How Can Municipalities Confront the Vacant Property Challenge?

A Toolkit

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Business and Professional People for the Public Interest

Chicago Metropolitan Agency for Planning

Metropolitan Mayors Caucus

Business and Professional People for the Public Interest
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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. As the number of foreclosures in a community grows, block upon block is dotted with vacant properties, some of which may sit empty for months or years.

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.

In almost every community, the foreclosure crisis is draining government resources and 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. 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.

This challenge is not going away. Illinois has one of the highest rates of foreclosures per homeowner in the country. Illinois communities will likely be living with the consequences of the foreclosure crisis and the vacant property problem it has created for at least the next decade.

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 communities, and promote healthy, vibrant neighborhoods.

Drawing on some of the best programs in Illinois and around the country, this guidebook provides detailed information about nine key tools. It will help you to put these tools into use in your own community.

Using This Toolkit

At the outset, municipal staff should meet to discuss the local vacant property challenge. They will need to determine whether current tools are sufficient to address the challenge, and identify the biggest gaps. They should work to establish clear goals and priorities, like stabilizing a particular neighborhood or addressing a particular problem associated with vacant property. Then they can then use this guide to identify the tools that will best further those goals and priorities. Because each municipality faces a unique set of circumstances and challenges, each will want to pick and choose which tools will be most useful.

So with at least nine tools to choose from, how does a municipality know where to begin? Though every community will have different needs and goals, we believe that most municipalities with foreclosure problems would benefit from developing programs that include most or all of the following components:

- A vacant property early warning database, which can help municipalities be proactive in identifying problem properties and neighborhoods, coordinate action among municipal departments, and engage and involve stakeholders in the community (Tool 1);

- Procedures for identifying and contacting the parties responsible for maintaining and securing a vacant property, which will help ensure that owners and financial institutions take greater responsibility for vacant properties in which they have an interest (Tool 2);

- A comprehensive strategy for minimizing the negative impact of vacant properties on the surrounding neighborhood, including code enforcement, nuisance abatement, and vacant property registration requirements (Tools 3, 4 and 5); and

- Programs to recover the costs of property maintenance (Tool 6).

The final three tools describe more aggressive approaches for municipalities facing a substantial vacant property challenge, including severe problems in one or more individual buildings.

Many of the tools described here come into play only after a property has become vacant. But the best outcome is to keep properties from becoming vacant in the first place. A vacant property program should be well coordinated with a vacancy prevention program, and some of the tools described here can be used to prevent properties from becoming vacant. For example, early warning databases (Tool 1) and collaboration (Tool 3) can help municipalities identify properties and neighborhoods atrisk of vacancy, so they can provide home-owners and renters with information and services that might prevent a property from becoming vacant.

Once a municipality begins to design and implement the programs and policies suggested here, they will likely need even more information. They may need to know more about specific data sources, ordinance provisions, model programs, or other key details. These can be obtained by contacting BPI directly or by browsing the more detailed and up-to-date information posted at **http://www.bpichicago.org/Vacant-PropertyResources.php.**

Whether focusing on keeping buildings occupied or on maintaining and securing them when they are vacant, the tools presented here will help municipalities address the challenges presented by the growing foreclosure crisis and the devastation to communities it threatens to leave in its wake. 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 a 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 market 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 earlier 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.

Key Questions

Who will use the database and for what purpose?
A database should be designed with a clear and detailed understanding of who will use it and for what purpose. This will help determine what information to include and how to organize it. Potential users of an early warning database include those with responsibilities for building inspections and code enforcement, police and fire departments, community development departments, neighborhood organizations, and developers. Databases may be created for any number of purposes, such as to identify problem properties and track actions taken with respect to such properties, and/or to target code enforcement activity or other resources.

Which properties should be included in the database?
One practical approach is to include properties that appear to be vacant or at risk of vacancy based on code inspector observations, neighbor complaints, foreclosure filings, or other indicators of vacancy. If there are certain areas within the community of particular concern, a municipality could include all properties within such areas.

What information should be included in the database?
Start by asking what information is already being collected and ought to be consolidated. Then ask whether you will need additional information in order to serve your purposes. Decisions about which information to include will be influenced by what information is routinely gathered, available on a timely basis and available in a usable form, as well as the technical and financial resources that a municipality can devote to developing and maintaining such a database.

To identify problem properties, include at least one property-specific indicator of vacancy, such as tax delinquencies, code violations, nuisance abatement actions, utility shut-offs, crime reports, or foreclosure filings.

Key Questions

Such information can be aggregated into larger geographic areas (e.g., blocks, census tracts, neighborhoods) to help identify patterns and trends and determine how and where to target resources. For example, municipalities may wish to determine the number of foreclosure initiations on a particular block or within a particular census tract. Area-level information, such as demographic data, crime statistics and real estate market trends can also be very useful in identifying problem neighborhoods and informing neighborhood planning and program development. To identify problem neighborhoods or determine how and where to target what resources, include area-level information, such as population and demographic data, crime statistics, vacancy rates, and real estate market trends.

Where can municipalities get the data for their database?

Various municipal departments may already collect much of the information that is typically used in an early warning database. For example, the buildings department may keep information on code violations and nuisance abatement actions; the public works department may have information on water shut-offs; and the finance department or law department may track municipal liens. Some municipalities subscribe to a database service for foreclosure and other information. Many routinely check community newspapers for legal notices of sale. Under a recently enacted state law, Illinois municipalities will now receive notices of foreclosure initiation and completion of foreclosure. Other information is collected by county government. For example, the county treasurer's office typically maintains information on tax delinquencies.

How should the database be organized?

Properties in the database should be coded by both address and Property Identification Number (PIN). This will make it easiest to find all the relevant information about a specific property. PIN numbers are available from the county assessor. Some databases are organized so that they can be used to generate information in a variety of ways—such as lists, maps and tables—that will aid municipalities in analyzing the data so that it can be used to make decisions. To identify emerging patterns and problems most effectively, the database should be designed so that information can be sorted geographically, for example, by including a field for a geographic indicator, such as census tract, ward or neighborhood.

Best Practices

Determine which vacancy indicators to include in the database.
While databases often include a number of key indicators, practical considerations may limit the number that a municipality may include. Three indicators that appear to be highly predictive of current or impending vacancy are property tax delinquencies, water shut-offs, and foreclosure initiations.

Ensure that data is updated regularly.
A database is only useful when the information is up to date and reflects the current status of the property. Once a property is in the database, there should be a mechanism in place for ensuring that key information, such as the status of code violations, enforcement actions, and foreclosure proceedings, is updated on a timely basis.

Analyze property data in the context of larger geographic areas.
While a database can be useful for identifying and tracking problem properties, it can be especially valuable when parcel-level information is aggregated to identify patterns on streets or blocks or within census tracts or neighborhoods. This can provide valuable insight for purposes of planning, program development and targeting resources.

Share data with all relevant parties.
To maximize the benefits of an early warning database, municipalities should ensure that data can be easily accessed by all of the users for whom it was designed.

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. Many financial institutions are responsive when municipalities contact them to raise maintenance or security concerns about properties in their portfolio. For example, many financial institutions contract with property preservation companies, which quickly address problems when brought to their attention.

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.

Key Questions

How can a municipality determine which entity is responsible for property maintenance?
There are three basic ways:

- Examine publicly available documents, such as deeds and tax records, which should name the owner and may include some contact information. In many cases, however, this information will be out of date or will not provide accurate contact information.

- Use the Mortgage Electronic Registration System (MERS), a database created and maintained by the real estate finance industry, which includes detailed information about many mortgaged properties. However, the percentage of properties included in the MERS database varies from jurisdiction to jurisdiction, and in some cases, the MERS listing does not contain the information a municipality may need.

- Use the notice of foreclosure initiation (*Lis Pendens*) filed with the court to determine the responsible entity. Under a new Illinois law passed in the fall of 2009, municipalities will receive a copy of the *Lis Pendens* when a foreclosure is initiated. Similarly, if a foreclosure sale has been completed, municipalities can use the notice of confirmation of foreclosure sale to determine which entity to contact. Under the same state law, municipalities will receive a copy of the notice of confirmation of sale. (See the discussion at the end of this Tool for more information about the new Illinois law.)

Key Questions

How can a municipality find a responsible individual within a large entity? Once a municipality has identified the financial institution, the best way to find the person who is most likely to be responsive is to use a list of "property preservation contacts" maintained by the Mortgage Bankers Association. The list includes the name, e-mail address and phone number for key contacts at many of the major financial institutions and servicers. The list is available online at **http://www.mbaa.org/files/PropertyPreservationList.pdf**. In addition, MERS often provides property preservation contact information for properties registered on its system. When a municipality cannot identify the individual from these sources, a municipality should contact the financial institution's loss mitigation or foreclosure department.

After a foreclosure action has been initiated, a municipality can track down the responsible party using information included in the *Lis Pendens* (see above). The *Lis Pendens* contains the name of the attorney who is representing the entity that initiated the foreclosure. A municipality can contact the attorney and get up-to-date information about the party responsible for maintaining the property.

After a foreclosure sale has taken place, a municipality will receive a notice of sale, which will include relevant property preservation contact information for the new owner of the property.

Best Practices

Be persistent.
Some municipalities report that when they contact a financial institution about a maintenance or security issue, the institution initially denies responsibility. When this happens, it is important to explain why the municipality thinks the particular financial institution is responsible. If necessary, ask to be directed to someone else within the institution who may know more. If the municipality learns that ownership has been transferred, it will need to contact the financial institution that now has the interest in the property.

Maintain contact with the financial industry.
One way to improve a municipality's chances of identifying a vacant property is to maintain open lines of communication with the financial industry. Municipalities can make it easier for a financial institution to contact the municipality when it has a problem with a vacant property by adding themselves to the main financial industry list of contacts within municipalities maintained by Safeguard Properties at **http://www.safeguardproperties.com/content/view/1133/233/.**

New Tool: Illinois Law Now Requires that Municipalities Receive Notice of Foreclosure

Public Act 96-0856, passed in the fall 2009 Illinois legislative session, amends 735 ILCS 5/15-1503 and 735 ILCS 5/15-1508 to include provisions that give municipalities additional tools to identify parties responsible for property maintenance.

How does the Act help municipalities identify a party responsible for property maintenance?

The Act requires that municipalities receive notice of foreclosure initiation (*Lis Pendens*) and confirmation of a foreclosure sale, along with important contact information for owners of potentially vacant property, for every residential property within their borders. A *Lis Pendens* includes the common address of the property, the name and contact information of the attorney representing the foreclosing entity and the name of the foreclosing entity. The notice of confirmation of sale includes the name, address and telephone number of the new owner of the property.

What do municipalities need to do to receive the information required by the Act?

There are two things municipalities need to do:

1. The Act requires municipalities to publish on their web-site and/or post in their main offices a single address to which notices can be sent. Municipalities should do this as quickly as possible so that they can begin receiving this important information. In the event a municipality does not specify an address for notices to be sent, the Act requires that notices be sent to the municipal clerk.

2. Municipalities should establish a system for organizing this information so that it can be retrieved and used effectively when a municipality needs to contact a responsible party. Municipalities will want to track the address of the property, the date of foreclosure initiation, the date of confirmation of sale, the foreclosing attorney and contact information, the foreclosing entity and the new owner of the property upon confirmation of sale along with related contact information. Municipalities that have put in place an early warning database (see Tool 1) or a vacant building registry (see Tool 4) should input the information into the database or registry.

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.

Key Questions

What types of collaboration are possible among municipal departments?
There are many ways municipal departments can collaborate to address vacant property issues. At a minimum, departments can collaborate to exchange information about problem properties and neighborhoods. Departments could also jointly determine priorities for addressing problem properties and/or neighborhoods. Other forms of collaboration include conducting joint inspections and creating an inter-departmental task force to focus on a specific charge.

Which municipal departments should collaborate on addressing vacant property issues?
While code enforcement departments are central to dealing with vacant properties, they can collaborate with any department that has responsibilities that might relate to vacant properties, including community development, economic development, housing, police, fire, public works, and municipal attorneys.

Which groups outside local government should municipalities collaborate with?
Municipalities can partner with community groups, developers, and property owners. When at-risk neighborhoods straddle municipal boundaries, it may be useful to collaborate with neighboring municipalities. And when dealing with county issues, such as tax delinquency, it may be valuable for municipalities to work closely with county officials.

Best Practices

Collaborate in any way possible.
Even small scale, informal collaboration can produce significant results. For example, informal information exchanges between heads of departments, between community groups and department heads or staff, or between staff members from different departments have been very effective.

Set goals where possible.
Goals should be established at the beginning of most formal collaborations so that each party knows what it is getting out of the arrangement and so that there is common understanding about the role each group will play.

Share information.
Productive collaboration relies on a steady flow of information that allows each group to pursue the core aspects of its job more effectively.

San Diego, California: A Comprehensive Approach to the Vacant Property Problem Premised on Collaboration

In the early 1990s, San Diego, California recognized it had a growing vacant property problem. In response, the city set up a task force to address the issue. The task force created a comprehensive program that relied on carrots, such as assistance to property owners renovating vacant buildings, and sticks, such as a more aggressive vacant property ordinance, to address the vacant property problem. What made San Diego's program so successful over the next decade, however, was the unique role collaboration among various city and community actors played in addressing the problem.

To promote such collaboration, the city hired a vacant-properties coordinator within the code compliance division. The vacant-properties coordinator brings together individuals from various municipal agencies to discuss the vacant property challenge. This collaboration among municipal agencies reinforced the success of the municipal attorney's special Code Enforcement Unit, which assists code enforcement officers in locating owners and provides advice about available legal options to address vacant property.

In addition to working with municipal departments, the vacant-properties coordinator communicates regularly with community groups, the real estate industry, and financial institutions to help enlist their support in identifying and maintaining vacant property. The vacant-properties coordinator has allowed San Diego to tackle its vacant property problem by bringing all stakeholders to the table and coordinating their actions.

Tool 4

A Vacant Building Registry

Use a vacant building registry to motivate owners to maintain vacant 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 and return them to productive use.

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.

Key Questions

What parties should be subject to registration requirements?
All registration programs require owners to participate. Since the foreclosure crisis has created more and more situations in which the owner cannot be found and is unlikely ever to be found, some communities, such as Boston, Massachusetts, and Chula Vista, California, require financial institutions with an interest in the property to register and maintain vacant properties.

What properties should be subject to registration requirements?
Municipalities must establish clear rules about what constitutes a "vacant" property. The definition can be based on whether and how long the property has been unoccupied, the physical attributes of the building, or some combination. In the wake of the foreclosure crisis, some communities apply the registration requirement to properties for which foreclosure has been initiated, regardless of whether the property is occupied.

How should the registration fee be structured?
The requirement to pay a registration fee, and to pay renewal fees at regular intervals, are critical factors in motivating owners to take action with respect to their vacant properties. The fee can be structured in a variety of ways to encourage owners to respond. For example, Burlington, Vermont has a flat fee, but it must be renewed quarterly. This creates an incentive to return the property as quickly as possible to productive use. Wilmington, Delaware, uses a progressive fee structure under which the fee increases for each year the property has been vacant. This creates a stronger incentive every year to return the property to productive use. As a further incentive for owners, some municipalities allow exceptions or waivers. For example, both Wilmington and Burlington offer fee waivers under defined circumstances,

such as if the owner is actively engaged in rehabbing the building or marketing it for sale. In Illinois, home rule municipalities have the clear authority to establish fees, but all municipalities should discuss appropriate fees with their municipal attorneys.

What requirements should be imposed on registrants?
In order to hold owners accountable and compel them to maintain and secure vacant properties, effective ordinances couple registration requirements with other obligations. Effective registration programs often include some combination of requirements to (1) identify, provide, and update contact information for responsible parties; (2) secure and maintain the property in accordance with local requirements and ensure periodic property inspections; (3) maintain a minimum level of liability insurance; and (4) develop a detailed plan for maintaining, rehabbing, reoccupying, or demolishing the building. The ordinance must also be clear about how much time owners have to take each of the required actions before penalties will be imposed.

What are the consequences of non-compliance?
Financial penalties provide an additional incentive for compliance and help to cover costs incurred by the community in the event of noncompliance. Such penalties can be in addition to those already imposed through code enforcement or nuisance abatement programs. Failure to register or to comply with any of the requirements imposed on registrants is typically subject to a fine. The City of Chicago's ordinance provides for a fine of not less than $500 and not more than $1,000 per day for non-compliance with any of the vacant property requirements, and each violation is a separate offense. Because some owners will not pay the fees and fines, municipalities should obtain judgment liens for unpaid registration fees and fines, including through administrative adjudication in those home rule communities which have such a process in place for collecting fines. This will increase the likelihood that a municipality will ultimately receive the money to which it is entitled. Another approach to collecting fees and fines, adopted by some home rule communities, such as Evanston and Mount Prospect, is to refuse to issue transfer stamps for the sale of vacant buildings until fees and fines have been paid.

Best Practices

Structure fees to motivate owners to take appropriate action.
Registration should be designed to prompt owners to get their properties back into productive use as quickly as possible. Fines for noncompliance with registration and maintenance requirements create an additional incentive. Specifying circumstances under which fees can be waived or refunded can provide further encouragement to owners and registrants to take appropriate action. Communities where the underlying housing market is basically sound will be better able to motivate owners to take necessary action.

Enforce the program in tandem with code enforcement.
Municipalities must identify properties that should be registered and ensure that the responsible parties comply with registration and other vacant property requirements. When there is a violation, a violation notice should be issued as quickly as possible. Serving notice on all parties with an interest in the property increases the chance that someone will respond. There should be timely follow up if the violation is not corrected, including referral for prosecution, imposition of fines and enforcement of judgments. Some municipalities have found that when the traditional owner cannot be found, letting the banks know the specifics of the building's condition, including by presenting pictures of the property, often results in a quicker response.

Make financial institutions with an interest in the property responsible when the traditional owner is no longer willing to maintain the property.
Communities like Chula Vista, California and Boston, Massachusetts are doing this and believe it is a very important tool for addressing the increase in vacancies due to the foreclosure crisis. It is important to impose responsibilities on such institutions early in the foreclosure process to prevent negative impacts on the surrounding neighborhood.

Make the requirement to register automatic when a property meets the defined criteria for inclusion in the registry.
Making registration an affirmative responsibility enables the municipality to issue a violation notice if an owner fails to register, giving it added leverage in stimulating registration.

Require registrants to develop a detailed plan to transition the property to productive use.
Such plans are a useful way of getting owners to think concretely and realistically about appropriate steps that need to be taken to identify and address problems with their properties. Developing a plan can be the beginning of a process of constructive engagement between the municipality and a motivated owner that can lead to an appropriate resolution with respect to the property.

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

Key Questions

What information can help a municipality determine how best to target resources?

Targeting resources should be a careful, collaborative, and deliberative process, but it does not necessarily require sophisticated data collection and analysis. Decisions about how to target resources can be made on the basis of whatever information municipal officials have gathered in their day-to-day duties. Getting the best information requires bringing together municipal officials from a number of different departments. Such information can be supplemented by property-level and area-level data maintained by various municipal departments or in an early warning database, as well as with area-level information that may be available from outside sources. For example, code enforcement officials may have strong instincts about which blocks or neighborhoods are most in need of coordinated municipal action. These instincts can be supplemented with information about foreclosure filings on that block, along with data from an outside source on crime and real estate market activity.

How can a municipality target resources by geographic area?

Municipalities sometimes decide to focus special attention on one or more defined geographic areas. They can use familiar divisions, such as census tracts, wards or neighborhoods, or any other division that reflects local concerns and priorities. An area could be as large as half of the municipality or as small as half of a block. Once the municipality is broken into different areas, a municipality can use available information, including the crime rate, the number of vacant property complaints, the existence of viable retail, the proximity of public institutions and transportation, and whether or not existing resources are being devoted to an area. With these factors in mind, a municipality will then be able to decide where to target its resources based upon its priorities. For example, one municipality might target resources to areas with low-need and many inherent strengths in order to prevent vacant properties from jeopardizing the stability of a neighborhood. Another municipality might target resources to areas on the brink of decline in order to prevent further destabilization of those neighborhoods. Still other municipalities might focus on communities with the greatest need even if they have relatively little strength in an effort to begin improving the area.

Key Questions

How can a municipality target resources according to the risk vacant property poses to the community?

Municipalities can choose to target resources to particular groups of vacant properties based upon how great a threat those properties present to the community. In order to target resources to any group of properties, a municipality must have a system for classifying individual properties according to indictors of greater risk. For example, a municipality may decide to target its code enforcement effort on properties that have one or more risk factors, such as delinquent taxes or initiation of foreclosure. Or a municipality may determine that a particular type of vacant property, such as multi-family properties, poses a significant threat, and therefore target resources on those properties. A municipality that has an early warning database will have a ready source of property-specific information that can inform its decisions about the most effective way to target resources.

Best Practices

Target municipal resources systematically.

Municipalities should think systematically about how best to use limited resources to tackle the vacant property problem. This means making decisions using a reflective process based upon data and experience, not necessarily or solely in response to complaints from the community.

Combine resources to meet goals.

Once municipalities have identified key goals, they should consider all the resources that can be used to further those goals and be sure that those resources are being targeted and used in a complementary way. For example, if a municipality chooses to target code enforcement in some neighborhoods, it will likely accomplish even more if, in addition to code enforcement, those neighborhoods receive additional police patrols and infrastructure investment.

Consider all available information to target resources.

Concrete information gathered from both formal and informal sources will dramatically improve resource targeting. Anecdotal evidence combined with property-specific and area-level information will help municipalities target specific areas or particular properties. Such information can also help municipalities develop their property maintenance objectives before they make decisions about how to target municipal resources.

Richmond, Virginia: Neighborhoods in Bloom

In the late 1990s, despite an influx of federal funding meant to revitalize communities, a number of Richmond Virginia's neighborhoods were being consumed by blight and crime. For years, the city had received federal Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) funds and spread the money throughout itstwenty neighborhoods. Although the funds helped individual blocks and homes, they did not help to revitalize whole neighborhoods. In an attempt to do more to stabilize and strengthen the communities most in need, in 1999 the city launched a program called Neighborhoods in Bloom, in which it targeted small areas within six of the twenty neighborhoods. These smaller areas, each encompassing about six to eight blocks, would receive the bulk of Richmond's CDBG and HOME funds.

To determine which neighborhoods would receive the funds, the city first created a planning task force consisting of the city manager, representatives of the city's code enforcement division and members of other city departments. The task force identified a number of indicators about the condition of the city's neighborhoods and their development potential, including poverty and crime rates and the number of vacant properties and owner-occupied housing. The staff then developed spreadsheets that used administrative data on those indicators to place each city neighborhood in four categories: redevelop, revitalize, stabilize or protect. The task force recommended that only neighborhoods in the redevelop or revitalize categories—which had the most vacant properties and the highest crime rates—would receive the funds. Representatives of the city's civic associations then toured all the neighborhoods that were being considered for targeting. Six specific neighborhoods were ultimately chosen and approved by the city council based on the task force and civic association input.

Once the neighborhoods were selected, the city and local community development corporations created a two-year plan and budget for each neighborhood that identified properties to be acquired, rehabilitated or demolished. After the first five years of the program, average home sale prices rose 9.9 percent per year faster in the target areas than in the city as a whole. As the program expanded to more blocks in the six neighborhoods, code enforcement officers evaluated code compliance of all properties within the larger area. Two years into the program, a total of 1,418 inspections had been conducted, 1,122 violations had been issued, and 810 violations had been resolved. From 2006 to 2008, 3,105 properties were found to be in violation and 3,093 properties were brought up to compliance.

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.

Key Questions

What types of property maintenance can a municipality perform and receive a lien?

The Illinois Municipal Code now provides two different ways for municipalities to get liens to recover the costs of nuisance abatement activities. The Code continues to authorize municipalities to obtain non-priority liens for specified maintenance activities, including cutting weeds and grass; removing garbage, debris, and graffiti; exterminating pests; and removing infected trees. The new law makes it possible to obtain priority liens for those same activities, and for securing and enclosing the exterior of an abandoned residential property.

What are the legal steps a municipality has to take to get a lien on a property?

To obtain a non-priority lien, a municipality must file a notice of lien with the county recorder and send a notice of the lien to the person to whom the most recent tax bill was sent. To obtain a priority lien under Illinois' new law, a municipality must follow the same steps required for non-priority liens, as well as new procedures that include making a good faith attempt to contact the owner of the property before performing maintenance and documenting certain steps taken during the process of performing maintenance.

How can a municipality recover its municipal liens?

Municipal liens are most commonly identified in the ordinary course of the title search process before the property is sold. Then, as the property is being transferred, money is taken out of the proceeds of sale to pay off the liens. Municipalities that obtain priority liens under the new law have a greater chance of recovering them in a foreclosure sale. If for some reason municipal liens are not paid at the point of sale, some municipalities attempt to collect them before permitting occupancy.

Best Practices

Expect to recover only the costs of authorized activities.
Municipalities should expect to recover costs only for those maintenance activities authorized by state law. State law precludes municipalities from placing a lien on a property for the costs of activities that are not authorized by statute.

Record all liens.
Municipalities should record all valid liens, no matter how small. The value of liens can add up over time. Having a lien on a property, no matter how small, also helps guarantee a municipality is informed about what is going on with a property.

Record all liens in a timely fashion.
While municipalities may have up to a year to record liens, it is important to record liens often enough that the municipality does not miss an opportunity to collect on the lien when a property is sold.

Notify all parties with an interest in the property.
Providing notice to all parties guarantees that a lien is enforceable and gives all properties with an interest in the property the opportunity to pay off the lien as soon as possible.

New Tool: Illinois Law Now Enables Municipalities to More Easily Recover Municipal Liens for Vacant Property Maintenance

Public Act 96-0856, passed in the fall 2009 Illinois legislative session, amends 65 ILCS 5/11-20 to include provisions that help municipalities recover the costs of property maintenance.

What does the Act do to help municipalities recover the costs of property maintenance in foreclosure?

The Act gives municipalities the option of conducting maintenance activities and then obtaining municipal liens with priority over mortgages in a foreclosure sale. If a municipality receives a priority lien, it can recover the value of its lien from the proceeds of sale after the taxes are recovered but before the mortgage is recovered. This is important because if the lien is a lower prioirity than the mortgage and the value of the property is less than the value of the mortgage, the municipality's lien will be wiped out.

What types of property can municipalities perform property maintenance on and obtain a priority lien?

Municipalities may obtain a priority lien for performing property maintenance activities on abandoned residential property. An abandoned property is any type of permanent dwelling unit that has been unoccupied by a lawful occupant for at least 90 days. Municipalities may perform property maintenance on such properties until the municipality receives a notice of confirmation of foreclosure sale.

What activities does the Act authorize municipalities to do to maintain vacant properties?

A municipality may obtain a priority lien for activities previously authorized by state law, including: cutting of weeds and grass; removal of garbage, debris, and graffiti;

extermination of pests; and removal of infected trees. Under the Act, municipalities may also receive a priority lien for securing or enclosing property. Securing a property includes boarding up the property, locking windows and doors, and otherwise making the property inaccessible to the general public. Enclosing a property means surrounding the property's parcel with a fence or wall or otherwise making the parcel inaccessible to the general public.

What steps must a municipality take to comply with the Act and obtain a priority lien?

In order to obtain a priority lien for property maintenance, a municipality must take certain steps to ensure that interested parties have the ability to maintain the property themselves and to document property maintenance activities undertaken by the municipality. These steps are as follows:

- After a municipality establishes that a property has been unoccupied for 90 days, the municipality must make a good faith effort to contact the legal owner of the property identified on the recorded mortgage. If the owner cannot be contacted or if the owner does not maintain the property, the municipality may maintain the property as long as the mortgagee or servicer of the property has not provided notice to the municipality of its intent to perform the required property maintenance.

- If a municipality receives such notice from a mortgagee or servicer, the municipality must give the entity 30 days to at least initiate the required action before the municipality can perform the required property maintenance.

- If a municipality chooses to perform property maintenance and wishes to obtain a priority lien, the municipality must maintain records, including a dated statement indicating how the municipality determined that the property was abandoned, a description of the actions taken by the municipality to contact the legal owner, and a copy of the agreement with the person or entity performing the property maintenance if the municipality does not perform the maintenance itself.

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.

Key Questions

How does a municipality get a receiver appointed for a property?
Under Illinois law, a municipality may petition the court to have a receiver appointed for a property that violates the minimum standards of health and safety under the applicable municipal ordinances. The municipality must provide notice of the petition to the owner. At the court proceeding, the judge decides whether the circumstances warrant the appointment of a receiver. Generally, judges appoint a receiver where continuing serious violations have made the property unsafe and a danger to the community. (Illinois law also allows entities such as non-profit housing organizations or community development corporations to bring receivership actions, but the law gives more flexibility to municipalities in receivership actions.)

If a judge rules that a receiver should be appointed, who can serve as receiver?
Municipalities usually propose a specific person or organization to serve as receiver, and judges usually accept a municipality's recommendation. In Chicago's receivership program, the city designated a non-profit organization to serve as the appointed receiver for all buildings in the program.

Once appointed, how does the receiver make repairs?
Once appointed, a receiver is authorized by the court to act much like the property owner for the purpose of making necessary repairs. Receivers are empowered to obtain approvals and permits and to make repairs or enter into contracts with others to make repairs. State law allows courts to "authorize the receiver to recover the cost of. . . maintenance, repair and rehabilitation." To pay for the repairs, the receiver can get loans that will be paid back with a special mechanism called receiver's certificates. In exchange for cash, the receiver can give the lender certificates that must be repaid with interest at a rate fixed by the court. If the property owner does not pay off the receiver's certificates with interest, the certificates become a first lien on the property, and are superior to all other encumbrances, except taxes. So as long as the property is worth more than the cost of the repairs, the person who holds a receiver's certificate should be able to get paid back.

Key Questions

Can municipalities petition for a receiver if the property is in foreclosure?
A vacant property that is the target of a municipal receivership action may have a foreclosure pending on it. Receivers can be appointed by a judge in a foreclosure action at the request of a mortgage holder, as well as by a judge in a traditional housing case at the request of the municipalities. While municipalities can have receivers appointed for properties in foreclosure, a municipal receiver must be cognizant of the foreclosure proceedings and make sure that the judge overseeing the foreclosure action, if it is a different judge that the one overseeing the receivership action is aware of the actions the receiver is taking. In some circumstances, a judge overseeing the foreclosure may require a foreclosure receiver, where one exists, to take the actions required by the judge in a non-foreclosure receivership action.

What are the costs associated with receivership?
Receivership can entail significant legal costs. Lawyers are needed to file the petition to get a receiver appointed. If a receiver's certificate isn't paid off promptly, lawyers are also needed to file a lien and foreclose on that lien. Receivership can also require significant financial resources, since municipalities sometimes give receivers cash to pay for repairs in exchange for receiver's certificates. Larger receivership programs, such as Chicago's Troubled Buildings Initiative, can minimize some of these costs by taking advantage of the efficiencies generated by the scale of a program and through the savings that take place as a program improves over time.

When should municipalities use receivership?
Municipalities use receivership infrequently because it is expensive and cumbersome. Municipalities should use receivership when the benefits of property repair and rehabilitation exceed the often large costs of administering and financing receivership. As a rule of thumb, that means it makes sense to use receivership when a property is causing very serious problems, which can be remedied with a significant investment in property repair. Using receivership to remedy these problems can involve either (1) maintaining and repairing the vacant property so that it no longer causes problems to the community, or (2) maintaining and repairing a property so that either the original owner or a new purchaser will purchase back the property by paying off the receiver's certificates and occupy and maintain the property.

Best Practices

Partner with non-profits.
Municipalities often have little or no experience rehabilitating, redeveloping or managing property. But many community development corporations and other non-profits have such experience in these areas, as well as track records in creating productive relationships with and among the municipality, the court, and lenders. These non-profits are often good candidates to be appointed as receivers.

Partner with financial institutions and the courts.
To ensure that receivers have access to the financial resources they need, municipalities should develop strong relationships with financial institutions and the courts. For example, administrators of the receivership program in Malden, Massachusetts, met with judges to educate them about the receivership process and secured a line of credit from local financial institutions before the program began.

Aggressively recover costs.
In situations when a municipality gets a receiver's certificate in exchange for financing the receiver's work, the municipality must be aggressive about recovering those costs, so the money can be used to repair or rehabilitate additional troubled properties. Municipalities must put a lien on the property based on the receiver's certificate for the cost of the work performed and then devote appropriate staff time to managing these liens and foreclosing on them as soon as possible.

Chicago, Illinois: Troubled Buildings Initiative

Chicago's Troubled Buildings Initiative (TBI) is notable for the magnitude of its effort. The City of Chicago established the single-family portion of TBI in September of 2004 and contracted with Neighborhood Housing Services (NHS) to serve as the designated receiver for the targeted buildings.

Working together, the City and NHS identified problematic properties, often already slated for demolition proceedings in housing court. Once such properties were identified, the City petitioned to appoint NHS as the receiver for the properties. Relying on significant resources from the City's Community Development Block Grant funds, NHS then performed property maintenance, remediation, and/or rehabilitation. This partnership has allowed NHS to manage over 120 active receivership cases at one time.

Malden, Massachusetts: Malden Redevelopment Authority (MRA)

The Malden Redevelopment Authority (MRA), a state-created agency that oversees the City of Malden's community development, uses receivership to systematically return vacant and abandoned properties to productive use. The MRA's receivership program thrives because of the comprehensive process and strong relationships it has developed with relevant actors. The MRA receivership program follows a refined process. First, every two weeks, members of the MRA meet with representatives of relevant city departments to discuss problematic properties in the community. Once these properties are identified, the owners of these properties are given seven days to address problems before the MRA brings a receivership petition in court. Once the court appoints the MRA as the receiver, the court approves the price of repairing the property as set by the MRA's team of rehabilitation specialists. The MRA then repairs the property within 120 days and returns to court and obtains a priority lien on the property for cost of the repairs. If the homeowner does not repay the lien within seven days of being notified, the MRA forecloses on its lien and auctions the property. Given the demand to live in Malden, the properties are usually sold at auction and the liens are paid. If there is money left over after the buyer pays the lien, then the MRA gives the balance to the original homeowner.

The MRA has developed a strong working relationship with the courts, financial institutions, and city. Prior to beginning its rehabilitation efforts, the MRA met with judges to explain the program. The MRA also had to educate city departments, residents, and businesses about its goals and program. In addition, the MRA met with financial institutions to secure a line of credit, which helps finance the repairs. The program has greatly reduced the community's number of vacant and abandoned properties. When the program started in 1996, Malden had 100 vacant and abandoned properties. In the summer of 2009, the number was in the teens.

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.

Key Questions

How can a municipality acquire properties?
Municipalities can simply purchase properties on the same basis as any other private actor. They can also acquire properties through (1) the use of eminent domain; (2) transfers from other government entities, private individuals or non-profits; and (3) the tax sale process. Acquisition through the tax sale process is generally the least expensive way to acquire large numbers of properties, but it is slow and time-consuming.

Are there any models for acquiring properties in a systematic way?
Land banking is the primary model for acquiring properties in a systematic way. A land bank is an entity created to acquire, hold, manage, and develop vacant and abandoned properties for public purposes. Land banks have been created by a number of state and local governments around the country and have succeeded in putting property back into productive use.

Should the municipality partner with non-governmental organizations?
There may be several reasons for a municipality to collaborate when it is acquiring properties. If a municipality is seeking to acquire properties as part of a rehabilitation, revitalization or redevelopment strategy, it is likely to be most effective by working in close collaboration with community development corporations or other neighborhood groups. In some cases, a non-governmental organization may have an easier time acquiring a property, such as when the owner wishes to donate a property for less than market value in order to obtain a tax advantage. Similarly, a non-governmental body may be able to act more quickly and with more flexibility to acquire a property.

When should a municipality acquire properties?
Municipalities should acquire properties when the community benefits of acquiring properties outweigh the financial costs of acquiring, holding, redeveloping, and selling the properties. The community benefits of acquiring an individual property may outweigh the costs of acquisition when an individual property is particularly important to a community or when it is in particularly bad shape. The benefits of acquiring a large group of properties will outweigh the significant costs of such an acquisition strategy when the group of properties is a key component of a long-term revitalization strategy.

Key Questions

Should acquired properties be maintained or demolished?
Municipalities are sometimes understandably reluctant to demolish buildings, but in some cases, a vacant lot may be easier to maintain and do less harm to the surrounding community than a vacant building. Demolition may be justified where the costs of repairing the property along with the costs the property imposes on the surrounding community (including additional police or fire costs and reduced tax revenue) are very significant. This sort of analysis is most likely to favor demolition in neighborhoods where there is limited demand for residential property, and there is little or no population growth currently or projected.

Best Practices

Leverage funding streams.
Where state, federal, private, or non-profit funding is available, an aggressive redevelopment strategy can be pursued with limited municipal funding. For example, Charleston, South Carolina, was able to jump start revitalization in targeted neighborhoods using federal funding under the Community Development Block Grant and HOME programs to stimulate private market activity.

Target resources and set priorities.
Because property acquisition is resource intensive, it is particularly important to acquire properties in a systematic, deliberate way, as part of a larger plan to stabilize or revitalize a community. For example, a municipality may have a bigger impact on a community by acquiring and returning to productive use several properties in one carefully selected area, rather than by acquiring the same number of properties dispersed over a broader area.

Charleston, South Carolina: Homeownership Initiative

The Charleston, South Carolina Homeownership Initiative provides a useful example of a successful land-banking model that does not require additional powers beyond those already allocated to Illinois municipalities. Using federal resources, such as CDBG and HOME funding, Charleston began by targeting a few blocks in one of its hardest hit communities. Through tax sales, purchase, and other opportunities, the City acquired a critical mass of properties in that targeted area and then began to secure those properties, at which point they transferred them to non-profits who were responsible for redeveloping them. Once the City was able to revitalize parts of the targeted blocks, the private sector followed, looking for opportunities, and redeveloped the remaining homes in that community. In this way, Charleston leverages private dollars with a small amount of federal funds.

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.

Key Questions

What procedures must a municipality follow before demolishing a property? Non-home rule municipalities must follow procedures set out in state statute, including petitioning a court before demolishing a property. Home rule municipalities can either use the court procedures put in place by state statute or establish their own procedures for demolition under municipal ordinance. Such home rule demolition ordinances must still meet relevant constitutional standards, including providing adequate notice and other due process protections.

How can municipalities recover the costs associated with demolition?
Municipalities can obtain liens with priority over all encumbrances except taxes for the costs associated with demolition.

Best Practices

Use in limited circumstances.
Demolition is an expensive, time-consuming and final action and so should be used only in limited circumstances. A municipality should make sure it has exhausted all other available options for bringing the property back into productive use before proceeding with demolition.

Provide adequate notice.
Municipalities must make sure owners are notified of the pending demolition with enough time to demonstrate a good faith effort to address the issues with a property. When faced with a demolition notice, some owners assume responsibility, saving municipalities the upfront costs and time associated with undertaking the demolition.

Chicago, Illinois: Fast Track Demolition

The City of Chicago, under its home rule police powers, has had a Fast Track Demolition ordinance in place since 1993. The ordinance allows the City to demolish vacant residential buildings that are a hazard to the community. Before demolishing a property, the City must give notice to all owners and interested parties. If the owner and interested parties do not adequately address the issues posed by the property, the City can proceed with demolition. This process allows the City to avoid the slow and costly process of seeking a court ordered demolition.

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