

How Can Municipalities Confront the Vacant Property Challenge?



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Business and Professional People
for the Public Interest



Chicago Metropolitan
Agency for Planning

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Business and Professional People for the Public Interest

Founded in 1969, BPI is a public interest law and policy center that seeks out and addresses some of the Chicago region's most significant social justice challenges. Currently, BPI works to increase and preserve affordable housing, transform public housing, and improve Chicago's public schools. BPI's staff of lawyers and policy specialists uses legal and policy research, advocacy, organizing, litigation and collaboration with non-profit, community, business, and governmental organizations to accomplish its mission.

Chicago Metropolitan Agency for Planning

CMAP is the official comprehensive regional planning organization for the seven counties of northeastern Illinois. CMAP's innovative GO TO 2040, planning campaign is developing and implementing strategies to address transportation, housing, economic development, open space, the environment, and other quality of life issues.

Metropolitan Mayors Caucus

The Metropolitan Mayors Caucus represents the local elected officials of the six-county Chicago region. The Caucus is a forum for independent thinking and discussion regarding important public policy issues. And, when there is consensus, it is also a powerful voice and force for change, creating programs and supporting legislation that improves our well-being and overall quality of life.

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The Challenge

We are struggling through the worst foreclosure crisis since the Great Depression. Foreclosure is devastating for families who lose their homes. It is also devastating for communities. The severity of the challenge varies from neighborhood to neighborhood, but few are unaffected. In some communities, a few vacant properties with overgrown lawns and an accumulation of trash cause problems for neighbors. In others, more troubled buildings attract scavengers, squatters, and gangs, and lead to an increase in fires and crime. And in some communities with many foreclosed properties, the crisis threatens to doom the entire neighborhood to a cycle of disinvestment and decay. A cluster of vacant properties can destabilize a block. A cluster of troubled blocks can destabilize a neighborhood.

The costs are substantial. A Harvard University study reported that local governments spend between \$5,000 and \$34,000 to maintain and secure a single vacant property. And the challenge is multiplied because the foreclosure crisis hasn't just driven up the need for local government services. It has also driven down property values and reduced the number of homes paying property taxes. As a result, it has significantly reduced the resources governments have to address the challenge.

The Response

But municipalities are rising to the challenge. Across the country, they are developing innovative programs to reduce the negative impact of vacant properties, stabilize neighborhoods, and promote healthy, vibrant neighborhoods.

This introductory guide provides a brief overview of nine tools that have proven most effective. It is intended to help municipalities begin to determine which programs and policies are most appropriate for them. A companion guidebook, *How Can Municipalities Confront the Vacant Property Challenge? A Toolkit*, will help municipalities develop and implement these programs and policies. The *Toolkit* provides detailed information about how to put these tools into use. The *Toolkit* also discusses best practices and provides links to additional resources.

The three organizations bringing these guides to you — **Business and Professional People for the Public Interest (BPI)**, the **Chicago Metropolitan Agency for Planning (CMAP)**, and the **Metropolitan Mayors Caucus** — are also available to assist municipalities at any point in the process.

In most communities, experts believe that vacant property challenges will only grow over the next several years. Municipalities that have not yet begun to respond must start to plan now. And those that have already developed policies and programs should consider adjusting or expanding their efforts in order to meet the challenges that lie ahead.

Tool 1

An Early Warning Database

Use an early warning database to identify problem properties and at-risk neighborhoods and to facilitate collaboration.

What is it?

Too often, municipalities only find out about vacant properties after they have started to cause serious problems. An early warning database collects and organizes basic information about conditions that suggest a property is likely to become vacant. Local officials and organizations can use that information to identify at-risk properties and take action before a problem grows or gets out of control. A database can be useful for code enforcement officials, police and fire departments, community development departments, and neighborhood organizations.

A database can be as simple as a spreadsheet that lists problem properties and indicates whether each property has one or more of the key indicators of vacancy or abandonment, such as tax delinquency, nuisance abatement actions, utility shut-offs, or foreclosure filings. It can also be expanded to include information about the neighborhood where the property is located, such as demographic data, crime statistics, and real estate conditions. An even more comprehensive database could include information about these properties from various municipal departments. Many municipalities already collect much or all of the information in a basic database, and it is just a matter of putting that information together in one place. Even the most simple database can be used to identify problem properties and neighborhoods, guide decision making, and coordinate activity across municipal departments.

Key Benefits

Identify problem properties

A database helps a municipality identify properties that are vacant or at risk for vacancy, making it possible to intervene early and avoid more serious problems for the property or the neighborhood.

Identify at-risk neighborhoods

A database helps a municipality identify where problems are concentrated so it can target resources—like code enforcement—and use them most efficiently and effectively.

Coordinate municipal action

A database helps a municipality share critical information with various local government departments and other key stakeholders and use it to coordinate action and facilitate collaboration.

Tool 2

Identifying a Party Responsible for Property Maintenance

Identify the right person to contact at a financial institution to ensure that vacant properties are maintained and secured when a traditional property owner cannot be found.

What is it?

More and more property owners are abandoning their homes before a foreclosure is completed and sometimes even before it has begun. When a property is vacant and the owner can't easily be found, a municipality may need to contact a financial institution that has an interest in the property to ensure that the property is maintained and secured. That can be difficult and very time-consuming. These financial institutions are often huge, and, if the mortgage is securitized, there may be many layers of ownership, which makes it even harder for local officials to identify who is responsible for maintaining and securing a property.

But there are relatively simple ways that a municipality can identify both the institution responsible for maintaining and securing the property and the individual within that institution responsible for getting the job done. For example, a national database maintained by the mortgage industry includes essential information about many at-risk properties. And a new state law requires that municipalities receive copies of key court documents, which include some useful contact information. Municipalities should use sources like these to develop procedures for identifying financial institutions with an interest in the property and for contacting the responsible party within that institution.

Key Benefits

Improve property maintenance

By quickly identifying the right person at the right institution, municipalities can ensure that vacant properties get cleaned up before problems grow.

Aid in enforcement

Sending legal notices and other information to the right person at the right institution can ensure that local nuisance abatement programs and vacant property ordinances work more effectively.

Streamline the process

Local officials can develop good working relationships with the right contact people at financial institutions, which can help to get issues resolved more quickly and efficiently.

Tool 3

Collaboration

Collaborate among municipal departments and between the municipality and the broader community, in order to maximize resources and reduce the impact of vacant properties.

What is it?

Code enforcement departments often have primary responsibility for ensuring that vacant properties are maintained, but other municipal departments often play significant roles as well. Municipalities can bring these departments together, along with community stakeholders, to better address vacant property problems. For example, police and fire departments, the public works department, and municipal attorneys usually have information about troubled properties. This data should be widely shared to ensure that municipalities set priorities based on the best available information. Departments can also collaborate to carry out certain tasks more efficiently, like conducting joint inspections. Similarly, some issues, like tax delinquency, may be best addressed by municipal officials working closely with county officials. When at-risk neighborhoods straddle municipal boundaries, it may even be useful to collaborate across jurisdictional lines.

Key Benefits

Identify problem properties

Many different local government departments and community actors have valuable information about troubled properties. If there is a good process to share that information, the municipality will be able to make better decisions about problems and priorities.

Coordinate activities

Since maintaining vacant properties and stabilizing neighborhoods typically involve several municipal departments, their work should be well coordinated to best achieve the municipality's goals.

Develop innovative solutions

Maintaining vacant properties and stabilizing neighborhoods is challenging and complicated. Bringing together relevant departments and, when appropriate, community groups, can produce more effective and innovative solutions.

Tool 4

A Vacant Building Registry

Use a vacant building registry to motivate owners to maintain buildings and return them to productive use, identify the party responsible for problem properties, monitor vacant properties, and defray costs of providing related municipal services.

What is it?

A vacant building registry requires owners (and, in some cases, financial institutions with an interest in a property) to register vacant buildings with a municipality. Effective registry programs also require registrants to pay a fee at regular intervals, which defrays the additional costs of providing municipal services associated with such properties. Fees also create a strong financial incentive for owners to secure and maintain vacant property and return it to productive use. Effective programs require registrants to provide 24-hour contact information, which makes it easier for a municipality to contact the owner or the owner's agent if there is a problem with the property. Some registry programs go further and include provisions that compel registrants to maintain, secure and insure vacant properties, and prepare and implement plans to return them to productive use. Good registry programs are implemented in conjunction with strong code enforcement and often include steep fines for noncompliance.

Key Benefits

Motivate owners

Code enforcement alone isn't always enough to motivate owners to maintain vacant properties. Vacant building registries usually require payment of fees, and these added costs create an additional incentive for owners to maintain their properties.

Identify responsible parties to contact if there is a problem

Municipalities can use the information collected in the registry to contact the party responsible for a property if there is a problem.

Defray costs

Revenue generated from registration fees helps cover costs incurred by municipalities in monitoring vacant properties and enforcing vacant property requirements.

Tool 5

Targeting Resources

Maximize limited resources for addressing vacant property issues.

What is it?

Targeting resources means creating a process to systematically identify priorities and goals for dealing with vacant properties and developing and implementing plans to address these priorities and goals. It doesn't require sophisticated data collection and analysis. Targeting is usually characterized by sustained, reflective deliberations about how best to allocate resources, as opposed to allocating resources immediately in response to complaints from community members. For example, a municipality might decide that stabilizing certain neighborhoods is a top priority, and then develop a plan to use either a single resource, such as code enforcement, or a variety of resources, including infrastructure investment, property acquisition, or loans or grants for property rehabilitation, to best address those priorities and goals.

Though resources are often targeted based on geography, municipalities can target based on a variety of factors that indicate whether particular properties or groups of properties pose a risk to the community. Different resources may be used differently within targeted areas, because a municipality may have different needs and priorities in different neighborhoods or for different types of properties. Targeting resources does not mean using all of a municipality's resources exclusively in targeted areas or for targeted properties and neglecting other areas or properties. But it does mean using limited resources in a way that will maximize their effectiveness.

Key Benefits

Maximize resources and effectiveness

While municipalities always make hard choices about how best to allocate limited resources, those challenges are even greater now, as many municipalities must draw on a shrinking tax base to deal with growing problems. Municipalities can maximize effectiveness by thinking systematically about how best to target those limited resources.

Tool 6

Recovering Costs of Property Maintenance

Maintain vacant properties and recover a greater share of the costs they impose.

What is it?

Ideally, property owners will maintain and secure vacant properties. But when an owner or other responsible party can't be found or is unable or unwilling to maintain a vacant property, municipalities may take on the burden in order to prevent harm to the surrounding neighborhood. Municipalities have long had the power to engage in such nuisance abatement activities, but they have had a hard time recovering the costs they incur. When municipalities have worked to address nuisances, they have been authorized to place municipal liens on properties to recover the costs of some maintenance activities, like picking up garbage and mowing lawns. But until recently, these liens would be paid off in a foreclosure sale only after other encumbrances, including mortgages, had been satisfied. Now, when the value of a foreclosed property is often less than the value of the mortgage, these municipal liens rarely get paid off.

A new Illinois law partially addresses this problem by creating an additional kind of municipal lien, which allows municipalities to perform certain activities—such as picking up garbage, mowing the lawn, securing the windows and doors, and putting up a fence to keep intruders out—and to get paid for this work. As long as the municipality follows the procedures spelled out in the law, like first trying to locate the owner and then carefully documenting maintenance and security expenses, it can get liens that are given special priority and therefore are much more likely to be paid off in a foreclosure sale.

Key Benefits

Finance property maintenance

Municipalities may be able to recover a substantial portion of the costs they incur to maintain vacant properties. These costs can be quite substantial and are especially burdensome at a time when municipalities have declining resources but increasing demands for services.

Tool 7

Receivership

Ensure that someone with the necessary expertise and resources repairs or rehabilitates a vacant property.

What is it?

Receivership is a powerful but infrequently used tool for ensuring that seriously troubled properties are repaired or rehabilitated. Receivership is sometimes used as a last resort when other strategies, like traditional code enforcement, don't motivate an owner to perform necessary maintenance and repairs and a property is a danger to the community. If a property is not being properly maintained, a municipality can go to court and seek to have a receiver appointed to take care of the property. If the court appoints a receiver, this third party is authorized to act as if it owns the property. The receiver can take any step the court authorizes to repair or rehabilitate the property.

Receivers can finance the work with cash loans from banks or the municipality. In exchange, the receiver gives the lender a special certificate, which basically guarantees that it will get the full value of the loan back with interest. If the owner of the property doesn't pay back the receiver's loan with interest, the certificate becomes a lien on the property, which must be paid back before all other encumbrances on the property except taxes. This process provides the receiver with funds needed to repair the property and allows the bank or municipality financing the repairs to make a profit on its loan.

Key Benefits

Repair and rehabilitate vacant property

When other methods fail to motivate an owner to maintain a property, Illinois law can give a receiver powerful tools to ensure that troubled properties are repaired or rehabilitated.

Pay for repairs and rehabilitation

It is often difficult to get financing to repair or rehabilitate a vacant property, but Illinois law gives receivers this critical tool to finance such repair activity.

Tool 8

Acquiring Properties

Acquire properties to stabilize or rehabilitate individual properties or to redevelop an entire area or neighborhood in communities with large numbers of vacant properties.

What is it?

In neighborhoods where property values have fallen significantly, owners and private investors may not take proper care of a property. This neglect can cause problems for neighboring properties, and the problems can begin to spiral out of control. In situations where the private market has little incentive to act, the best alternative may be for a municipality to acquire properties.

The municipality can act aggressively to improve a single property that is causing problems, or to improve several properties in an effort to redevelop a larger area. Municipalities can acquire properties individually or as part of a coordinated acquisition and redevelopment strategy. Where neighborhood stabilization or revitalization efforts require acquisition of larger numbers of properties, land banks have proven to be a very effective strategy. Though acquiring properties can be a useful and powerful tool, it is not a quick solution to a pressing problem—the process often takes a very long time.

Key Benefits

Return properties to productive use

By acquiring vacant properties that have no near-term prospect of being redeveloped by the private market, municipalities can return them to productive use, helping to stabilize communities more quickly.

Promote redevelopment

Property acquisition allows municipalities to reshape an entire neighborhood.

Tool 9

Demolishing Properties

Demolish vacant properties that pose significant danger to the community and cannot be adequately addressed in any other way.

What is it?

When a property is causing very serious problems that present a danger to the surrounding community, and the owner is not taking necessary steps to address the problem, a municipality may initiate demolition proceedings. After complying with procedures specified by state law and/or municipal ordinance, the municipality can demolish the property. Demolition may cost a municipality less than taking care of a troubled property. What's more, under some circumstances, a municipality can recover the costs associated with the demolition. Carefully targeted demolition can help stabilize property values in the surrounding community and help lay the foundation for redevelopment.

Key Benefits

Remove blight

Demolishing seriously troubled buildings can help stabilize or improve struggling neighborhoods. Demolition may be the best option when vacant properties are hurting the community around them and nothing else can restore the property to productive use.

Prompt owners to take responsibility

Sometimes a threat by the municipality to demolish a property compels recalcitrant owners to take responsibility for troubled properties.

Minimize municipal costs

While demolishing a building is expensive, it is sometimes less expensive in the long run than incurring all of the municipal costs associated with taking care of a troubled building.

What You Can Do Next

1. Share this guide with those in your municipality who are responsible for addressing any part of the vacant property challenge.
2. Begin conversations with the appropriate municipal officials and staff about the nature and extent of the vacant property problem in your community. Explore whether there are ways to make your current tools for addressing the problem more effective and whether it would be helpful to add new tools to your community's toolkit.
3. Go to www.bpichicago.org/VacantPropertyResources.php to access the companion guidebook, *How Can Municipalities Confront the Vacant Property Challenge? A Toolkit*. It provides detailed information about how to put each of the tools into use. It includes answers to key questions about the tools, information about best practices, and links to additional resources.
4. Call BPI's affordable housing team at 312.641.5570 if you have any questions or would like additional help getting started.

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