

PLACE IN RETURN BOX to remove this checkout from your record.
TO AVOID FINES return on or before date due.
MAY BE RECALLED with earlier due date if requested.

| DATE DUE | DATE DUE | DATE DUE |
|-------------------------|----------|----------|
| APR 17 2011 04 22 11 | | |
| 02 04 13 | | |
| NOV 14 2014 | | |
| 05 13 15 | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Land Banking as a Tool to Address Abandonment and Blight: A case study of the Genesee County Land Bank

June 26, 2005

Nellie S Beckner
Plan B
Urban and Regional Planning
Michigan State University



RETURNING MAIL
Place



I would like to thank all of those that have assisted me with this project:

Dr. Ellen Bassett, Assistant Professor, Michigan State University, Department of Urban and Regional Planning

Thank-you for all of your time (and patience!), for all of your editing and suggestions, and slight pushes to finally have this document finished. Thanks for giving me the opportunity to lecture on Land Banking – hopefully we have inspired others to research this topic further. Finally, thank-you for your positive feedback – I know there will be at least a few others reading this besides us!

Ms. Linda Patrick, Michigan State University Extension, Genesee County Land Bank Planning Consultant, Intern Supervisor

Thank-you for inspiring me to write on this topic (“*Wouldn’t the Land Bank make a great Plan B?*”). I am sure I will not forget the internship in which this project was first suggested! I am grateful for all of your guidance and assistance in research, for all of your first hand accounts of Flint’s history, and for your continual optimism for the future of Genesee County.

Mr. Daniel Kildee, Genesee County Treasurer, Genesee County Land Bank President

Thank-you for the interview in March of 2005, and for the many articles you have written on the subject of Land Banking. I am fortunate to have received a personal account of the more detailed policies and procedures of the Genesee County Land Bank. I wish I would have had more time to research and discuss the financial aspects of the Land Bank and its related legislation – but perhaps that’s another student’s report!

Mr. Arthur Potter, Executive Director, Genesee County Land Bank

There are some aspects of the Land Bank that are rarely published, yet are important to understand. Your personal perspective on intergovernmental cooperation and the future of the Land Bank has been enlightening, and I thank-you for our interview in March of 2005.

Thank-you to all of the Genesee County Land Bank Staff for allowing an intern to begin to understand the processes of land banking!

Table of Contents

| | |
|---|----|
| Summary | 3 |
| Housing Abandonment | 4 |
| Defining Abandoned | 5 |
| Characteristics of Blight and Disinvestment | 7 |
| Current Conditions | 8 |
| Process and Cycle of Abandonment | 9 |
| Strategies that Address Blight and Abandonment | 12 |
| Individual Response Approaches..... | 13 |
| Community Based Strategies..... | 21 |
| Abandonment and Blight – Policy and Regulation | 31 |
| Abandonment and Blight - Strategy Commonalities | 33 |
| Abandonment and Blight – Strategy Shortcomings | 34 |
| Use of City-Initiated Programs | 35 |
| Use of State and Federal Policies | 35 |
| Creating an Ideal Program | 37 |
| Land Banking – The Ideal Program? | 38 |
| Traditional Land Banks..... | 39 |
| Land Banking vs. Tax Lien Sales..... | 40 |
| PA 123: Improving the Foreclosure System | 43 |
| Further Enhancing the Laws: P.A. 258 and the MI Brownfield Redevelopment Act | 46 |
| Michigan's First County Land Bank | 48 |
| Creation of a Land Bank in Michigan | 51 |
| Genesee County Land Bank Structure..... | 52 |
| GCLB's Regional Impact..... | 53 |
| Funding..... | 55 |
| Foreclosure Prevention..... | 59 |
| Property Management..... | 61 |
| What makes the GCLB effective..... | 64 |
| Not Perfect..... | 66 |
| Recommendations | 68 |

Summary

Abandonment and blight is a problem that is seen in many cities throughout the United States. Through the last few decades, many different strategies have been created to address the abandonment problem – but there have been few outstanding success stories. Some programs to control blight and abandonment were created at a local level, other programs were formed by the Federal government. In either case, existing programs usually fall into one of two categories: individual response approaches, which rely on an individual's skills and resources to combat blight and abandonment one home at a time; and community based strategies, which are organizationally based, using government or nonprofit staff and resources to address blight on a larger scale.

The success rate of the existing programs vary, and there are common downfalls which contribute to the success or failure of a particular program. For the majority of the strategies, resources (such as professional staff, or an individual's knowledge and skills) and funding are limited to the point of the program having little or no impact. By researching programs that address abandonment and blight, we are able to uncover positive and negative aspects of them.

One frequently used strategy to address abandonment and blight is the tax lien sale. A large percentage of property that is abandoned eventually falls into the property tax foreclosure system, and tax lien sales are used to address this problem. Research has demonstrated the tax lien system has not had a positive impact on blight and abandonment in central cities, and in some cases, it actually contributes to the problem. Recent legislation in the State of Michigan has changed the property tax reversion system – and these changes allow for innovative programs that may be reducing blight and abandonment in Genesee County, Michigan. Under P.A. 123 (1999) and P.A. 258 (2003), Michigan Counties have the opportunity to place tax reverted property into a county Land Bank. Michigan Land Banks are designed slightly different than traditional Land Banks, because land can be held for extended periods of time and they work with municipalities throughout the county. Long range planning for properties, as well as foreclosure prevention, are key foci of the Genesee County Land Bank, Michigan's first county Land Bank. The Genesee County Land Bank may be taking the first steps toward a more successful abandonment and blight program that could be used throughout the State of Michigan.

Housing Abandonment

Housing abandonment was once thought of as a result of a variety of problems within a city. It seemed that cities with higher than average crime rates, low economic growth, and declining populations had blighted neighborhoods and abandoned housing. However, blight and abandonment have more recently been thought of as issues that may be independent of these factors. In fact, blight itself may contribute to increased abandonment and further disinvestment. This downward spiral leads to multiple social and economic problems for a municipality.

Examples of blight and housing abandonment are evident throughout the United States, but there are noticeable patterns to the severity of disinvestment. Regions that have experienced economic decline, such as the industrial areas of the East and Midwestern United States, have large tracts of blight and abandonment (Accordino and Johnson 2000; Bowman and Pagano 2000). In these cases, the cities may be older and completely surrounded by neighboring municipalities. The vacant land that is available is usually in an undesirable area, or is the result of demolition of previously existing structures. In contrast, blight and abandonment in the Western and Southwestern United States is more likely to be in isolated areas, making the problem less noticeable (Accordino and Johnson 2000; Bowman and Pagano 2000).

Blight and abandonment also affects cities differently according to their real estate markets. A report by Schilling (2004) divided types of abandonment into two groups: those cities with weak [housing, retail] markets and those with

strong markets. It is the strong market neighborhood that has isolated pockets blight and abandonment, while the weak market suffers widespread and lengthy disinvestment (Schilling 2004). The societal problems that are attached to blight and abandonment are evident in both markets. However, the severity of the problems is increased in the weak markets due to the large numbers of abandoned and vacant housing.

Defining “Vacant” and “Abandoned”

Much research has been done on housing abandonment and vacant property. It is important to precisely define the terms vacant and abandoned, because they have been used to address different ideas. Some researchers, authors, and municipalities define the term “vacant” to mean that there is no structure on the parcel or property (Bowman 2000). Others use the term to mean both completely bare parcels of land, as well as structures that are not occupied (Accordino 2000, Genesee 2005).

The U.S. Census Bureau provides statistics on the number of vacant housing units as well, but it defines vacant as a housing unit that “no one is living in it at the time of enumeration, unless its occupants are only temporarily absent. Units temporarily occupied at the time of enumeration entirely by people who have a usual residence elsewhere are also classified as vacant” (Census 2000). Accordingly, careful interpretation of Census data is a must. For example, Ocean City, New Jersey has only 20,298 housing units, and 12,834 are considered vacant. The astounding 63% vacancy rate for Ocean City is due to fact that

11,440 homes there are seasonal/recreational homes (Census 2000). The Census further subdivides vacant housing units into categories: for sale, for rent, sold not occupied, vacation or recreation homes, migrant workers, and "other". For the purposes of this report, the term vacant will include property with or without structures. If Census data is used to determine the number of vacant homes, migrant homes and seasonal/recreational/ vacation homes will not be counted as vacant.

"Abandoned" property is generally referred to as property left for an extended period of time, without plans for future use. This includes land with structures and those without. However, in some cases the more specific term "abandoned structures" is used. Characteristics of the condition of the property can better outline whether the property is abandoned. The most obvious indicator of abandonment is tax foreclosure. Failure to pay property taxes to the point of forfeiture is a good indicator that the owner is no longer interested in the future use of the property. Additional, but more subtle indicators include empty parcels that are not maintained, boarded homes, and fire damaged homes. The length of time is key to these indicators. If the home has been vacant for an extended period of time, is not being maintained, and is not posted for sale, the owner is unlikely to be interested in future use of the property. In many cases, these parcels will eventually end up in foreclosure.

Characteristics of Blight and Disinvestment

Blight and disinvestment can be assessed using a variety of indicators. The most common indicators are vacant housing, property tax foreclosure, property values, and code violations. Also helpful are population growth or decline, unemployment rates, and crime statistics. These indicators are used because data is readily available on a local level, and the numbers can be compared, analyzed, correlated, and so forth.

Some indicators are not as easily calculated or defined. The appearance of neighborhoods, for instance, is what first comes to mind when “blighted” is used to describe a neighborhood. Broken or boarded windows, tall weeds, graffiti, and trash in the streets are all characteristics of blight, but data on these characteristics are not readily available. This type of data could be difficult to assess, as the conditions change so quickly that the data would need to be updated often.

In addition to appearance, some may consider a variety of social problems to be an indicator of disinvestment and blight. Drug dealing or use, gang activity, even homelessness is all evident in severely disinvested areas (Greenberg, Popper et al. 1992). Despite the many ways to characterize blight and disinvestment, it is important to understand that the system is very complex. Not one characteristic directly causes another. Rather, a variety of social and economic situations work together to create a cycle of disinvestment.

Another important characteristic of blight and disinvestment is that the effects are not necessarily constrained within political boundaries. Disinvestment

may carry over to neighboring municipalities, resulting in a regional problem rather than a locally confined problem. In this case, a single local government unit does not have the authority to create programs that can effectively address the blight and abandonment problem as a whole (Accordino and Johnson 2000).

Current Conditions

There are more than a few central cities that have reputations that revolve around abandonment and disinvestment. Detroit, Michigan, Baltimore, Maryland, and Philadelphia, Pennsylvania are known to be examples of large cities that have seen much brighter days (Schilling 2004). Disinvestment, however, is not just a large city problem. Smaller “mid-sized” cities such as Flint, Michigan and Trenton, New Jersey have also experienced widespread disinvestment. For the smaller cities, the impact of abandonment is greater than in the larger cities. If mid-sized cities lose a major employer, they are left “without money for redevelopment and with pockets of extremely poor people unable to maintain their residences” (Greenberg, Popper et al. 1992).

In the above mentioned cities, abandonment is widespread. The City of Detroit has 44,000 vacant parcels of property (Harris 2002). Other estimates for Detroit range from 10,000 abandoned structures (Bowman and Pagano 2000), to 50,000 tax reverted properties (Kotval and Thomas 2004). The range of statistics for the city of Detroit may be due to difficulties in estimation, insufficient recordkeeping, or differences in what is defined as “abandoned”. Philadelphia reports 28,000 abandoned structures; Baltimore has 15,000 (Bowman and

Pagano 2000). Table 1 (p.77) gives a more complete picture, comparing the number of abandoned structures to the total for the entire city. (Census 2000)

A 1997 study (Accordino and Johnson 2000) of 149 most populous cities in the United States asked city officials to rate the extent of the vacant and abandon problem for their particular city. The results of the survey show that the majority of municipalities in the Northeast, South, and Midwest¹, consider property abandonment to be a problem. For 17% of the respondent cities in the Northeastern United States, the abandoned property problem is their “biggest problem” (Accordino and Johnson 2000). Further detail shows that the cities that report abandonment as a “big problem” or “the city’s biggest problem” are those that are experiencing moderate [population] growth or decline. Cities in the “most rapid” or “rapid growth” categories were much less likely to report abandonment as a problem (Accordino and Johnson 2000).

Process and Cycle of Abandonment

Abandonment has many catalysts. One factor that is strongly related to the issue of abandonment is demand or value of the property. Older inner city housing often cannot compete against the newly built housing on the suburban fringe, so demand for the inner city housing weakens. In addition to the housing itself, residents that are not restricted to living in the inner city often choose where to live based on additional factors such as school quality, safety,

¹ Areas of the United States are as defined by the U.S. Census

population density, and so on (Accordino and Johnson 2000). Accordino continues explaining the process of abandonment:

"As residents leave the central city, a filtering down process occurs through which remaining residents upgrade the quality of their housing. But because there is more housing than households, at the end of the housing chain lies a vast pool of dwellings for which there is little demand."

(Accordino and Johnson 2000 p.302)

Houses with little market demand have little increase in value over time, and in some cases, the homes may decrease in value. This can lead to a multitude of problems. If a home is decreasing in value, the owner may have disproportionate property tax burden, because valuations lag behind the market value. In addition, the increase in vacant homes lowers the revenues collected by the city from taxes, resulting in an increased tax burden on the residents that remain. Those that own homes to rent find themselves unable to find tenants due to decreased demand. As these conditions worsen, the property owners will be unable or unwilling to pay mortgage or tax payments, resulting in forfeiture and further abandonment.

Communities that are experiencing a reduction in property value eventually experience a reduction in the amount of property tax collected (Campaign 2004). Since property taxes are a major source of funding for municipalities, the cities are forced to provide services with less revenue. Eventually, city services suffer. This processes directly links to abandonment and blight. The cities that have large amounts of abandoned housing often can not afford to secure the homes, maintain the landscaping, or even the public spaces in the neighborhood. In fact, the cost to the city may increase due to the

expenses associated with police and fire protection of the abandoned homes (Campaign 2004).

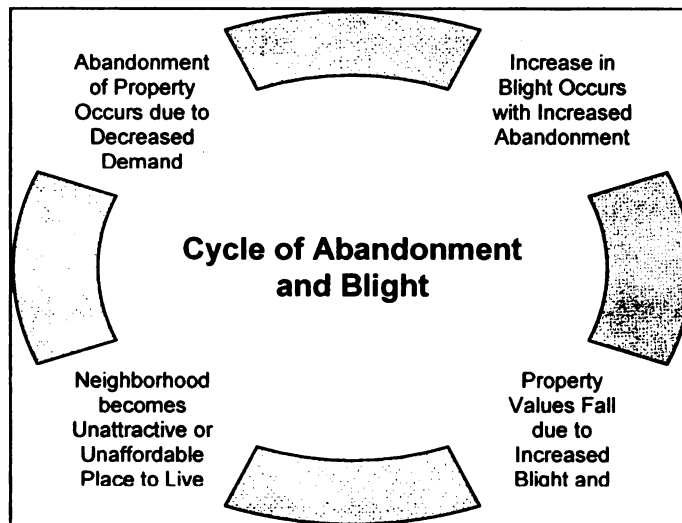


Diagram 1: The Cycle of Abandonment and Blight

Unfortunately, the process of abandonment is a downward spiral (Diagram 1). Once abandonment and blight occur in one neighborhood, its negative effects on property values carry over to the next. The consequences of blight and abandonment are expensive, and it only leads to further vacancies. For instance, a 2001 Philadelphia study noted that homes within 150 feet of an abandoned property had a net loss value of over \$7,600. Blocks with housing abandonment sold for \$6,715 less than blocks without abandonment, for homes in comparable condition (Campaign 2004).

The issue of abandonment and blight was traditionally thought of as an end result of other problems in the city. It is now being understood as a problem in its own right, as well as a result of other factors. This idea is best stated the

following quote credited to Burchell and Listokin, and has been referenced recent articles on abandonment and blight:

Abandonment is both a symptom and a disease – a symptom in that it indicates poverty, selected migration, employment loss and usually a generalized decline of tax base and resulting municipal fisc; a disease in that it becomes a causal mechanism, exercising a distinct feedback mechanism which accelerates and perpetuates urban decline.

(Accordino and Johnson 2000 p.303)

Strategies that Address Blight and Abandonment

There is the understanding that blight and abandonment is a serious issue for many central cities in the United States. Abandonment results in reduced revenue for cities and has negative social ramifications. It is also a multi-jurisdictional problem that is cyclical in nature. Policies that are created to address blight and abandonment must “break the cycle” in order to be successful. They must also address the fiscal and social aspects of the problem.

In general, research has shown that the best method for dealing with the fiscal ramifications of blight and abandonment is to put the property back into productive use. If the property is being used rather than sitting vacant, the city is gaining property tax revenue, and it is more likely to be maintained. It is further suggested that social impacts are greatly reduced if the neighborhood is rehabilitated (Schilling 2004).

A literature review was completed to get a better view of the policies and programs in use to combat blight. Many cities take the following general programs and custom-fit them to suit their neighborhoods’ problems. Policies

and programs that address blight and abandonment are divided into two broad categories: individual response approaches, and community response approaches. The individual approach is one where policies or programs require a response from an individual to make improvements. A common example of this is code enforcement, where a property owner is expected to make repairs. In contrast, the community response approach uses resources from a large group of people, such as a city or non-profit organization. A common example of this type of policy is a neighborhood improvement plan sponsored by the city. This division is not absolute; there are cases in which the programs incorporate aspects of both categories.

Individual Response Approaches

Code Enforcement-Based Strategies

All cities have some type of building code enforcement. This one of most common strategies used to address blight and abandonment. Every state has what is known as a building code, or a set of regulations that control the design and manner in which a building is constructed, as well as the materials used. Health and safety of residents is the primary motivation behind building codes. Local governments can add to the state code by use of local ordinances. Local ordinances complement the state codes to provide a specific set of rules that must be followed by residents and builders within the city (Accordino and Johnson 2000).

A 1997 study of 149 most-populous U.S. central cities shows that “almost every city stated that it uses aggressive code enforcement” (Accordino and Johnson 2000). Code enforcement is usually a division of city government, staffed with full or part time building inspectors whose responsibilities are to enforce the building codes and ordinances of the city. The actual department title varies; some cities have a code compliance department, others call it the building safety department. The department’s focus, however, remains pretty standard.

The code compliance department is responsible for investigation, inventory, and monitoring of vacant properties (Schilling 2004). The department can also be responsible for rental homes, new construction, or renovation and maintenance of existing structures. Code compliance officers complete drive through inspections of neighborhoods and respond to citizen complaints. They also issue citations to those in violation of the code and initiate court proceedings for non-responsive owners (Accordino and Johnson 2000). It is up to the individual to respond to the warning or citation given to them by the code compliance officer, within a certain period of time. The results for the individual can be fines, fees, demolition of structures, or even criminal charges.

There is conflicting evidence on the effectiveness of code enforcement. According to the responses from the 1997 Accordino study, code enforcement is rated as a “highly effective” tool for addressing vacant and abandoned property. However, it is noted that some of the surveys used for data collection by the researchers may have been completed by code enforcement officers. In fact,

public perception on the effectiveness of city programs is often less of that of city officials (Accordino and Johnson 2000).

Code enforcement is an important city program, especially for protecting the health and safety of the residents. Yet, it does have some weak points when used as a tool to address blight and abandonment. Cities must have the resources available to run a thorough program. For the larger cities, this means employing many compliance officers and home inspectors to respond to citizen complaints. If a city is struggling with abandonment and disinvestment, it is likely that there are financial problems for the city as well. Many local governments do not have sufficient financial or staffing resources to operate code enforcement procedures effectively (Schilling 2004).

Code enforcement strategies have other weaknesses as well. If the city responds to violators with fines or abandonment fees, they may go unpaid if the owner has lost all interest in the property, or if the owner is deceased. In addition, homes that are vacant for long periods of time, yet maintained by the property owner, are not effectively reached by this type of strategy. This type of abandoned structure continues to have a negative impact on property values and is very difficult to address with any type of policy.

Tax Sales

Another common tool used to address abandoned property is tax sales, or tax lien sales. In this instance, the property owner has not paid property taxes for a specific length of time, resulting in forfeiture of the property. The details of this

type of program vary, such as the length of time to foreclosure, the foreclosing government entity, and finally, the government unit responsible maintenance of tax reverted property. In tax lien sale programs, an auction or sale is held, where individuals have the opportunity to purchase the tax lien that was created due to non-payment of property taxes by the property owner (CRC 1999). The property owner is then responsible for paying the individual that purchased the lien, plus interest, of course.

This type of program relies heavily on the individual's initiative for success. Perhaps most important (and most obvious), the tax lien must be sold at auction. There must be some kind of market or interest in the property for this to happen. A tax lien would not be purchased if the buyer is not expecting a return. Second, the person purchasing the tax lien is not usually interested in the property itself, but the redemption of the taxes by the owner. If the taxes are not redeemed, the tax lien holder has the opportunity to take title of the property, possibly resulting in displacement of the residents. (CRC 1999). Tax lien sales are not addressing abandonment and blight, but they are a way for those who own property in tax foreclosure to keep their property from reverting to the state (or other government entity responsible).

Those whose tax liens have not been bought at tax lien sale are then reverted to the state or local government for management. The management of property varies from state to state, but in most cases, the property is either retained by the state government, returned to the local government, or open for sale to the public (CRC 1999). Although the system is complicated, many people

100

101

102

103

104

105

106

107

108

109

110

111

112

113

114

115

116

117

118

119

120

121

122

123

124

have found success in purchasing a home through tax reversion or through unredeemed tax liens. Most optimistically, property is acquired for the value owed in back taxes, allowing the state and local governments to finally collect what is due. The payment of delinquent taxes and fees by the responsible party is known as “perfecting the lien”, resulting in a property with a “clear”, or lien-free title. The owner then rehabilitates the home, occupies it themselves or rents it out, and pays property taxes; therefore putting it back into productive use.

There are a few major shortfalls in the tax lien sale program. As briefly mentioned, not all tax liens are sold at the tax lien sales. The homes with the lowest values in the most blighted areas generate little interest, resulting in the property being reverted to the government entity. Inner city property usually has the least success at tax sales. For example, in the State of Michigan, only 43% of parcels in urban counties for sale in a property tax auction are sold, compared to 62% in rural counties (CRC 1999). In some cases, the lien is bought and perfected by the lien holder, making the lien holder now the property owner. In this case, the property owner rents out the home, hoping to make a profit. Very little maintenance and rehabilitation is generally put into these homes, as it would limit the amount of profit collected.

Another major problem with the tax sale program is that length of time it takes to complete. There must be sufficient time available for those to wish to redeem their properties or protect them from forfeiture. This equates to a series of waiting periods, each lasting a few weeks to several months: property taxes are in delinquency, title work begins for properties forfeited, court hearings are

held, and finally, tax sales are assembled. It can take years for a property to make it through all the stages in this system. Meanwhile, the property sits empty and blight worsens. In Michigan, the process was taking up to five years for the state to make final disposition of it before changes to the system were made in 1999 (CRC 1999). Improvements to the system in the State of Virginia have reduced the amount of time the property remains in the delinquency stage from 48 to 30 months. It is then followed up by a 12-24 month legal proceeding before the process is complete (Accordino and Johnson 2000).

There must be a system in place to address the issue of property tax delinquency and forfeiture. However, research has shown the process in place can be complex and time consuming. The major downside to the tax sale system is properties are left vacant and subject to further deterioration. In many cases, those that acquire property through the sales have little interest in rehabilitation. Although some property is put back into productive use, meaning that it is no longer abandoned, blight still occurs if the property is not improved. The abandonment cycle continues while the property is moving through the system. Residents do not want to “wait out” the lengthy court process only to have to wait once again for the abandoned property to be torn down by the responsible government unit. In many neighborhoods, a few abandoned homes can multiply in the few years it takes for the tax sale system to run its course.

Urban Homesteading

The Urban Homesteading Program is a federal program that works with local governments to provide low to moderate income housing. The program offers abandoned homes to “those willing to rehabilitate and inhabit them for a minimum period” (Rohe 1991). There are guidelines in place to give priority to those with a low income housing need. There are also criteria used to insure that proper repairs are made to the home.

The program’s basic component of rehabilitating abandoned property for low income housing is very encouraging. However, the results of this program have been meager. The federal government gives funds to local government to purchase federally owned tax-reverted properties in their community. In return, the local government finds an owner that meets the homesteading guidelines. One of the major problems in this system is the low number of federally owned properties that were available for the program. As a result, in 1983, an act was devised to allow for the purchase of non-federally owned properties as well, under a separate type of homesteading called Local Property Urban Homesteading Demonstration (Rohe 1991).

One of the unique features of the LPUHD is that the homes that were eligible for purchase must be in the process of tax foreclosure. In some states, just being delinquent on property taxes for one day results as being in the process of tax foreclosure (Rohe 1991). In some cases, homes that were purchased under this program had residents living in them.

Other problems in LPUHD include maximum cost of homes enrolled in the program, restrictive requirements upon the local governments (such as not

allowing purchase of homes outside target areas), and the lack of support for sweat equity on the part of the purchasers. The maximum value that can be spent on homes in the program was \$20,000, based on the 1991 study (Rohe 1991). Homes that are in this price range are often so badly dilapidated that improvements are extremely costly and time consuming. In addition, the program only allows the purchasing of homes in a “target” area. These are specific neighborhoods that the local government has outlined to receive public improvements. The target area requirement further limits the number of homes available through the program.

The use of sweat equity, or substitution of labor for money, is difficult for a variety of reasons. First, few residents have the skills to make the type of repairs that are needed for homes in such poor condition. The local program officials that are helping to repair the homes want to keep a specific schedule. They feel that the residents, working at their own pace, slow them down (Rohe 1991). Another issue is the limited amount of staff available to train the residents that were participating in rehabilitation. As previously mentioned, the residents were often untrained, so the amount of assistance they require is substantial. Localities have not been willing to commit the large amount of staffing that was needed (Rohe 1991). Finally, desire by the residents to make the repairs is lacking. They often do not have the time that is needed to commit to a rehabilitation project. This is especially true for single parent families, which comprise a large part of those participating in the program (Rohe 1991).

It is clear that the urban homesteading program needs improvement before it will be an effective solution for blight and abandonment. Although the homes in this program are eventually occupied and rehabilitated, the number of homes that are eligible for the program are small. The amount of support work needed to rehab the homes is much more extensive than originally intentioned. If the amount spent for home acquisition is increased, perhaps the work will be less demanding, and the program would be more successful.

Community Based Strategies

The alternative approach to individual strategies are those based on the community as a whole. These approaches rely heavily on a sociological analysis of blight, known as *The Broken Window Theory*. This theory will be briefly reviewed before I present the community approaches.

The Broken Window Theory

The Broken Window Theory is attributed to James Q. Wilson and George Kelling (Cisneros 1995). Although it initially influenced a programs geared toward fighting crime, some local governments have formulated strategies based upon its premises for addressing the effects of blight and abandonment.

As explained by Henry G. Cisneros (1995), the Broken Window Theory describes a series of events that may be seen in deteriorating neighborhoods. The first stage of deterioration is evidence of decay. Trash in the streets and poorly maintained homes gives people in the neighborhood a chance to question

their safety, which spurs the next stage of deterioration. Once people feel as though the neighborhood is not safe, they begin to withdraw. There is no desire to maintain order in the neighborhood, nor do they feel the need it necessary to maintain buildings in the area (Cisneros 1995). The lack of community respect and involvement creates a virtual haven for potential criminals. The increase in crime, such as vandalism, causes the residents to withdraw further, resulting in a downward spiral of deterioration.

Some of the strategies recommended in the light of the Broken Window Theory seem overly simplistic. They can be summarized by saying “clean up the neighborhood”. The following are recommendations listed by the Seattle Police Department, citing the Broken Window Theory:

- Replacement of broken windows
- Removal of abandoned vehicles
- Clean up of illegally dumped items, garbage, etc.
- Painting over graffiti
- Freshly painted/maintained buildings
- Clean sidewalks and gutters

(Seattle 2004)

The key to these measures is acting quickly. For example, graffiti should be painted over as soon as it is noticed.

The accuracy of this theory and the effectiveness of the solutions it has spawned are controversial. It is most well known for its use in New York City during Mayor Guliani’s administration, when crime rates fell dramatically for the decade of the 1990’s (Miller 2001). New York City’s main application of this theory was in its subway system. They used additional police forces to track

down fare avoiders, graffiti painters, and other types of misdemeanor criminals. In 1993, the initiative was expanded to include “quality of life initiative” that involved cracking down on additional street crime such as prostitution and panhandling (Miller 2001).

Shortly after the city began applying the Broken Window Theory, the New York City Subway system was a cleaner, safer environment. However, critics of the theory state that it was not the policy itself that reduced crime; rather a series of other factors, such as the ending of drug wars and advanced policing strategies, led to the reduction. One critic described the Broken Windows Theory as a “harmful, conservative philosophy masquerading as pragmatic and progressive public policy” (Miller 2001).

Even if the theory is not effective in reducing negative social implications of blight and abandonment, few disagree with the contention that cleaning up the streets is a good idea. In fact, this theory just seems to encourage the city to take responsibility for the smaller crimes that are often ignored. However, does not necessarily encourage others to move back into the blighted neighborhoods, nor does it put abandon sites to productive use. It can also be expensive, since most of the measures require funding directly from the municipality for clean up crews, additional police, and so on. The Broken Window Theory may help stop the downward spiral of disinvestment, but it does not directly affect the issue of abandonment.

Cosmetic Improvements

One strategy used to address blight and abandonment is cosmetic improvement. The simplest form of this method is the boarding of windows and doors of homes that are not occupied. Boarding, or securing, is commonly used to prevent trespass or illegal residency. Virtually every city has a version of boarding abandoned property, as unsecured homes can be considered a safety hazard.

Property maintenance is also a common cosmetic improvement. Mowing lawns and picking up trash are easy methods to help alleviate blight in neighborhoods. Community groups, such as block clubs, may volunteer their time to this type of neighborhood clean up projects.

Aesthetic improvements can have a greater impact on neighborhoods when taken a step further. In Baltimore, the Building Block program paints facades, hangs blinds in windows, and installs porch lighting in abandoned housing. The expenditures are charged to the homeowner in the form of liens (Accordino and Johnson 2000).

Cosmetic improvement strategies have a positive impact on neighborhoods experiencing blight and abandonment. However, it comes with a price. Property maintenance and securing can be expensive, especially when city budgets are tight. Although the idea is simple, the process of carrying out this type of program can be complicated. Various city departments must communicate the status of the property to one another in order to be sure that abandoned homes are secured. Most cities will hire sub-contractors to do the job of mowing and other maintenance (Accordino and Johnson 2000). Cities with

large scale abandonment find that by the time entire list of properties are cleaned, it is time to start the process over again.

Aesthetic improvements do very little for actually getting abandoned property back on the tax roll. In fact, improvements that are billed to the owner, such as the program in Baltimore, may never be paid if the home goes into forfeiture. The cost of maintaining homes that are not adding property tax revenue to the city's budget puts the increased financial burden on the remaining residents. On the other hand, if the cosmetic improvement programs are successful at eliminating blight then they could be a factor in preventing additional abandonment.

Use of the Media

Another community based tactic that addresses abandonment is media-based. There is not much policy involved with this program, which uses public awareness to encourage home owners to fix up their properties. "Public shaming", as it is sometimes known, can be done in various ways. Local governments have used newspaper articles or advertisements, public television broadcasting, and posted announcements to get their point across.

Pennsylvania started a program in 1997 that involves building inspectors posting names of the owners directly on the homes of the most dilapidated properties in the city. To warrant such a reaction, the owner must have ignored previous attempts from the city to clean up the property (Accordino and Johnson 2000). Other media-oriented approaches include listing of the name and

addresses of property owners that have delinquent taxes in the local newspaper. Photos of “eyesores” located in the community are also used with this technique. Photos that are published in a local newspaper or displayed on public access channels allow residents to easily identify the property without searching through a list of addresses. If a picture is worth a thousand words, photos of the most dilapidated properties tell a convincing story about the need for rehabilitation.

It is difficult to tell if the media approach is effective at reducing blight and abandonment. The positive aspects of this program are that it can be used regardless of the status of the property. Even if the owner is paying property taxes, they can still be shamed into maintaining the home. It is also relatively inexpensive. The cost of a couple of signs, or better yet, free coverage from the local news center can give city government the chance to speak out.

However, there are the cases where property owners will not be convinced. They may even take this tactic as a form of harassment. Most of all, this program will not work if the property owner does not reside in the area. After all, why would a property owner who resides in Florida worry about their reputation in Philadelphia?

HUD Programs and Non-Profit Organizations

Finally, it is important to discuss the role of federal programs and local organizations. Perhaps the most important organization that deals specifically with housing is the Department of Housing and Urban Development. HUD is a

cabinet-level federal government agency that was created in 1965 under the Department of Housing and Urban Development Act. The mission at HUD

“is to increase homeownership, support community development and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management and accountability and forge new partnerships--particularly with faith-based and community organizations--that leverage resources and improve HUD's ability to be effective on the community level.” (HUD 2005)

Increasing homeownership and supporting community development are goals for every housing-based organization. Just as there are many paths to one destination, HUD has a large list of programs that are available. The programs cover a wide range of housing issues, from natural disaster relief to lead hazard control. The programs that are most applicable to housing abandonment and blight are classified as HUD's Community Planning and Development (CPD) programs. A complete list of HUD CPD programs is in the Appendix.

The size and complexity of the Department of Housing and Urban Development has created many programs that are part of a larger, more encompassing program. The Community Development Block Grant is one of the most familiar programs that HUD offers. Started in 1974, it is one of the oldest HUD programs in use today. CDBG funding is allocated to over 1,000 cities, counties and states that meet eligibility requirements.

Over \$4.4 billion dollars was budgeted in 2004 for Community Development Block Grants (United States 2004). Eligibility requirements are based on a formula that measures community need, extent of poverty, population, and housing characteristics as compared to other U.S. metropolitan

areas. Cities are allocated money based upon population; cities with over 50,000 people or are the central city of a Metropolitan Statistical Area. Counties can also qualify for funding, if they are considered urban and have a population of 200,000 or more. Those that receive CDBG grant money based upon the previous criteria are considered “entitlement communities”. States receive CDBG money as well. CDBG money held by the state can then be allocated to those localities that are not categorized as entitlement communities (HUD CDBG 2004).

There are broad guidelines for the use of CDBG funds. For example, at least 70% of the funding must be used to benefit low or moderate income persons. Any project using CDBG funds must have the one of the following objectives met: prevention of slums or blight, community development programs or improvements that are needed due to a “serious and immediate threat to the health or welfare of the community”, or to the benefit of low- to moderate-income persons (HUD CDBG 2004).

Another Housing and Urban Development program is the HOME Investment Partnerships Program. The basic idea is similar to CDBG funding; in this case almost \$2.2 billion will be distributed to state and local governments. However, the HOME program is designed to specifically address housing issues. Grants are used primarily to finance the cost of land acquisition, new construction, and rehabilitation (United States 2004). Eligibility requirements are detailed, dependent upon the type of activity that is being funded. States receive at least \$3 million in funding (based upon need), and local jurisdictions may be eligible to receive funding as well. Communities that are do not qualify for

individual funding can combine with neighboring communities to meet eligibility requirements (HUD HOME 2005).

An interesting aspect of the HOME program is the “investment partnerships” that are involved. For each dollar of HOME funds that are used, the participating municipality must match twenty-five cents (from non-federal sources). Donated materials, labor, property value, and proceeds from bond financing all count toward the twenty-five cent match (HUD HOME 2005). This is a great opportunity for local non-profit organizations to work with the local government to address blight and abandonment, as well as low income housing, in their community.

Another program that strongly ties federal funding and local community organizations is SHOP. The Self-Help Homeownership Opportunity Program is home-ownership program that works with faith based and other community organizations to assist low-income persons. Funding for the 2004 fiscal year was set at \$65 million, which is “set-aside” as part of a community’s CDBG funding (United States 2004).

SHOP is a grant program that aims to improve dilapidated housing while helping to assist low income persons become homeowners. However, there are a few characteristics of this program that may be seen as limitations. There are only six non-profit organizations that are currently eligible to receive grants from HUD, although they have representation nation-wide. (See table 2, next page) Additionally, the program heavily relies on the individual to improve the home through “sweat equity”, similar to the urban homesteading programs. As

previously mentioned, people may lack the skills needed to repair the homes. Finally, for the project to qualify for SHOP grants, the non profit must improve at least 30 homes, with no more than \$15,000 spent on acquisition per home, on

Table 2: Non-profit organizations eligible to receive SHOP grants

- ACORN Housing Corporation
Contact: Martin Shalloo
Telephone: (312) 939-1611
- Habitat for Humanity International
Contact: Donna Golden
Telephone: (229) 924-6935 x2408
- Housing Assistance Council
Contact: Joe Belden
Telephone: (202) 842-8600
- Community Frameworks
Contact: Christopher Holden
Telephone: (509) 484-6733
- PPEP Microbusiness and Housing Development Corporation
Contact: Jeanne V. Shaw
Telephone: (520) 889-4203 x2001
- Wisconsin Association of Self-Help Executive Directors, Inc.
Contact: Angela Ramirez
Telephone: (608) 257-6773

Source: www.hud.gov

average (HUD SHOP, 2005). Such a low average amount per home means that the structures that are purchased are likely to be in very poor condition, needing extensive renovation. One remedy may be for non-profits to use funding from other sources, or use homes that are donated.

The use of non-profit organizations to address abandonment and blight is not a new concept. Communities that are experiencing blight and abandonment often have organizations that are dedicated to

rehabilitation of homes, clean up of lots, and other related issues. The effort is not unappreciated; however, most small organizations lack the funding and/or manpower to have a large impact. This may be one of the reasons HUD's SHOP program requires large organizations (such as Habitat for Humanity) to undertake projects of thirty homes or more. An important strength of local non-profits is their dedication and desire for an improved community. Neighborhood block groups or

community faith-based organizations are likely to address problems in their own areas, and they will be the first to reap the benefits of success as well. Partnership programs such as HUD's HOME and SHOP can help local organizations receive funding for their community improvement projects. Despite the use of these programs, many communities are still experiencing abandonment and blight.

Abandonment and Blight – Policy and Regulation

Traditional approaches to blight and abandonment have involved two aspects: policies and regulation. Webster defines policy as:

“a definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions.”
(Webster, 2005)

Creation of policy is usually attributed to governing bodies, such as state or local municipalities, but it can also be applied to organizations themselves (as noted by the term “company policy”). The issue of blight and abandonment has been the focus of numerous policies, at every level of government. Perhaps the most obvious example is the creation of the Department of Housing and Urban Development in 1965 (HUD 2005). Every state has a department of government that creates housing policy, and in turn, counties and cities have their own policies. Of course, the overall goal of these policies is similar: to provide safe, adequate housing for residents.

Policies directly addressing the issues of blight and abandonment are often created to suit a particular situation, as the definition states, “in light of

given conditions". For example, a municipality with an aging housing stock and increasing levels of abandonment is likely to have more detailed policies addressing blight and abandonment than a community that has a younger housing stock and is experiencing population growth. Simply stated, policy is created to help a municipality get from where they are now, to where they want to be in the future.

Regulations serve as the "path" from now to the future. Defined as "a rule or order issued by an executive authority," (Webster, 2005) regulations are enforced by a municipality to help guide the community toward its goals. In the most basic sense, regulations outline what can and cannot be done, and they also help to maintain consistency and fairness. Individual response approaches to address abandonment and blight are based on large amounts of regulation. For example, the approach of building code enforcement is essentially a list of rules and consequences for the violation of them. Another good example is tax lien sales. Regulations help to guide municipalities and participants through the process of purchasing a tax lien. Although state regulations on tax lien sales vary in specifics, the general goal, or policy, is the same: to put vacant and abandoned properties back on the tax roll. Policies that address the issue of abandonment and blight are similar in the overarching goal, but are unique based upon the type of regulations that are used to achieve the goal.

Abandonment and Blight - Strategy Commonalities

The previous literature review on programs that address abandonment and blight are policy based approaches. With the exception of neighborhood groups and non-profits, most strategies are first initiated by a municipality. Citizen groups can also form partnerships with their local government to address the issue of abandonment and blight. In either situation, policies are defined and regulations are created.

The creation of regulations with regard to specific areas is a positive aspect of the programs in use today. Some areas of the United States are experiencing more disinvestment than others, so it makes sense to devote policy and funding to the areas that need it the most. As mentioned earlier, regulation is the method used to transform policy from words to action. Regulations help to maintain consistency, especially in programs that are used over and over, such as tax lien sales. They also help to insure fairness for those participating in the programs. An example of this is seen in the many formulas used to calculate funding for municipalities participating in HUD's CDBG, HOME, and SHOP programs (HUD CPD 2005).

Another commonality between the existing blight and abandonment programs is the use of expertise of local government and its residents to decide which areas need to be addressed. In some cases, local non-profits or neighborhood groups determine the boundaries, and in others, the municipality will determine the area in need of the most funding for rehabilitation. Focusing strategies on specific areas helps to insure the greatest impact, especially when

resources are tight. The federal government is aware that the localities know best: government programs, such as HUD, grant money to local or state governments for dispersal to projects that they deem the most important to their municipalities.

Of course, not all policies and programs deliver the results they were attempting to achieve. As seen in the literature review of programs addressing housing abandonment, some appear to be more successful than others. There are many reasons for policy failure, including lack of financial support, (as seen in urban homesteading and cosmetic improvements), lack of understanding of the problem itself (as noted by Accordino and Johnson's (2000) acknowledgement that abandonment is both a symptom and a disease), and limitations of the policy due to restrictive regulation (as seen in the inefficient time schedule of tax lien sales).

Abandonment and Blight – Strategy Shortcomings

The general idea of wanting to eliminate blight and over-abundance of vacant housing is not faulty. The approaches listed in the literature review are not failures simply because abandonment and blight are still plaguing cities. However, it is fair to say the not one program has reached its goal. Every step toward the goal is important, but re-evaluation of policy should be done to make sure that the "path" toward reducing abandonment and blight is the most effective.

Use of City-Initiated Programs

Although blight and abandonment cross municipal borders, many policies and regulations are applicable only to the issuing municipality. Programs that rely on the Broken Window Theory, Cosmetic Improvements, Code Enforcement, and Use of the Media are all usually initiated by the local government. The end result of successful programs in one municipality can be appear less significant when adjacent communities are not addressing the vacant property problem. Cooperation with adjacent municipalities is important, because blight and abandonment affect regions, not just one specific neighborhood.

Use of State and Federal Policies

In the case where policies are created that affect many municipalities, the resulting regulation can be bureaucratic. An example of this is seen in tax lien sales, because city, county, and state governments are involved, as well as multiple departments within these levels of government. A 1998 study of techniques to address vacant and abandon property indicated that tax foreclosure is a less effective method than code enforcement (Accordino and Johnson 2000). The respondent's views of tax foreclosure are attributed to the "unwieldy nature of [tax lien sales], due to state regulations," and that "anecdotal evidence from a number of cities in other states indicates that state-regulated tax sale processes are cumbersome, at best" (Accordino and Johnson 2000).

Tax lien sales are not the only type of policy that is burdened by regulation. Programs through the Department of Housing and Urban Development also have extensive regulations. There is section of HUD's website

devoted to explanation of laws and regulations for Community Development programs used by HUD (HUD Laws 2005). If individuals or citizen groups are interested in participating in a HUD program, they are referred to their local municipality or HUD field office for their area (HUD CPD 2005).

Whether programs are city-wide or nation wide, one common obstacle is funding. Every program designed to reduce abandonment and blight has costs, and some are more substantial than others. Regulations for city-initiated programs usually include an aspect to help municipalities recover a portion of the cost, such as levying fines or fees on the property owner. Unfortunately, owners of property in blighted neighborhoods often do not pay the fines, fees, or property taxes, leaving the home abandoned. Of course, the financial burden of this type of properties becomes the city's problem, where it is then passed on to the residents. City residents are bearing the financial burden, even if their neighborhood is not currently experiencing blight and abandonment.

Cost is also associated with the bureaucracy that may result from regulation. Municipalities pay their staff members to learn new regulations, aid others in participating in programs, as well as establishing relationships with other members of the community. Time can also be costly, as lengthy time periods exist for processing of grants and the clearing or forfeitures of titles. Meanwhile, the property remains an unproductive part of the tax role. Legal processes that may be involved with programs such as tax lien sales or eminent domain procedures can be expensive. The cost of addressing blight and

abandonment can be so dramatic, that communities are forced to neglect the situation:

"In some cases, cities find that the market value of the house does not exceed the cost of legal proceedings. In such cases, cities are even more likely to ignore the tax delinquency."

(Accordino and Johnson 2005, p. 309)

Programs that are designed to be less costly on the part of the municipality often rely on sweat-equity to be effective. As previously mentioned, HUD's Urban Homesteading and SHOP programs are designed to make homeowners responsible for repairing the home. Again, these homes are in poor condition, often beyond the realm of repair for the average homeowner. Since the program is helping low-income persons become homeowners, they often do not have the money to hire contractors to repair the home. The financial burden of repair is also placed on the owner in cases of code enforcement, where homeowners must either do-it-themselves or hire another to bring the structure up to code.

Creating an Ideal Program

What if a program was created that attempts to maximize the positive aspects of current programs, yet minimizes the negative? An ideal program would address abandonment and blight in a timely, cost effective manner. The program should be applicable to all areas that are experiencing abandonment and blight. The program should also value local control, as city officials and

residents often have knowledge, desire, and the right to plan the future of their communities.

Examining a variety of programs to address abandonment and blight has highlighted some of the reasons for failure with the existing programs. Three major shortcomings exist in the current policies addressing abandonment and blight in the United States: restriction of the area where the program is used, bureaucracy associated with the programs and the cost of the program itself (either to the individual or the municipality). In general, the programs require patience. The number of existing abandoned structures in a city combined with continual abandonment creates a “back log” of vacant properties. In some cases, program results take so long the municipality may never “catch up” with rate of abandonment.

Land Banking – The Ideal Program?

Officials are always seeking create improved approaches to help address abandonment and blight in their communities. A program recently created in Genesee County, Michigan is inspired by programs in use elsewhere today. The Genesee County Land Bank, which begun as the Genesee County Land Reutilization Council, is a program that addresses abandonment through the tax reversion process. Land Bank programs are in use in many areas of the country, but the Genesee County Land Bank is unique in its use of multiple programs to address abandonment and blight.

Traditional Land Banks

Traditional Land Banks are usually run as a county or city government department that collects tax-reverted properties, and then sells or donates the property to interested individuals. They may also be called “land reutilization” organizations, but the premise is similar. The purpose of the Land Bank, and its related legislation, is to make the process of foreclosure more efficient and to clear the title of any liens that would make the parcel unmarketable (Kildee, 2005).

Most Land Bank organizations have similar processes leading to property acquisition. Chart 1 (p.73) shows the process for the State of Michigan. First, tax delinquent property owners are given notice of overdue taxes (a point in which the date is set by the municipality), and fines/fees are added to their amount owed. This is where the foreclosure process begins. Next is a series of steps in which property owners are notified. If the property taxes are not paid, or “redeemed” by the owner, a public auction is held to sell the parcels that remain. Finally, the Land Bank authority will take possession of property that is not sold at auction (CRC 2000). In some unique instances, the Land Bank will forfeit its right to the property. It is then in the passed on to the responsible government body, usually the county or state.

Some Land Banks use the properties as part of their local revitalization plans. For instance, the Cleveland Land Bank sells parcels to local Community Development Corporations to spark new development within the city.

Approximately half of the homes taken in to Cleveland's Land Bank are sold to CDC's each year (Blackwell, 2003).

The city of Atlanta, Georgia uses Land Banks to spark development as well. The Fulton County Land Bank Authority's mission is to "free land bound by cloudy title for transfer to those who are bringing new life to struggling communities" (Mueller 2003). Atlanta CDC's are the first to benefit from this legislation, as they often acquire property through "direct acquisitions". A direct acquisition requires the CDC to "solicit the inclusion of tax delinquent properties in the Tax Commissioner's judicial foreclosure procedure" (Mueller 2003). Essentially, it is the CDC's that identify the parcels not likely to sell at auction, request they be turned over to the Land Bank via judicial ruling, and in turn the Land Bank passes the property on to the CDC. In this case, the Fulton County Land Bank's purpose is to clear the title for development. However, there are cases where property is held by the Land Bank, in hopes of assembling numerous parcels to accommodate larger development projects.

Land Banking vs. Tax Lien Sales

At first glance, Land Bank programs appear to be duplicating the tax reversion process that is already used during tax lien sales. However, the Land Bank legislation helps to reduce some of the negative aspects of the tax reversion system. To review, the property tax reversion system is used in some form by every state, but the sale of tax liens was often ineffective in reducing blight and abandonment. One of the major problems with Michigan's delinquent property tax process is the lengthy time period from initial foreclosure to state

possession. Up to three separate units of government can participate in the tax collection or reversion process, totaling up to five years or more (CRC 1999).

In addition to process length, the success of the old property tax system was far from consistent throughout the State of Michigan. Tax sale data from 1994 to 1998 suggest a disparity between urban and rural areas. Overall, rural counties sell a greater percentage of tax liens at the sale than urban counties (CRC 1999). Between 1994 and 1998, 68% of rural county tax liens were sold at sale on average, versus an average of 52% in urban counties (CRC 1999). The Citizens Research Council has also suggested a mild positive correlation between “a county’s ability to sell a tax lien and that county’s per capita (taxable) property value,” with stronger positive correlation in these variables when focusing solely on urban areas (CRC 1999). Simply stated, it is easier to sell a tax lien on a property that has a high property value.

It is at this point where blight and abandonment affect the property tax reversion system, making it more difficult for the properties to be sold at the tax sales. As the Citizen Research Council summarizes:

“Many older, urbanized areas in the state [of Michigan] have become subject to severe disinvestment, which effectively drives down property values to the point where a delinquent parcel will become upside-down more quickly than a parcel in an area with higher property values”

(CRC 1999 p.10).

Upside-down properties are defined as properties whose taxable value is exceeded by the amount owed in property taxes. Of course, these properties are rarely bought at tax sales – since buyers would be essentially paying more for the home than it is worth in its current state. Due to disinvestment in urban areas

throughout the State of Michigan, tax lien sales were failing in the areas which it is most needed and frequently used – in blighted, abandoned neighborhoods.

Another glitch in Michigan's former property tax reversion system is that there was no method for "clearing" a title, or eliminating the fees and additional liens² that may have accrued on the property over time. In addition to the delinquent taxes, the purchaser may also have additional liens on the property that must be paid as well, such as utility liens. Liens on a piece of property mean the parcel lacks "marketable title", investors are less likely to buy properties with multiple liens.

There are positives in the tax lien sale system. First, the redemption period is necessary to protect the rights of the homeowners. The homeowner should be given an allotted time period in which to pay delinquent taxes or redeem liens. This is especially important when the parcel is forfeited due to the death of the homeowner. The redemption period allows time for families to step forward and claim the property.

The majority of the tax liens (80%) are redeemed by homeowners, so the property is not forfeited (CRC 1999). However, it is assumed that many tax delinquent properties are sold "in advent of foreclosure, with sales proceeds used to satisfy tax delinquencies" (CRC 1999). The process of selling to avoid foreclosure stimulates the real estate market, which can be seen as a positive. However, in a city such as Flint, Michigan, the real estate market is depressed,

² Lien: "a legal right to claim, hold, or sell the property of another to satisfy a debt or obligation". Examples include delinquent taxes or utility payments such as water and sewer.

making it difficult to sell a home – or if it is sold, it is at a lower price than in healthier markets.

PA 123: Improving the Foreclosure System

In 1999, a new series of laws brought about significant change to the tax foreclosure system in the State of Michigan. Commonly known as Public Act 123, the changes to the property tax delinquency and reversion process also includes Public Acts 132, 133, and 134 (CRC 2000). The new laws speed up the process of foreclosure and create marketable title for properties that are reverted to the municipality. Under P.A. 123, counties in the State of Michigan were given a choice whether to “opt out”, leaving the foreclosed properties the State’s responsibility, or to “opt in”, meaning the County government takes control of foreclosed parcels. These “opt in” counties then have the power to create a land reutilization program to address tax reversion throughout their county (CRC 2000). Depending on the individual situation, either the State of Michigan or the County acts as the Foreclosing Government Unit (FGU). Genesee County chose to “opt in” under the 1999 law.

There are a few key differences in Michigan’s previous system compared to the updated system. The length of time for the process to be completely carried out – from delinquency to foreclosure – was significantly reduced. The reduction is not only more efficient, but also addresses the issue of blight. One of the major problems with the previous tax reversion system is that property remained neglected throughout the process; in some cases as long as six years

(CRC 1999), (Chart 1). Through P.A. 123, the process of foreclosure can occur in 24 months or less (Kildee 2005), (Chart 2: p.73)

The reduction in the time has created less time for homeowners to redeem their property if they are delinquent. Previously homeowners had about 40 – 46 months to pay delinquent taxes and fees; under the improved system they have 25 months (CRC 2000). At first glance, P.A. 123 may seem too harsh on property owners experiencing financial hardship. However, the new system has actually reduced the total amount of fees and interest that can accrue on delinquent parcels (CRC 2000). The less time taxes are delinquent, the less time interest can accrue.

Fees for the homeowners are also reduced because tax lien sales have been eliminated. Under the previous system, speculators were able to purchase a tax lien, making them the *lien holder*. Lien holders usually add their own interest and fees in order to make a profit. The homeowner is responsible for the lien holder's fees in addition to those imposed by the government. Homeowners are no longer subject to these fees since speculators are no longer able to purchase their lien.

Finally, the foreclosing government unit (usually the county) is required to hold a "show cause hearing", where the County Treasurer may choose to delay foreclosure in instances where sufficient cause is shown (CRC 2000). The show cause hearing gives homeowners a chance to show financial hardship or other unique circumstances that have prevented them from paying their property taxes. This is an important change to the tax foreclosure system, since it gives the

county treasurer the opportunity to prevent displacement of residents due to non-payment of taxes. The previous system had no way to prevent the possible homelessness that could occur with tax foreclosure.

Another important change to Michigan's tax reversion laws is the improvement in securing a marketable and clear title. Under the previous system, a parcel must be researched make sure "all significant interests were provided adequate notice" before foreclosure (CRC 2000). This step can be time consuming and expensive. Under P.A. 123, the FCU is responsible for title work, but it is funded through a \$175 fee that is attached to parcels that are over 24 months tax delinquent. In addition, title work may be contracted out (CRC 2000).

Title clearance involves removing liens, which will make the property more marketable. The Citizen's Research Council briefly explains the process before the passing of P.A. 123:

"Tens of thousands of properties that were returned to the local unit of government from the State after going through the tax reversion process have insufficient title work, and are therefore virtually unmarketable. To make them more marketable, local units must initiate quiet title actions in circuit court, on a parcel by parcel basis, which is relatively time consuming and expensive."
(CRC 2000, p.8)

The improved system allows for "en masse" title clearances (officially stated under P.A. 134), so groups of tax-reverted properties can be cleared in a timely manner (CRC 2000).

In summary, P.A. 123 revamped the flawed property tax foreclosure system. Steven Liedel, Deputy Legal Council for the Office of Governor Jennifer M. Granholm, summaries the act:

- P.A. 123 shortens the property tax collection process to as little as 1 ½ to 2 years, if the property is certified abandoned.
- Funds and expands title search requirements.
- Enhances notice given to property owners in danger of foreclosure by sending multiple mail notices, personal visitation, and publication of delinquencies.
- Allows for judicial foreclosure and show cause hearings
- “Provides incentives to sell or reuse tax-reverted property”, and “includes monetary damages limitations”.

(Liedel 2004, p.4)

A more efficient tax foreclosure system was implemented through Public Act 123. At this point, counties were speeding up the process of foreclosure, but there was not a new system in place to handle the increase in property foreclosure. Tax reversion has become a more efficient process, but changes had to be made to insure the property now managed by the county (or other foreclosing government unit) could be adequately managed.

Further Enhancing the Laws: P.A. 258 and the MI Brownfield Redevelopment Act

In 2003, the State of Michigan passed legislation under what is known as P.A. 258, or the “Land Bank Fast Track Act”. Under this legislation, counties that have “opted in” can enter into an agreement with the Michigan Land Bank Fast Track Authority to create a county Land Bank fast track authority (Kildee 2005). P.A. 258 [officially known as “2003 PA 258 (HB 4483)”] not only authorizes the creation of state and local Land Bank authorities, but also establishes an expedited quiet title and foreclosure process for property held by an authority

(Liedel 2004). The Land Bank Fast Track Legislation is a six-bill package of legislation that outlines the rights and responsibilities of county Land Banks

(Liedel 2004). The basic idea behind the six bills is outlined below:

- HB 4480 – Allows the authority to take its land and place it into a brownfield plan, pending on the approval of the local government in which the land is located.
- HB 4481 – Allows the property sold by the authority to be general property tax exempt for five years.
- HB 4482 – Outlines the procedures in which property sold by the authority is taxed for the first five years. One half of the revenue is used to fund the authority's actions, such as clean up and demolition. The second half is allocated to local and state collecting units. Together, the taxes would not be greater than the amount that would traditionally be the amount owed by property taxes.
- HB 4483 – Creates the "Land Bank Fast Track Act", authorizes an authority to acquire, assemble and dispose of property.
- HB 4484 – Outlines procedure the County Treasurer's office must follow when foreclosing, such as notification of owners.
- HB 4488 – Allows the State Treasurer to invest surplus funds in loans to an authority, which are used for clearing title on Land Bank property.

(Kotval and Thomas 2004)

Another enhancement to P.A. 123 passed in 2003 is legislation which allows the County Treasurer to postpone a foreclosure due a family's financial hardship. This measure is needed to insure that the decrease in the time to foreclosure is not adversely affecting families that are struggling to pay their bills.

In most cases, owner occupants are allowed to claim “substantial financial hardship” in order to postpone foreclosure (Kildee March 2005).

In addition to P.A. 258, recent revisions to Michigan’s Brownfield Redevelopment Act have expanded options for counties dealing with the issue of tax reverted property. Tax reverted properties can be considered brownfields under the existing Brownfield Redevelopment Financing Act (Act 381 of 1996). The introduction of the act is as follows; it outlines the purpose and responsibilities of those participating in a brownfield plan:

“AN ACT to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; *to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property*; to prescribe the powers and duties of brownfield redevelopment authorities; *to permit the issuance of bonds and other evidences of indebtedness by an authority*; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and *permit the use of certain tax increment financing.*”

(Brownfield 1996) (emphasis added)

Additional amendments to this act in 2004 allow for Land Bank authorities to adopt a Brownfield Redevelopment Plan for its tax foreclosed property (Kildee 2005). Act 381 of 1996 details the use of a variety of financing to support redevelopment (see Box 1, next page)

Michigan’s First County Land Bank

Genesee County is home to the City of Flint, Michigan. The City of Flint has experienced dramatic disinvestment and abandonment over the past thirty years. Historically, Flint is home to General Motors Corporation, which provided

Box 1: Brownfield Financing Sources of Authority Activities

Note that these financing sources are available only if the authority qualifies for them, as noted under various sections of the law.

- Contributions, contractual payments, or appropriations to the authority for the performance of its functions or to pay the costs of a brownfield plan of the authority.
- Revenues from a property, building, or facility owned, leased, licensed, or operated by the authority or under its control, subject to the limitations imposed upon the authority by trusts or other agreements.
- Tax increment revenues received under a brownfield plan.
- Proceeds of tax increment bonds and notes.
- Proceeds of revenue bonds and notes.
- Revenue available in the local site remediation revolving fund.
- Money obtained from all other sources approved by the governing body of the municipality or otherwise authorized by law for use by the authority or the municipality to finance activities authorized under this act.

Source: Section 125.2661 of Act 381 of 1996, (Brownfield 1996)

thousands of jobs to residents in Genesee County. In 1970, over 40% of Flint's 193,000 residents were employed in manufacturing, the majority of which was automobile related (Kildee 2005). As seen throughout the Midwestern United States in the following decades, factories closed and manufacturing jobs were lost. The City of Flint has experienced this effect at an astonishing level; by 2000, over 60,000 people lost their manufacturing jobs. As the jobs left, so did the people. By 2000, the City of Flint's population fell to 124,943, a

decrease of over 35% (Census 2005). As a result of this population decline, Flint's level of abandonment and blight is paralleled by few cities of its size across the county.

The result of such dramatic disinvestment is evident in the number of abandoned homes in Flint. Latest data shows over 12% of Flint's housing stock as vacant (Census 2005). The cycle of disinvestment continued throughout the city, as described by the Genesee County Treasurer, Daniel Kildee. Flint's "abandoned properties diminish the value of surrounding property, which directly

reduces property tax revenue that could be used to address the problems caused by abandonment” (Kildee 2005).

Genesee County officials recognized that programs currently used to address abandonment, such as tax lien sales, were not alleviating blight. In fact, the previous tax reversion system led to speculators purchasing tax liens with little interest in maintaining the property. If the property’s lien was not bought at a tax lien sale, the homes continued to deteriorate while possession was passed on to the state. In either case, the local governments had little power to stop the cycle of blight and abandonment (Kildee 2005).

Understanding that the current system to address blight and abandonment needed substantial change, officials in Genesee County began using the new laws, implemented in 1999 and 2003, to their advantage. Under P.A. 123, P.A. 258, and the Brownfield Redevelopment Act, Genesee County became Michigan’s first County Land Bank Authority (Kildee 2005). Today, the Genesee County Land Bank (GCLB) is an organization that uses multiple programs to help reduce abandonment and blight. Although the GCLB acquires the majority of its property from tax reversion, traditional property sales are *not* the focus of the organization, as is the case for many other Land Banks throughout the United States.

The Genesee County Land Bank has programs that address the physical and social aspects of blight and abandonment. At the present time, its focus is primarily on demolition of substandard housing. In addition, the GCLB has a foreclosure prevention program, a side lot transfer program, and a “Clean and

Green” program used to clean and maintain the lots. The combination of programs is not the only part of the Land Bank that is unique. The GLCB also plans for the future use of its properties, collaborates with the local governments in Genesee County, and uses “target areas” to create the most impact with their available resources. Finally, the use of innovative financing allows the Genesee County Land Bank to operate its many successful programs on a large scale.

The Genesee County Land Bank could not have been created if it were not for the enabling legislation previously described. The legislation was designed to allow for an assortment of programs and financing that can be designed to fit a county’s specific needs. In the case for Genesee County, the Land Bank is host to a variety of programs that intend to reduce blight and foreclosure. In addition, the GCLB uses smart growth principles to help plan for a more vibrant future.

Creation of a Land Bank in Michigan

Through legislation, counties that “opt in” are considered foreclosing government units, and are responsible for property acquired through tax reversion. If a county desires to manage their tax reverted properties through the use of a Land Bank, they enter into an agreement with the State of Michigan which outlines rights and responsibilities. Genesee County is the first county to enter in an agreement with the State of Michigan to create a Land Bank.

Making counties the foreclosing government unit, as well as the eventual property owner through reversion, is logical because the County Treasurer’s

office is responsible for the collection of property taxes. From this standpoint, it just makes sense to have the County Treasurer involved with the Land Bank. In Genesee County, Daniel Kildee is not only the County Treasurer, but the President of the Genesee County Land Bank (Kildee, Genesee 2005).

Genesee County Land Bank Structure

There are currently fourteen full and part time staff members working with the Genesee County Land Bank (Genesee 2005), although there are many more if partnerships with organizations such as the Local Initiatives Support Corporation and the Mott Foundation are included. The president of the Land Bank is filled by the Country Treasurer Daniel Kildee, as previously noted. His work includes positions on a variety of boards, including the President of the Genesee County Land Bank board of directors and co-chairing the Michigan Redevelopment Readiness Advisory Committee. He recently served on the Michigan Land Use Leadership Council (Kildee 2005). He uses his knowledge of land use and economic development to help make crucial decisions regarding property owned by the Genesee County Land Bank.

The GCLB staff reports to the Land Bank Director, who is Mr. Arthur Potter. Mr. Potter became Executive Director of the Genesee County Land Bank in January 2004, after working with them as a consultant with the Local Initiatives Support Corporation. His role at the Land Bank includes supervision of staff, oversight of staff programs, and management of the GCLB budget (Interview with Potter March 2005).

The GCLB employs a planning consultant, a regional planner, and a neighborhood planner (Genesee 2005). The planning staff works hard to develop neighborhood trust, working with local government officials, developers, and residents to help guide the communities through redevelopment. One of the significant challenges for the GCLB planning staff is the local communities' lack of resources. For example, the City of Flint employs no full time professional planning staff, aside from a planning consultant used to review plans on a case by case basis (Mallach 2003). In addition to Flint's lack of a master plan, the staff at the Genesee County Land Bank is left with little guidance from the city in which it holds the most property.

Other staff members include transaction specialists, property managers, and consultants. Genesee County Land Bank staff work together to produce a small yet efficient team. Being the first Land Bank of its kind forces them to adapt to changing conditions, such as the availability of funding or political changes. They also understand that new programs have kinks that will need to be ironed out – and the GCLB is always looking for ways to make their programs more effective.

GCLB's Regional Impact

Abandonment is an issue not only for central cities, but surrounding areas as well. The innermost suburbs are also facing blight and abandonment problems, and resources in the smaller municipalities may be even more limited than their larger counter parts (Schilling 2004). One of the major differences between the Genesee County Land Bank and those operated in cities such as

Atlanta and Cleveland is the idea of regionalism. The County-wide Land Banking system that is used in Michigan allows one system to address abandonment in cities and townships throughout the county.

The Genesee County Land Bank relies upon its regional nature when addressing abandonment. Although the majority of its tax reverted properties are in the City of Flint, it does hold properties in surrounding areas. Despite substantial population decline in the City of Flint in past 30 years, Genesee County's population as a whole has grown (Census, Kildee 2005). The GCLB uses the functioning, stable housing markets outside the City of Flint to their advantage; homes in the healthy market areas turned over to the Land Bank are rehabbed and sold. The GCLB uses the profits made by selling of property in functioning markets to aid in the demolition of dilapidated housing in unstable housing markets. The goal is to stabilize the weaker housing markets by decreasing abandonment and blight.

The GCLB respects the interests of the local governments within Genesee County. Local governments are represented on their Board of Directors, which helps to determine courses of action for the Land Bank. In addition, the Citizens' Advisory Committee was created to represent residents in areas throughout the City of Flint and surrounding communities. Through the committee, residents are educated about the Land Bank and the role it plays in their neighborhood. In turn, the residents have a person to voice their concerns to the staff at the Genesee County Land Bank.

All future development of property owned by the GCLB are subject to local zoning and land use controls (Hunault 2003). The Genesee County Land Bank works to establish a relationship with leaders of local governments to help insure that the plans of the Land Bank are complementary to any city or township plans. The Land Bank planning staff meets with local government officials and neighborhood groups to help to establish good communication and trust between the Land Bank and the local community.

The county-wide Land Banking system is a win-win situation. Genesee County residents in healthy housing markets have their tax reverted homes rehabbed and sold. Meanwhile, residents in depressed housing markets, as is the case throughout areas of Flint, are beginning to see improvement in their neighborhoods through demolition and property maintenance. Through board meetings, advisory groups, and public meetings, local governments and residents are included as part of the redevelopment process. In all, residents throughout Genesee County benefit from programs within the Land Bank, as they work to break the cycle of abandonment and blight.

Funding

When compared to land banks in other parts of the country, the GCLB “has the broadest discretion and authority with respect to its revenues” (Alexander 2005). Michigan Public Act 123 and 258, as well as amendments to Michigan’s Brownfield Act, have enabled the Genesee County Land Bank to use a variety of financing tools. The combination of fees, grants, sales revenue, TIF, and bonds have not only funded the organization, but insure the future of it as

well (Kildee March 2005). Innovative financing has allowed the GCLB to provide a variety of programs – from environmental clean up to foreclosure prevention. Multiple financing programs also help to ease the pain of possible future budget cuts. In many other types of abandonment programs, funding is dependent on limited resources, often from state or federal agencies, but with the GCLB, revenue can be generated from the property it currently holds.

Fees and Sales

Every tax delinquent parcel has fees imposed, even if the parcel does not result in foreclosure. The current fees for Genesee County are 1½ percent of the amount due, per month delinquent. Properties that remain delinquent after one year will be assessed a one-time \$175.00 title search fee, which is used to find all parties that may have rights to the property facing foreclosure. Although the fees appear to be small, they create a large revenue stream for the GCLB. In the past three years, the Land Bank has collected approximately 4.1 million dollars in fees assessed through tax delinquency (Kildee March 2005).

In addition to fees, the Land Bank receives proceeds from land sales. As of December 2004, the profit from all land sold through the GCLB (either through homes that are rehabilitated, or vacant parcels that are planned for redevelopment) is used as operating revenue for the Land Bank.

Grants

The Genesee County Land Bank receives a variety of grants that assist in the operation of the Land Bank. In particular, the C.S. Mott and Ruth Mott

foundations have supplied half-million dollar grants to the Land Bank each year for a period of three years (Kildee March 2005). Mott Foundation grants have allowed the GCLB to hire consulting teams and establish partnerships with several organizations, including the Brookings Institution, the Urban Land Institute, and Local Initiatives Support Corporation (Kildee 2005). Together, these organizations work with the Genesee County Land Bank to provide creative approaches to neighborhood planning and community development (Kildee 2005).

In addition, a grant from the Environmental Protection Agency has contributed \$200,000 to evaluate Land Bank owned property for environmental contamination. The EPA has also sponsored a two million dollar revolving loan fund which also assists in clean up of Land Bank property (Kildee March 2005).

Tax Increment Financing/Brownfield Financing

Changes to Michigan's Brownfield Redevelopment Financing Act in 2003 allow for a variety of activities and the catalyst to these activities is tax increment financing. In summary, the Genesee County Land Bank has created a brownfield plan for a large majority of its properties. This was allowed under changes to Michigan law, which now categorizes Land Bank-owned properties as brownfields and allows for "cross-collateralized Brownfield Tax Increment Financing to clean up the entire inventory of land owned by a Land Bank" (Kildee 2005 p.4). Properties that are included in the brownfield plan are those whose local municipality voted to approve GCLB's plan (Kildee March 2005).

The details of how the TIF works are slightly complex, and differ slightly from the more common TIF “district”. Eligible parcels in the Land Bank inventory are placed into one large brownfield plan; there is no “district” because the plan is comprised of parcels that are not usually adjacent to each other. A definition of how tax increment financing works in general:

“TIF is a funding mechanism that allows future increases in tax revenue generated by the project to support the project. A redevelopment agency freezes tax assessments in a TIF district at a base year; in future years, the extra tax revenue is allocated to the TIF district to pay for redevelopment or to pay debt on TIF-backed bonds issued to fund the redevelopment. A brownfields TIF district could include a mixed-use (retail, residential, recreational, commercial and light industrial) development or a neighborhood adjacent to a brownfields site. Michigan amended its brownfields legislation in 1996 to authorize local governments to use TIF to help finance brownfields redevelopment. A brownfield authority may capture new property tax revenue generated by the redeveloped site and use it to reimburse cleanup costs.”

(Runyone 2003)

In the case for the Genesee County Land Bank, property held in the Land Bank is considered tax exempt. This works to the Land Bank’s advantage; by definition, property that is tax exempt at determination has an “initial taxable value” of zero. Therefore, property held by the Land Bank in the brownfield TIF plan has an “initial taxable value” of zero dollars (Kildee 2005). This virtually guarantees a tax “capture” through the TIF program, because “the calculation of captured taxable value is based on the amount by which the *current* taxable value...exceeds the property’s *initial* value” (Kildee 2005 emphasis added). When the TIF ends and the property is no longer tax exempt, the taxable value of the property in the brownfield plan will [obviously] be greater than zero, therefore insuring a tax “capture”. Tax revenue that is “captured” through brownfield TIF at the Genesee County Land Bank is used to support bond payments (Kildee

2005). The Land Bank currently has about 2500 properties in its TIF/Brownfield plan (Kildee March 2005).

Bonds

Strongly related to TIF and Brownfield financing is Genesee County Land Bank's use of bonds. The Genesee County Land Bank has the authority under law to issue bonds (Zin 2003). Under using the TIF/Brownfield plan, the GCLB has backed a 5 million dollar bond. This funding is used for a variety of projects, including demolition, environmental cleanup, and site preparation (Kildee March 2005). Funding from the TIF/Brownfield bond was approved in January 2005, and will enable the future demolition of about 350 – 450 vacant structures (Interview with Potter March 2005).

What sets the Genesee County Land Bank program apart from other Land Banks across the country is its ability to generate funds. Due to enabling legislation and the innovative use of resources, the Genesee County Land Bank is able to utilize a variety of financing strategies. Without proper financing, the Land Bank could not have successfully implemented the foreclosure prevention and property management programs.

Foreclosure Prevention

The most vexing problem with the issue of abandonment is its cycle of continuance. Even if cities were able to conquer the blight and abandonment that currently exists, additional homes are likely to fall into the cycle in the future. The major downfall to most of the programs addressing abandonment is their

inability to “break the cycle”. Properties that are blighted and abandoned due to tax foreclosure can only be reduced if the number of new tax foreclosed properties is constrained. The improved tax foreclosure system allows for counties to grant a postponement of tax foreclosure to those that meet requirements.

The Genesee County Land Bank has a foreclosure prevention program in place. The position is staffed with professionals who assist families that are facing a possible foreclosure due to delinquent property taxes. During the tax foreclosure process, Genesee County is required to give substantial notification to property owners who are facing foreclosure. In the event that a family is in danger of losing their home, they are encouraged to file for a postponement.

The tax foreclosure postponement program usually applies to an owner occupant (or legal guardian, conservator, or those having power of attorney over the owner/resident) (Application 2004). The responsible party will then file for a postponement by completing a few forms to demonstrate proof of ownership and financial hardship. Each application is reviewed, and if approved, foreclosure will be postponed for one year (Application 2004). During the postponement, a repayment plan is arranged with the owner and the County Treasurer. Postponement of taxes in one year does not insure that the home will never be foreclosed upon. However, the improved system does provide a method for “local officials to intervene by helping families facing the loss of their home” (Kildee 2005). In the event the family is facing the loss of their home for reasons other than property tax foreclosure, such as a mortgage foreclosure, the GCLB

and Michigan State University Extension (Genesee County) work to refer families to agencies that specialize in financial management, counseling, and legal assistance.

To date, the Genesee County Land Bank has assisted over 1000 families facing foreclosure, allowing them to remain in their homes while a repayment plan is utilized (Kildee 2005). Under the old property tax reversion system, these families would have either lost their home or been forced to repay an individual that has bought their tax lien during the tax lien sales.

Property Management

The Genesee County Land Bank currently holds between 2000 and 2400 properties (out of 3300 properties that have been foreclosed in the past three years) (Interview with Potter 2005). The majority of these properties are in the City of Flint; current data suggests the Land Bank owns nearly six percent of the property in Flint (Kildee 2005). Although most of the parcels owned by the GCLB are acquired through foreclosure, the Land Bank can receive properties by donation or through purchase (Interview with Potter March 2005). Much of the work done at the GCLB is related to managing this large inventory of properties. Property management includes “boarding up” doors and windows, lawn maintenance, demolition, and removing of debris.

Property management starts at an early stage, *before* the first land sale auction. A list of all of the parcels up for sale at the auction is reviewed and every

Box 2: Bundling of property

Property bundling is an important attribute to the success of the Genesee County Land Bank.

P.A. 123 allows for the County to “tie” the properties together before the first land sale auction. If a bidder was interested in a parcel that is in the bundle, he or she would have to bid on the *entire* bundle of properties, with the minimum bid being the total of the delinquent taxes of all of the parcels in the bundle. The high minimum bid prevents purchase, causing the bundle of properties to be passed on to the land bank.

The Genesee County Land Bank places all vacant parcels (no structure), severely dilapidated structures in need of demolition, and units with rental tenants into the bundle to prevent sale.

Bundling of property helps to keep speculators from purchasing poorly maintained homes, which in previous years were rented with minimal or no structural improvement. It also prevents speculators from purchasing vacant property with hopes of reselling the parcel to a neighbor for a profit.
(Interview with Potter March 2005)

parcel is visited by a Land Bank staff member to be assessed (Interview with Potter March 2005). The Land Bank examines each parcel to determine if it should go for sale at the auction individually, or if it should be bundled (see Box 2, left) into properties the Land Bank does not want to sell. Exterior photos are taken of each parcel for inventory purposes. Property acquired by the Land Bank is entered into a database that keeps track of the property inventory.

The next step in property maintenance is boarding and securing the doors and windows for any property that has a structure. Boarding of windows and

doors make the homes safer by preventing children from entering the home; it also prevents squatters from residing in the home illegally. Property that is scheduled for rehabilitation and eventual sale is more securely boarded than those scheduled for demolition to prevent further destruction of property (Genesee: www.thelandbank.org March 15, 2005).

Simply mowing the lawns and removing debris from over 2000 parcels scattered throughout the county proves to be a challenge which calls for

innovative solutions. Much of the debris that is taken off Land Bank property is the result of illegal dumping. The GCLB currently hires independent contractors for much of the lawn maintenance and debris removal, and each parcel is maintained at least twice a summer (Interview with Potter March, Genesee 2005). Community organizations are also encouraged to bid to provide services as a way of fundraising. The Land Bank pays on a per parcel basis, groups must maintain a minimum of 25 properties (Interview with Potter March 2005). In many cases, however, only a professional lawn care/waste removal company will own the large equipment that is needed to remove debris and mow overgrown lawns.

Some parcels managed by the GCLB have structures on them that are so dilapidated, demolition is the eventual solution. Approximately 1000 vacant structures are owned by the Land Bank, out of approximately 2400 parcels (Interview with Potter March 2005). The vast majority of these structures will need to be demolished. The Land Bank staff, through initial assessment and possible re-inspection, decides which structures should be the first to be demolished (Interview with Potter March 2005). Demolition is very expensive; prioritizing “demos” provides for the best use of available resources.

Many residential properties owned by the Land Bank without structures on them are placed into the Side Lot Program. The GCLB side lot program allows for owner-occupants to purchase the lot directly adjacent to them for one dollar plus a small filing fee. Often, a homeowner is already maintaining the lot next door to them, and sees the side lot program a way of making ownership “official”. There are a few advantages to participating in the side lot program. First, the

price is very affordable – even the increase in a homeowner’s property taxes is reasonable. The lot also gives the homeowner a larger yard, and creates small pockets of green space in a historically dense community. The Land Bank is not concerned with selling the parcels for a profit – a side lot sold returns the property to productive use, at the same time saving the GCLB money in maintenance costs.

The GCLB’s property maintenance program is improving every year. A summary of property management:

- In 2004, over 380 tons of debris was removed from Land Bank property.
- Over 220 vacant lots were transferred since the inception of the side lot program, with six hundred planned for future transfer.
- 231 structures demolished since February 2004, and over 400 additional structures scheduled for demolition thanks to funding from the TIF/brownfield plan

(Kildee 2005)

What makes the GCLB effective

The Genesee County Land Bank is a unique organization. The combination of programs and funding allow it to provide a wide range of solutions to Genesee County’s blight and abandonment problem. The Land Bank combines community based strategies, such as its demolition program, with individual response approaches, such as the side lot program. The GCLB structure embraces local community initiatives, yet does not require extensive support from volunteers.

Shortcomings of other programs include the reliance on sweat equity or individual home repair. This approach often fails due to a person's lack of skills or financial resources needed to bring the home up to code. In some instances, the homes are so dilapidated that skilled homeowners will lack the time or money to complete repairs. The use of sweat equity may be more attractive for Land Bank-owned properties, because the Land Bank uses its bundling system to filter out the worst homes, scheduling them for demolition. Homes that are for sale at the land auction are structures that have the potential to be rehabilitated.

In addition, large scale demolition is often too expensive for a local municipality to conduct, and often the property is not owned by the municipality to begin with. A wide variety of funding sources, such as the TIF/brownfield plan are available to the Land Bank on a scale that is unmatched by a local municipality. Availability of funding for other abandonment programs is often dependent on State or Federal Government grants, such as CDBG. The Genesee County Land Bank uses its property, in combination with enabling legislation, to generate revenue. If State or Federal Budgets are reduced, the impact will not be as great on the Land Bank.

The most important characteristic of the Genesee County Land Bank is its potential ability to break the cycle of abandonment. Although the cycle is not stopped altogether, it has slowed the cycle significantly. Homes are no longer left abandoned for years at a time, blighting the neighborhood. Homes that are foreclosed upon are maintained, usually for the first time in years. The worst homes are demolished. Speculators out to make a quick dollar by renting

substandard housing are constrained and even reduced since the cheap, dilapidated housing they wish to buy is bundled at auction. Families who own their home are no longer forced into homelessness without intervention. In essence, the Genesee County Land Bank has created a method with the goal of stabilization; stabilization is achieved parcel at a time.

The Land Bank, moreover, is able to adjust to changing conditions, address a wide range of issues related to abandonment, and its work is all done on a regional scale. It is a forward-thinking organization, which plans for the long term use of property while maintaining or improving it in its current state. Its effectiveness is only hampered by the large number of foreclosures that occur every year.

Not Perfect

Although there are many positives associated with the Genesee County Land Bank, there are a few weaknesses. Many of the issues the Land Bank struggles to deal with are related to intergovernmental cooperation, the large number of foreclosures, and the recent establishment of the organization. External factors, such as the economic distress of the area, ailing school districts, high crime rates, and unstable local governments impede the work of the Land Bank, yet remain out of its scope of services. As briefly noted, the Genesee County Land Bank was established first as a Land Reutilization Council, and formally a Land Bank in 2002 (Kildee March 2005). There was no model to work from: the handbook of policies was written and revised many times over through the hard work of Land Bank staff (Kildee March 2005). With each new situation,

the Land Bank requires a plan or policy to be created. For example, the GCLB needed a method of managing foreclosed homes that are rental units with tenants living in them. At first, they wanted to hire nonprofit organizations to manage the rentals. Unsatisfactory results has forced the Land Bank to once again manage the property for itself (Interview with Potter March 2005). Internal issues that require plan adjustments reduce efficiency of the Land Bank, potentially wasting time and money.

Large number of foreclosures combined with a weak housing market is also seen as a negative (Interview with Potter March, Kildee March 2005). Although the number of foreclosures appeared to be declining since 2000, recent numbers have shown and increase (Flint 2005). As the number of parcels increases, so does the demand for maintenance and demolitions. A weak housing market, within the City of Flint in particular, has limited the sale of Land Bank property either at auction or after foreclosure. Increases in foreclosures leads to a heavier workload for the staff members at the Land Bank. The spring months are particularly hectic, as taxes become officially delinquent and the GCLB begins to assess which properties they need to bundle prior to auction.

Intergovernmental cooperation is difficult at times for the Genesee County Land Bank. In Genesee County, the Land Bank owns property in approximately half of the 26 municipalities (Kildee March 2005). The majority of local governments support Land Bank activities, but the road to agreement has not been entirely smooth. The Land Bank must work around issues such as an individual's political agenda or lack of appropriate staffing. The GCLB works with

local governments to conduct title transfers (in the instance that a local government has redevelopment interest in a particular parcel), apply for demolition permits, conduct title searches, and examine long term planning goals, amongst other activities. The majority of meetings go smoothly, but there are others where conflict of interest requires adaptation or compromise by one of the parties involved.

It is important to note that cooperation will become more important as the Land Bank matures (Interview with Potter March 2005). As the GCLB's work moves from cleaning and clearing to planning for development, the impact on the community will increase, as well as the chance for potential conflict.

Aside from the cooperation issues, the Genesee County Land Bank also has little impact on the abandonment that occurred prior to the 1999 legislation. Many properties that went through the previous tax reversion system are now the state or local government's responsibility. Its program is also not addressing vacancy and blight for homes or businesses that continue to pay property taxes. In this instance, it is important for local governments to enforce continue to enforce blight ordinances and building codes, although few have the resources to do so.

Recommendations

As the Genesee County Land Bank gains experience in managing and developing its properties, there are some key recommendations to keep in mind. The current success of a few individuals that have come together to address

Genesee's abandonment problem. Changes to the property tax collection system affect the entire state, but it took vision and hard work to create an organization that uses the new laws to their greatest advantage.

As the GCLB matures, it is important that the Land Bank continues to employ devoted, knowledgeable staff. The Land Bank has created a handbook of policies, and it should continue to document its goals, plans, and values so they can be reflected on and adhered to by new or replacement staff members. It is important to note that the President of Michigan county Land Banks is automatically the County Treasurer. This position is therefore decided by the voters of the community, and this could potentially serve to alter the course of a Land Bank. In the case of Genesee County, they have been fortunate to have a County Treasurer who not only cares to address abandonment, but also aided in designing the legislation to do so.

Maintaining trust with the community and establishing a greater network of support will be very important to the success of the GCLB in future years. The Genesee County Land Bank has a history of establishing valuable relationships with neighboring organizations, and any future Land Banks in other parts of the State will need to do this as well. Creating support for the Land Bank is a delicate issue; the GCLB does not want to receive too much press, yet they want to keep people educated about what they do. It is a balance of providing services to reduce abandonment and blight, while being careful not to appear as a "cure all" for the many problems associated with disinvestment.

Keeping a low profile will be more difficult in the coming years, as development proposals come to light and additional Land Banks in Michigan begin to model themselves after the Genesee County Land Bank³. The GCLB already receives calls from residents, assuming that the vacant home near them is owned by the Land Bank. Further involvement with local government units is needed to respond to resident inquiries and to maintain an accurate inventory of properties that are abandoned, yet not owned by the Land Bank.

There is strong demand for services in areas of severe disinvestment and unfortunately the Genesee County Land Bank cannot address all of these demands. In future years, the Genesee County Land Bank may find it necessary to form or expand formal partnerships with organizations that address issues such as mortgage/bank foreclosure prevention, public education of homeownership responsibilities, and local code enforcement.

The importance of cooperation between local government units cannot be understated. It is especially important when related to issues of funding and community planning. Although the Land Bank utilizes regional planning and innovative funding mechanisms, it has not abandoned its' concern for local control. Local input is valuable, necessary and part of all Land Bank actions. Other plans requiring diverse communities to work together have been a hard sell in the State of Michigan, as seen for instance in regional transportation planning. However, the majority of governments in Genesee County have

³ As of April 2005, there are five more county land banks scheduled to be created. These are Calhoun, Grand Traverse, Ingham, Jackson, and Saginaw Counties.

recognized that the abandonment problem is affecting the entire county, and working with the Land Bank enhances quality of life in all communities throughout the region. Continuing to build upon these relationships will help keep a sense of local control throughout the county, while working to address the abandonment most affecting the central city.

REFERENCES

- Accordino, J. and G. T. Johnson (2000). "Addressing the Vacant and Abandoned Property Problem." Journal of Urban Affairs 22(3): 301-315.
- Alexander, Frank S. "Land Bank Authorities - A Guide for the Creation and Operation of Local Land Banks." LISC 2005.
- "Application Information Regarding Postponement of Tax Foreclosure Sale of Homesteads in Genesee County." (2004). MSU Extension.
- Blackwell, Keri. (2003) Cleveland Case Study: Model Practices in Tax Foreclosure and Property Disposition.
http://www.lisc.org/resources/2003/01/foreclosure_1067.shtml
- Bowman, A. O. M. and M. A. Pagano (2000). "Transforming America's Cities: Policies and Conditions of Vacant Land." Urban Affairs Review 35(4): 559-581.
- Brownfield Redevelopment Financing Act. (1996) "Brownfield Redevelopment Financing Act, Act 381 of 1996" Michigan State Legislature, Michigan Compiled Laws, Chapter 125 Act 381.
<http://www.legislature.mi.gov/mileg.asp?page=chapterindex>
- Campaign, N. V. P. (2004). Facts and Figures. Washington, D.C. 2004.
- Census, U. S. (2000). American Fact Finder. 2004.
- Cisneros, H. G. (1995). The "Broken Window" Theory. Crime Prevention. Seattle, City of Seattle Police Department. 2004.
- CRC (1999). Delinquent Property Taxes as an Impediment to Development in Michigan. Lansing, Citizens Research Council of Michigan: 1-17.
- CRC (2000). Changes to the Property Tax Delinquency and Reversion Process in Michigan. Lansing, Citizens Research Council of Michigan: 1-12.
- "Genesee County Land Bank - Michigan's new and improved tax foreclosure system." (2005) <http://www.thelandbank.org>
- Greenberg, M., F. Popper, et al. (1992). "TOADS go to New Jersey: Implications

for Land Use and Public Health in Mid-sized and Large US Cities." Urban Studies 29(1): 117-125.

Harris, L. V. (2002). Fighting Blight. Michigan Chronicle. Detroit. 65: 1.

HUD CPD (2005). HUD Community Planning and Development.
<http://www.hud.gov/offices/cpd/index.cfm>

HUD CDBG (2004). Community Development Block Grant Programs.
<http://www.hud.gov/offices/communitydevelopment/programs/index.cfm>

HUD HOME (2005). HUD HOME Program Summary. <http://www.hud.gov>

HUD Laws (2005). HUD Laws and Regulations - Community Development Department.
<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/index.cfm>

HUD SHOP (2005). HUD Self-Help Homeownership Opportunity Program.
<http://www.hud.gov/offices/cpd/affordablehousing/programs/shop/index.cfm>

Hunault, J. (2003). Land Bank Fast Track Act. Legislative Analysis House Bills 4480-4484 and 4488 (7-1-03) <http://www.michiganlegislature.org>

Kildee, Daniel. (2005). "Land banking - Michigan's new economic growth tool." *Smart Growth Tactics - Michigan Society of Planning*. 10. p. 1-8.

Kotval, Z. and J. Thomas (2004). Land Bank Fast Track Act. Land Use Area of Expertise Team, 2004 Land Use Legislation, Lansing.

Flint Land Bank Authority Forum. (2005) Flint, Michigan. April 7-8, 2005.

Liedel, Steven C. (2004). Removing Barriers to the Redevelopment of Tax Reverted Property: Recent Changes in Michigan Law. Michigan Council of Affordable Housing Conference, May 18, 2004, Lansing, MI.

Miller, D. W. (2001). Poking Holes in the Theory of 'Broken Windows'. The Chronicle of Higher Education: 1-9.

Mueller, Lisa. (2003). Atlanta Case Study: Model Practices in Tax Foreclosure and Property Disposition.
http://www.lisc.org/resources/2003/01/foreclosure_1066.shtml.

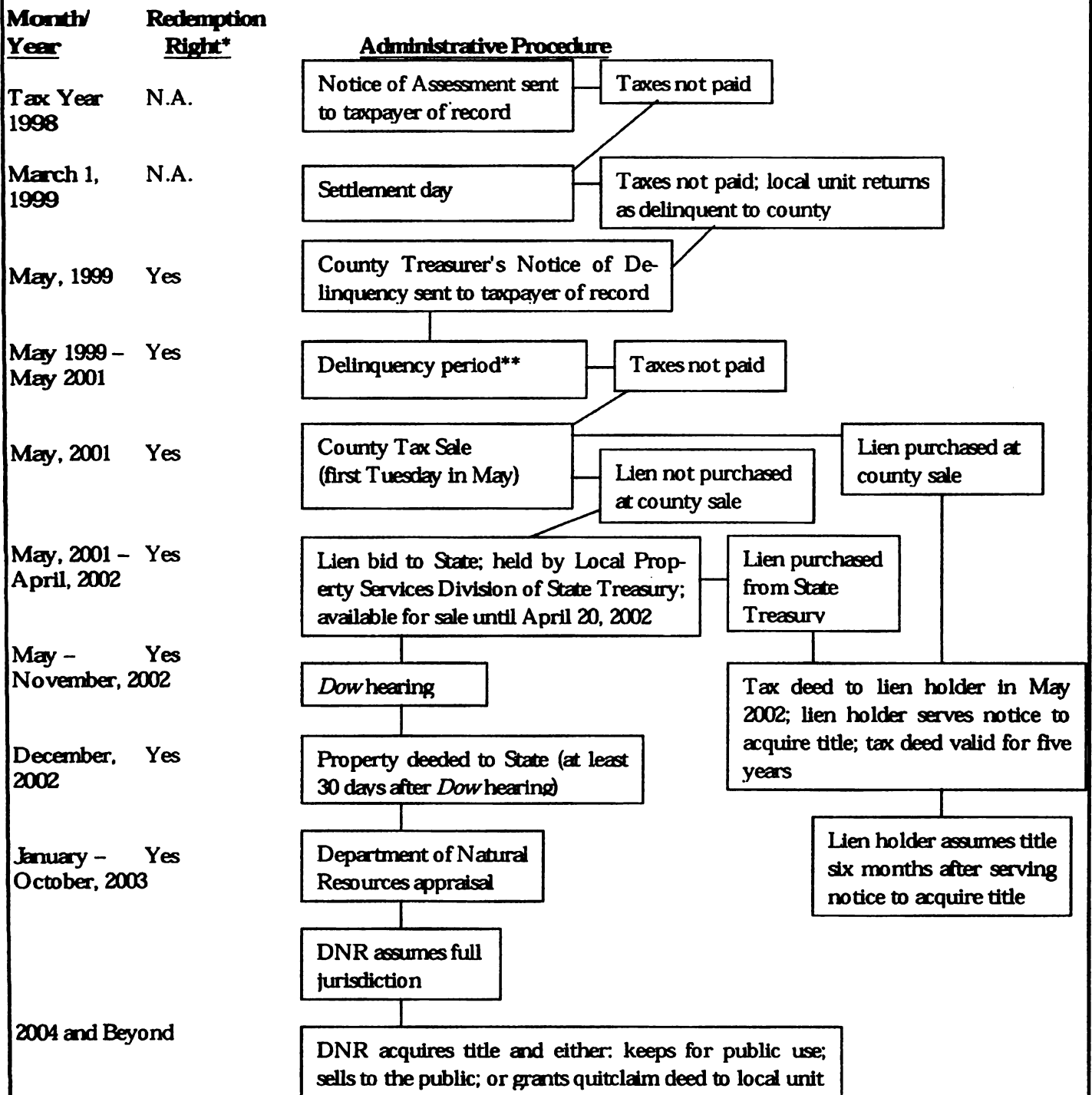
Potter, Aurther. (2005). Personal Interview. March 17, 2005.

- Rohe, W. M. (1991). "Expanding Urban Homesteading: Lessons from the Local Property Demonstration." Journal of the American Planning Association 57(4): 444-455.
- Runyone, Cheryl L. (2003). "Financing Brownfields Cleanup and Redevelopment". NCSLnet State Legislature Report 28(4).
- Schilling, J. (2004). "Revitalizing Vacant Properties and Substandard Buildings." PM. Public Management 86(4): 12-18.
- Seattle, C. o. (2004). The Broken Window Theory.
- Webster (2005). Merriam-Webster Online. <http://www.webster.com/cgi-bin/dictionary>
- United States Department of Housing and Urban Development (2004). United States Department of Housing and Urban Development Fiscal Year 2004 Budget Summary.
<http://www.hud.gov/about/budget/fy2004/budgetsummary.pdf>
- Zin, David and Maria Tyszkiewicz. (2003). "Bill Analysis: HB 4480-4484, HB 4488." Senate Fiscal Agency, Lansing, MI. December 2003.

DELINQUENT PROPERTY TAXES AS AN IMPEDIMENT TO DEVELOPMENT IN MICHIGAN

Chart 1

Tax Delinquency and Reversion Process in Michigan (Except for Detroit and Kalamazoo)



*Various statutory rights of redemption, with separate and distinct redemption costs, exist throughout the process.

**Except for Certified Residential Property, which remains delinquent for one year.

CRC Memorandum

Chart 1

Tax Delinquency and Reversion Process in Michigan – Public Act 123 of 1999 Amendments

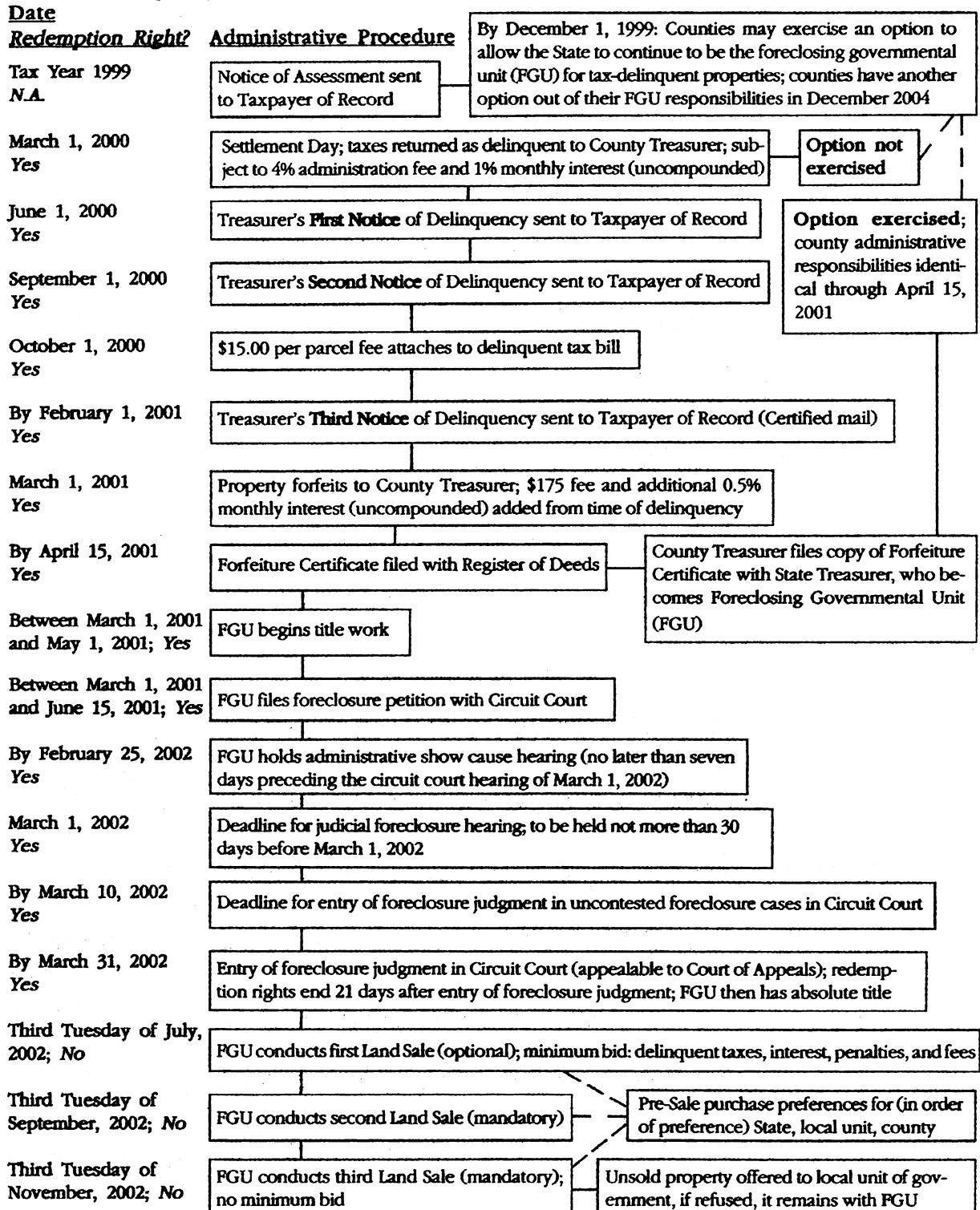


Table 1: Census 2000 Data – Vacant Structures for Select U.S. Cities.

| | Number of Homes | Number of Vacant Homes | Percent Vacant |
|------------------------|--------------------|------------------------------|-------------------|
| <i>Ocean City, NJ*</i> | 20298 | 12834 | 63.23% |
| Atlantic City, NJ | 20219 | 4371 | 21.62% |
| Camden, NJ | 29769 | 5592 | 18.78% |
| Buffalo, NY | 145574 | 22854 | 15.70% |
| Utica, NY | 29186 | 4086 | 14.00% |
| Niagara Falls, NY | 27837 | 3738 | 13.43% |
| Troy, NY | 23093 | 3097 | 13.41% |
| Schenectady, NY | 30272 | 4007 | 13.24% |
| Trenton, NJ | 33843 | 4406 | 13.02% |
| Syracuse, NY | 68192 | 8710 | 12.77% |
| Binghamton, NY | 23971 | 2282 | 9.52% |
| Rochester, NY | 99789 | 10790 | 10.81% |
| Albany, NY | 45288 | 4579 | 10.11% |
| Detroit, MI | 375096 | 38668 | 10.31% |
| Flint, MI | 55464 | 6720 | 12.12% |

*Census data for vacant properties can be misleading, due to the Census Bureau's definition of "vacant". For example, vacation homes, and homes used to house seasonal or migrant workers, are included in the total.

Ocean City, NJ is included on this table to show how affluent cities may show an abnormally high percentage of their properties as vacant. Further research into the Census Data shows that most of Ocean City's 12,800 vacant homes are vacation homes.

MICHIGAN STATE UNIVERSITY LIBRARIES



3 1293 02637 8236