of the Los Angeles River offers another promising example. Known more as a backdrop for Hollywood action movies than a respite for urban life, the river is slowly being brought back to life. In a partnership between the Trust for Public Land and several community-based organizations, many of the intimidating abandoned lots that once separated the river from the community have been transformed into parkland. A first-class trails system is now being planned along its banks.

While many planners and smart growth advocates are familiar with Portland, Ore.’s, light-rail system and urban growth boundary, some residents would argue that it is their parks that make the city truly exceptional. In an effort to bring more neighborhood parks to Portland’s working class northeast side, residents have successfully created five new green spaces from vacant lots.

At one of its new parks, Whitaker Ponds, the city of Portland established an environmental learning center where young students learn about water quality issues, watershed health, and native plants. The program is funded by the Portland Bureau of Environmental Services, and a stewardship fund arranged throughout the Oregon Community Foundation.

The Trust for Public Land (TPL), a pioneer among land conservation groups for its emphasis on urban areas, provided crucial financial and community outreach services. “The beauty of these parks is truly the people in the community who came out day after day to help plant flowers, paint murals, and provide endless support for our efforts. It’s inspiring to see a community work together and literally turn a vacant, derelict lot into a beautiful park,” said TPL’s Kristin Newman.

Source: Oregon News Service, Trust for Public Land (Summer 2002).
**Historic Preservation**

Abandoned buildings represent more than bricks and mortar. They are the living history of communities and often the landmarks of neighborhoods. Historic preservationists have often been the first to recognize the value and importance of abandoned buildings as community assets. As Richard Moe, president of the National Trust for Historic Preservation wrote, “Abandoned buildings can break a neighborhood’s heart. Demolished buildings can destroy its soul.”

Sometimes, even well-meaning public officials advocate for widespread demolition as the answer for persistent abandonment issues. While it is sometimes necessary to demolish buildings that pose imminent threats to public safety, the indiscriminate demolition of vacant properties often creates a short-term fix with longer-term side effects. In a study of the impact of vacant and abandoned properties on property values, researchers at the University of Minnesota estimated that a property’s value would fall by $1,300 as a result of the demolition of a vacant property on the same city block. This same study found that the rehabilitation of vacant housing seemed to stabilize nearby property values. The results of this study, which looked at St. Paul, Minn., stand in contrast to the common misconception that large-scale demolition always improves market values or the attractiveness of a city to current and potential residents.

**Preaching Reclamation**

Churches in urban neighborhoods across the country are playing a leading role in community revitalization efforts. The rehabilitation of a series of limestone row houses in Newark, N.J., is a good example of a religious organization using its historic assets as the foundation for reclamation.

St. James CDC was established in 1992 as part of the Newark Episcopal Diocese’s effort to contribute to institutional change in the urban communities of northern New Jersey. The diocese has been present in the historic North Broad Street neighborhood for several decades, witnessing the cycle of decay. In 1995, the group oversaw the rehabilitation of a group of abandoned, three-story, limestone row houses plus the construction of one new building.

The rehabilitation of the row houses has been an integral part of the stabilization of a historic neighborhood on North Broad Street, as well as countering urban blight in the North Ward of Newark. It has proven to be a catalyst in attracting private investment to the area, which has resulted in a neighborhood of mixed incomes. Reuse of properties with historic significance, where economically feasible, proved to be an effective strategy to preserve the architectural character of a neighborhood, offering residents a profound sense of positive change, and created renewed economic interest in other buildings in the neighborhoods.

*Excerpted from “Rebuilding Community.” National Trust for Historic Preservation (2002).*

**How Vacant Properties Cost You Money**

Burned-out, boarded-up buildings are more than mere eyesores for communities. They also inflict significant costs on nearby property owners and municipal budgets. Quantifying these costs has proven difficult for several researchers, but some information exists at the municipal level.

**Arson**

In neighborhoods struggling with abandonment, few issues frighten residents as intensely as the threat of a catastrophic fire. Neighbors are right to be concerned. Abandoned buildings are fire safety hazards for a variety of reasons. Faulty wires and flammable debris provide the necessary ignition materials; homeless people sometimes “squat” in them and start fires to stay warm; and they are often arson targets. Higher rates of fires in abandoned buildings have been documented in various studies.

In some cities, fire departments simply cannot handle the volume of calls concerning fires in abandoned buildings. Fire departments are forced to take up pre-
Firefighters Pay the Ultimate Cost

Besides draining city budgets, vacant properties can be deadly for firefighters and other public safety professionals. Six firefighters died in a December 1999 Worcester, Mass., vacant building fire believed to have started when a homeless couple living in the building knocked over a candle in an argument. In March 1987, a deliberately set fire in an abandoned building in Detroit spread to an adjoining occupied paper and supply company. Although the first building had been abandoned for years, an extremely heavy fuel load remained and flamed the severe fire. One firefighter was killed. Citizens had lodged complaints about the building and several minor fires had previously occurred in the building. Access to the building could be gained easily and the cloth materials that remained inside made the building appealing to many of the homeless who frequented it. In an effort to keep warm, people had started small fires that required fire department response on numerous prior occasions.


Crime

Several studies show that abandoned buildings are magnets for crime. The most common activities are typically prostitution, drug trafficking and consumption, and crimes against property. A 1993 study of 59 abandoned residences in Austin, Texas, found that 34 percent were used for illegal activities and of the 41 percent that were unsecured, 83 percent were used for illegal activities. “Crime rates on blocks with open abandoned buildings were twice as high as rates on matched blocks without open buildings.” The study continues, “Even if 90 percent of the crimes prevented are merely displaced to the surrounding area, securing abandoned buildings appears to be a highly cost-effective crime control tactic for distressed neighborhoods.”

Little doubt remains that abandoned buildings drain police departments of valuable resources by acting as a “one-stop shop” for criminal activity. Drugs and stolen goods are often stashed in abandoned buildings to be delivered later, prostitutes frequently use them in lieu of cheap hotels, and drug users use them as a “safe” place to inject, snort, or smoke narcotics.

Nuisance Abatement

When property owners fail to take action, local governments must often step in and exercise their nuisance abatement powers on vacant properties to protect the public health, safety, and welfare. Many cities spend countless resources to clean and secure abandoned buildings and even demolish those structures that are deemed unsafe by local building officials. Abandoned buildings are also used as garbage dumps, which are plagued by rodent infestation creating significant public health costs. The costs to local governments are significant. For example, over the past five years, St. Louis has spent $15.5 million, or nearly $100 per household, to demolish vacant buildings. Detroit spends $800,000 per year just to clean vacant lots.

Reduced Tax Revenue

Lower real estate values generate lower property taxes, the primary source of revenue for many jurisdictions. A University of Minnesota study found that “an inhabited, rehabilitated property would produce the current equivalent of $13,145 in total property taxes over 20 years, compared to only $1,148 for a vacant lot, and $5,650
for a reoccupied but unrenovated house.” The same study also estimated the impact of renovating vacant and abandoned properties on the improvements made by nearby property owners. A review of St. Paul, Minn., permit data found that the renovation of a property “generates $13,507 in enhanced property tax revenues from private investment over a twenty-year period.”  

Since city finances are tied to property tax revenue, anything that artificially lowers property value hurts the city’s treasury as well as homeowners in the area. A recent study by Temple University suggests that, all things being equal, the presence of an abandoned house on a block reduces the value of all the other property by an average of $6,720.16 According to Emory University Law Professor Frank Alexander, “failure of cities to collect even 2 to 4 percent of property taxes because of delinquencies and abandonment translates into $3 billion to $6 billion in lost revenues to local governments and school districts annually.”17

## Cumulative Effect

Abandonment can destabilize neighborhoods and create a cycle of disinvestment that even a massive influx of public funding or private capital cannot stem. The visual effect of abandonment, whether boarded-up row houses or industrial shells, profoundly affects the psychology of the neighborhood. “Their presence fosters social alienation, discouraging engagement in the community and breaking down the community’s social controls,” writes the former Trenton, N.J., Housing and Community Development Director Alan Mallach. “Abandonment triggers more abandonment, as property owners see the presence of abandoned properties in their midst as inevitable harbingers of further neighborhood decline.”18 He goes on to suggest that abandonment rates as low as even 5 percent can spiral out of control.

## Abandonment and Public Health

Researchers have also examined the way that vacancy and abandonment, as part of larger urban disinvestment processes, contribute to the spread of disease. In a 1990 paper, Rodrick Wallace views pervasive vacant and abandoned properties as part of a process of political abandonment, reduction in services and loss of population and housing, which he terms urban desertification. Wallace focused on violent death, substance abuse, and AIDS in the Bronx. He presents strong evidence that low-income housing loss, depopulation, and disruption of social networks and structures is closely and causally associated with “raised death rates from homicide and substance abuse, and the distribution of the AIDS epidemic in both geographic and social space.” The destruction of housing in the Bronx, resulting in either an abandoned building or vacant lot, intensifies behavior that expresses itself in the pattern of AIDS outbreaks.


## Barriers to Reclamation

People across the political spectrum believe public and private resources should be invested into reclaiming these properties, and yet, so little seems to actually get redeveloped. Market demand certainly plays a role in what gets rebuilt and what does not, but there are also significant regulatory and legal obstacles that plague these projects. The most common barriers are: a lack of basic knowledge, shortfalls in enforcement, shifting ownership, and a lengthy and ineffective foreclosure and sales process.

### Lack of Basic Knowledge

Few cities can accurately answer what would seem to be the most basic questions: What is a vacant property? How many vacant properties are there? And where are the vacant properties in my community? This severely restricts the ability of municipal governments to make informed judgments about where to spend scarce resources for redevelopment projects. It also limits the ability of neighbors, and prospective homebuyers, to find out what buildings are abandoned, who owns
them, and how long they have been in that condition.

All communities must begin by understanding the scope of the problem and the inventory in their community. Too few communities have this type of information available for either the general public, or even other municipal departments.

In December 2002, the Brookings Institution's Center on Urban and Metropolitan Policy (now the Metropolitan Policy Program) produced the most comprehensive survey to date on tracking vacant land.19 The survey confirmed that many cities do not have the capabilities and resources to reliably collect the most essential information on vacant land and abandoned structures. It found that only 56 percent of the responding cities used a computerized system to track vacant land. The survey also confirmed that the system for tracking land—if a “system” existed at all—was quite informal. The notification method most frequently used was “calls from neighbors,” selected as one of the top three methods by 74 percent of the cities that answered this question. In July 2001, Smart Growth America distributed a similar questionnaire to city officials that explored the extent to which they track vacant lands. The study found that approximately one-half do not formally track vacant land at all, and over three-fourths do not track abandoned structures. Also, in what is an endemic problem in the disjointed way that cities handle abandonment, the data are often scattered among separate municipal agencies.

**Shortfalls in Enforcement**

One of the key challenges that local governments confront is persuading owners to repair and maintain their properties consistent with the minimum standards set forth in state and local codes. In some cases, the city can gain compliance after only a few meetings with the owner. In other cases, the city must take more aggressive actions through its code enforcement programs. Local governments generally respond to the public nuisance and crime generated by abandoned building and vacant properties by enforcing applicable buildings, zoning, fire, and health codes against the property owners. However, code enforcement divisions often do not have the resources and staff expertise to match the increasing number of calls to combat vacant properties. Moreover, municipal code enforcement procedures must provide the property owners with adequate time and “due process” to bring their properties into compliance before the city can take action. Local governments often need more technical assistance and effective strategies to leverage and expand their existing code enforcement programs.

**Shifting Ownership**

The difficulty of obtaining clear title greatly inhibits the ability of private investors and city governments to assemble property for development. This is especially true in older neighborhoods after several years of abandonment. The resident who pays the taxes currently may not be the actual property owner, but rather a representative, with the owner(s) dispersed. After more than two generations have passed, several heirs may be on the title, further complicating efforts because some may be unwilling to sell their part of the estate. Some heirs may be difficult to locate at all. Tax and other liens may cloud the title as well.

**Lengthy Tax Foreclosure Process**

Foreclosure is a principal tool for governments to get a handle on vacant properties. Sixty percent of municipalities nationwide use foreclosure powers to bring abandoned property back into productive use. The tax foreclosure process, however, is often cumbersome and unpredictable. Waiting periods can be as long as five to seven years in some jurisdictions. Part of the hesitancy of local governments to foreclose, no doubt, is due to the harshness of the action. However this reluctance to use the city’s foreclosure laws can unnecessarily lengthen an already-difficult process. “If a property owner fails to pay delinquent taxes by the end of an additional year after the actual date of delinquency, and after receiving notice of the enforcement proceedings,” writes Frank Alexander, “it is most likely that the owner will never pay the taxes and the property will continue to decline.”20

**Ineffective Tax Sales**

Roughly half of all states still have foreclosure proceedings that do not require any involvement with the court system. This “nonjudicial tax foreclosure” relies solely on administrative actions of the tax collector to give notice to all interested parties and to conduct the actual tax sale. When tax sales fail, it is usually due to one of two reasons. One is that in states with nonjudicial tax foreclosure...
sure, tax sales are not a complete sale. The former owner may still have as long as three years to redeem their property. During this time, the “new” owner has very limited incentive to invest in the property because they are still not assured that they will own the property. The second reason that property never sells for fair market value at a tax sale is a shift in legal requirements to notify property owners of the sale. In these nonjudicial proceedings, title insurance companies are reluctant to insure policies for tax foreclosure sales unless there is some degree of clarity that constitutional procedures were followed.

Success through Partnership
Cleveland has one of the oldest and most successful land banking authorities in the country. Not coincidentally, Cleveland also has one of the more sophisticated and effective networks of CDCs in the country. Both succeed because of the success of the other. Rob Curry, executive director of the Cleveland Housing Network (CHN), a consortium of Cleveland housing CDCs, says the Cleveland Land Bank has provided a “remarkable revitalization stream of land that is funneled to local CDCs for new housing development. About 90 percent of new residential construction – both CDC and private – involves land bank lots.”

Many other community developers sing the land bank’s praises. “I can’t imagine if we didn’t have the land bank how we could have built all the houses we have built,” says Denise Van Leer, community development director of the Fairfax Renaissance Development Corporation (FRDC), a Cleveland-based CDC established in 1992. By focusing on infill housing using land acquired from the land bank, the FRDC has constructed 203 new houses and land to build another 100 units in the next two or three years. Because the land bank is so affordable, local CDCs can use their scarce resources to focus on housing development and construction.


Successful Strategies Exist
Even with these barriers, impressive projects continue to get built. While much of the credit belongs to the tireless effort of community developers and determined local government officials, there are some creative policies that can make the process much easier. Specifically, policies can be implemented to make building codes “smarter,” encourage prevention, and make acquisition more streamlined and legally binding.

Smart Codes
Building codes establish construction standards, such as required materials and the dimensions of basic elements like stairway widths and pipe diameters. These codes, all designed to protect the public, often put simple upgrades and repairs beyond the reach of many homeowners and commercial investors. Unable to make their homes safe (and legal), many have been forced to leave or let their homes fall into disrepair. Of the many policies that discourage urban reinvestment, building codes that require a rehabbed building to meet modern-day standards can be the strongest disincentive vis-à-vis greenfield development.

One alternative is the development and implementation of “smart codes.” As defined by the Local Initiatives Support Corporation (LISC), smart codes are “building and construction codes designed to encourage the renovation and reuse of existing buildings...These codes recognize the limitations of older structures in meeting certain aspects of new construction standards.” Such codes can shave between 10 and 40 percent off the cost of redeveloping older buildings. Proof of a smart code’s effectiveness is illustrated by the fact that rehabilitation work in New Jersey’s five largest cities increased by 60 percent during the first year of the smart code implementation—83 percent in Newark alone. By comparison, in 1997, the year before the code’s implementation, rehabilitation in these cities increased a mere 1.6 percent.
Encouraging Prevention

As in medicine, prevention strategies are more effective—and far more affordable—than traditional treatments. Early warning or detection systems are predicated on the principle that certain key variables—such as tax delinquency, code violations, crime indicators, and property abandonment—can predict neighborhood decline. Many of these systems use a database, which can identify those neighborhoods subject to those variables and can serve as an early warning system for property abandonment. Several cities have established warning systems, including Minneapolis, Minn., Chicago, and Los Angeles.

All of these systems use different variables to judge a neighborhood’s endangerment. Chicago’s NEWS (Neighborhood Early Warning System), developed by the Center for Neighborhood Technology, uses only three variables. In a promising example of university/community collaboration, researchers at UCLA’s Community Information Technology Center developed NKLA (Neighborhood Knowledge Los Angeles), which provides public access to Internet-based data (in both English and Spanish) on properties and neighborhoods, including code violations, tax liens, and building permits.

Local governments also must have the requisite tools and infrastructure to stabilize neighborhood decline caused by vacant properties and abandoned buildings. These tools include local ordinances (for example, nuisance abatement, board and secure, registration and maintenance) that provide penalties and the legal framework for acting against recalcitrant landlords and property owners. Other essential tools include a registry of vacant properties that makes use of geographic information systems (GIS) or a type of early warning system, property ownership records and investigation databases, and mechanisms that partly recover code enforcement costs.

As part of its Neighborhoods in Bloom initiative, Richmond, Va., leveraged its limited assets by targeting both code enforcement and rehabilitation resources to the six neighborhoods with the greatest needs. San Diego’s vacant-properties coordinator enlisted several nonprofit groups to help with the rehabilitation and demolition of some sites. By providing a blend of carrot and sticks, both San Diego and Richmond better managed the transition from stabilization through rehabilitation.

Streamlined Acquisition

In cities hit especially hard by abandonment, officials are constantly looking for tools to assemble large tracts of land for development. Through a change in state law, some cities have created land bank authorities. A land bank is a city-controlled repository for buildable land for which the city has gained title through tax foreclosure, eminent domain, purchase or donation. These authorities essentially allow municipalities to bypass the structure of municipal government by creating an independent agency to handle the acquisition and disposition of abandoned properties. Atlanta and Cleveland have two of the most successful land banks in the country currently, but several more are planned.

A similar program exists in Flint, Mich. The Genesee County, Mich., Treasurer’s Office recently took advantage of a new Michigan property tax foreclosure law (P.S. 123) and launched an ambitious effort to take ownership of abandoned and vacant properties. As of March 2003, the county had taken ownership of over 2,100 properties in the city of Flint alone, and established a Land Reutilization Council to help return the roughly 1,800 sites it currently holds back to productive use.

Judicial Foreclosure

As discussed earlier in this paper, nonjudicial foreclosure proceedings have serious limitations that prohibit the timely transfer of abandoned properties to city governments, CDCs or other individuals. As a result, vacant properties continue to decay. In such cases, judicial foreclosure, which relies upon court supervision and approval, is a far preferable method. A court’s supervision will ensure that title insurance companies are comfortable with the title examination requirements.
The Crucial Role of the States

While tax-delinquent properties are still thought of as a strictly local issue, state law often holds most of the cards that cities can play. Local governments and CDCs typically need to go to the state legislature to creatively deal with their vacant properties. For example, the city of Houston was stymied for years with state legislation that required a three-year period for anyone with an interest in a tax-delinquent property to contest foreclosure. Municipal officials went to the Texas State Legislature and succeeded in reducing the period to one year, which greatly enhanced the marketability of the properties after foreclosure. Putting the foreclosure process under the jurisdiction of the courts, “judicial foreclosure,” will also always require state legislation. The same goes for the creation of land bank authorities and regulatory changes to streamline the foreclosure process while still resulting in insurable titles, such as the previously mentioned one in Genesee County, Michigan.


What Funders Can Do

Programs and policies to reclaim vacant properties should appeal to a diverse array of philanthropic perspectives. Foundations interested in the environment, poverty reduction, affordable housing, historic preservation, and several other issue areas can find a relevant niche. Foundations can support these efforts through increased capacity and leadership development, research and technical assistance, and some innovative financing mechanisms. For example, funders can:

• **Support coalition building among community developers and smart growth advocates.** Community developers have been at the forefront in revitalizing vacant properties for the past three decades. Slowly, coalitions between smart growth advocates and community developers are being built across the country. These coalitions are often fragile and require time and effort to bear fruit. For example, in Chicago, Minneapolis, Minn., and Oakland, Calif., community development groups found themselves confronted with regional transit plans that would have encouraged sprawling development while providing poor access for neighboring residents. By working with regional transportation agencies and existing smart growth and transportation reform groups, better station area designs were implemented that provide neighboring residents with better transportation options as well as commuter parking.

• **Build the capacity of local governments to design and implement more holistic revitalization strategies that link nuisance abatement powers with long-term community development plans.** Local government departments often work in isolation with limited legal and policy authority. Local government officials are clamoring for training and technical assistance on how to design more comprehensive management structures and how to build stronger coalitions with developers, both the private and public sector. Unfortunately, dwindling budgets have forced local governments to conduct business as usual when it comes to revitalizing vacant properties.

• **Encourage national leadership around the issue.** While great and inspiring stories abound in this field, little national leadership exists that can tie many of these disparate stories together. Vacant properties are seen as a strictly local issue, and in many ways, they clearly are. As with other “local” issues such as affordable housing and toxic waste, however, national leadership can ensure that communities have access to the best tools from around the country.

For example, in early 2003, Smart Growth America, LISC, and the International City/County Managers Association (ICMA) founded the National Vacant Properties Campaign to provide national leadership on this issue. The Campaign will: 1) build a national network to support a national movement; 2) give communities the tools and resources they need; 3) make the case for reclamation through targeted communications; and
4) provide technical assistance and training. More information about the Campaign is available at: www.vacantproperties.org.

• **Support the development and accessibility of technology.** At its best, technology can have a democratizing effect on the ability of community groups to track and inventory vacant properties. Much of this technology was prohibitively expensive just a few years ago, but is slowly becoming more reasonable.

Numerous initiatives seek to apply innovative technologies to the challenge of reclaiming vacant properties and preventing abandonment. Neighborhood Knowledge Los Angeles, for example, provides public access to Internet-based data on properties and neighborhoods, including code violations, tax liens, and building permits, in both English and Spanish. Garland, Texas, recently unveiled a similar Neighborhood Information System to help planners map out tax data, code compliance information, crime data, and environmental conditions. Community development corporations in Philadelphia are taking these data systems out of the office and into the streets by using handheld wireless computers to collect and manage up-to-date information about property conditions, real estate opportunities, and potential commercial corridor development.

• **Support research and technical assistance that is tied to the needs of practitioners.** A research agenda should be strategically mapped out with academics, foundation officials, and practitioners to ensure that future research proposals can provide data and tools to those active on the ground. A technical assistance plan should be designed to ensure that practitioners deliver the latest strategies and tools to their peers. Local government officials and community developers learn best from their peers.

• **Encourage revitalization projects through direct financing.** Reusing vacant properties will, for the foreseeable future, always be more expensive than greenfield development. The short turnaround time that traditional lending institutions require for repayment make innovative projects more difficult. Tax-exempt foundations are allowed to invest a portion of their portfolio into profit-making ventures to ensure the perpetuity of the foundation’s grant giving projects. Several individuals involved with smart growth development have suggested that foundations should use this resource to provide “patient capital” to revitalization projects where the length of time required to repay is longer, giving “riskier” projects a better chance to succeed. Over the long-term, smart growth projects can be as profitable, if not more so, than conventional suburban development.

Several examples exist already. The Libra Foundation in Portland, Maine, has invested approximately 30 percent of its endowment in downtown Portland including about one million square feet. This includes the successful Portland Public Market, which is 37,000 square feet with 25 permanent vendors located in downtown Portland. Similar projects are breaking ground in Albuquerque, N.M., Pittsburgh, Baton Rouge, La., and other cities.24

**Conclusion**

The business of reclaiming vacant properties provides numerous opportunities for collaboration among foundations, public officials, and community-based organizations. Fire and public health professionals identify the redevelopment of abandoned properties as a strategy for decreasing risks to public health and safety. Local government officials view the revitalization of vacant properties as potential assets that can generate new tax revenues and serve as catalysts for economic development. Affordable housing groups seek additional opportunities to rehabilitate affordable housing stock and construct new homes. Environmentalists consider the reuse of vacant properties as a means to preserve open space and farmland. Municipal officials and neighborhood activists are constantly searching for additional opportunities for urban parks and public facilities.

Like sprawl, abandonment becomes most insidious when it becomes accepted as part of the status quo. Too many communities have “learned to live with” vacant buildings and lots for so long that they seem like a “natural” part of the development process. While a little of both is probably inevitable, communities can make specific decisions to encourage more reclamation, and see a lot less sprawl.
This paper is published by the Funders' Network for Smart Growth and Livable Communities, whose mission is to expand funders' abilities to support organizations working to build more livable communities through smarter growth policies and practices. For more information, see www.fundersnetwork.org.

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CEOs for Cities is partnering with the Brookings Institution on a vacant land reform project, including a ten-step action agenda for urban land-use reform and case studies of Philadelphia, Baltimore, and Chicago, as well as two discussion papers. The first two parts: “Seizing City Assets: Ten Steps to Urban Land Reform,” and “Vacant-Property Policy and Practice: Baltimore and Philadelphia” are available now: www.ceosforcities.org/research/2002/land_reform/vacantland.html.

The report acknowledged that all three agencies had “ongoing nationwide initiatives to realign their real estate portfolios” and get rid of unneeded property. The report said the federal government’s underused properties present significant potential risks “not only for lost dollars because such properties are costly to maintain but also for lost opportunities.” “Vacant and Underutilized Properties at GSA, VA and USPS.” U.S. General Accounting Office. August 2001. www.gao.gov


Kevin Snyder, a graduate student at Cornell University and 2003 summer intern with Smart Growth America (SGA), is responsible for much of the work in this section. A report further elaborating on these societal costs will be released by SGA in the winter of 2004.

According to a phone conversation with Dan Kildee, County Treasurer of Genesee County, Michigan.


Goetz, et. al., p. 13.


Mallach, p. 6.


A greenfield is defined as undeveloped property, sometimes in agricultural or forestry use, located on the edges of or outside of existing urban areas, frequently targeted for suburban development.

