

Nobody Home

The Rise of Vacancy

Part I

By Jeffery Fraser

PittsburghTODAY.org

East Liberty Development, Inc. was still figuring out how to jump-start the housing market in the Pittsburgh neighborhood when it built 10 houses on Mellon Street across from a handful of vacant and blighted buildings. At \$105,000 for three bedrooms, a bath and a half, a two-car garage and a zero-percent second mortgage for income-qualified buyers, the new homes were priced to sell.

None of them did.

“Nobody was willing to buy on that block until we were able to tell them a good story, something concrete, about what was going to come about across the street,” said Kendall Pelling, project manager for the community development corporation. “We learned from experience that vacant and abandoned properties have a terrible impact on the housing market.”

Others are getting a similar education. Vacant and blighted properties are increasing across southwestern Pennsylvania, the state and the nation, robbing local governments of desperately needed tax revenue, consuming millions of tax dollars, eroding housing values, posing health and safety risks and complicating the already challenging job of reviving distressed neighborhoods.

In Allegheny County, a program for turning tax-delinquent vacant properties into community assets doesn't come close to keeping pace with the rate at which properties become vacant. And the story is the same throughout southwestern Pennsylvania.

In Homewood, mapping routes to get children to and from school without exposing them to mean streets littered with vacant lots and abandoned buildings is one of the first steps the Homewood Children's Village is taking as it attempts to improve the educational outcomes and overall well-being of children in one of Pittsburgh's most distressed neighborhoods.

In Philadelphia, one of the few studies of the price that communities pay for vacancy and blight reports that housing values fall by 6.5 percent citywide and that at least \$22 million a year is drained from the city in lost tax revenue and to cover maintenance, police and fire costs.

In Flint, Mich. and Cleveland, Ohio, land banks seize thousands of vacant tax-delinquent properties using laws Pennsylvania doesn't have, and sells, rehabilitates or tears them down following comprehensive blight redevelopment strategies that haven't been developed in southwestern Pennsylvania.

If there is a bright side to the growing problem, it lies in the opportunity vacant properties offer to redesign neighborhoods in ways that are better suited to their downsized populations, such as widening narrow lots found in many former industrial towns to accommodate fewer, but more marketable parcels, and turning empty lots and buildings into greenways, community gardens, recreational space and other amenities that give local housing markets more appeal.

“Any community that has blighted and abandoned properties and sees them only as a strain and a drain is undervaluing the real estate,” said Court Gould, executive director of Sustainable Pittsburgh, which last year published a comprehensive report on vacant property in southwestern Pennsylvania. “We need to be thinking about those properties as stranded economic assets.”

East Liberty Development, Inc. got the message. The new houses on Mellon Street sold after the nonprofit bought the vacant properties across the street and came up with a plan to renovate some of the vacant houses and build new ones on the other lots.

Recent Pennsylvania legislation offers municipalities, community organizations, and even residents a more expansive menu of legal options for dealing with neglectful landlords, absentee owners and the vacant and blighted properties next door.

But when dealing with tens of thousands of vacant properties, effective intervention comes down to a question of scale. And in southwestern Pennsylvania, local government attempts to combat vacancy and blight fall far short of recovering anything but a fraction of the vacant lots and houses found along city, borough and township streets.

Over the past seven years, the Allegheny County Vacant Property Recovery Program has helped put some 500 vacant, tax-delinquent properties into the hands of buyers interested in turning them into side yards, small parks and other neighborhood-friendly uses. At that rate of recovery, the program barely makes a dent.

The percentage of vacant housing in the county jumped from 6.8 percent to 9.4 percent over the past two decades – a trend experienced in every county in the region, according to U.S. Census data. More than 55,000 housing units, including apartments, stand vacant. And the Census Bureau doesn't count vacant lots, which greatly outnumber vacant houses.

“Even if we did 1,000 properties this year – and we won’t – I would have a job for life,” said Richard Ranii, who oversees the program as manager of the Housing and Human Services Division of the Allegheny County Economic Development Department.

A creeping crisis

Shifting, aging or declining population, weak housing markets, poor housing stock, crime, underperforming schools and other factors that make some communities less than desirable places to live -- all of these factors contribute to vacancy and blight. High mortgage foreclosure rates, decimated job markets other consequences of recession have exacerbated the problem.

Antiquated tax foreclosure systems can take years to move against delinquent properties, and many accrue several years’ worth of delinquent taxes and penalties. In depressed markets, such Homewood, where the average price paid for residential property was \$9,060 in 2009, back taxes and penalties can easily exceed the market value of a house, encouraging owners to ignore its upkeep or to walk away from it entirely.

“There isn’t a place I go where someone doesn’t talk about a problem property they are frustrated with,” said Irene McLaughlin, an attorney and consultant on vacant property issues for the Housing Alliance of Pennsylvania and others.

More than 11 percent of the houses and apartments across the United States are vacant, according to the 2010 U.S. Census. In states hit hardest by the mortgage foreclosure crisis, the rate is much higher – 17.5 percent in Florida, for example, and 16.3 percent in Arizona.

Nine percent of the housing in the seven-county Pittsburgh Metropolitan Statistical Area is vacant, up from 6.8 percent in 1990.

Cities tend to have higher concentrations of vacant property, and Pittsburgh is no exception with nearly 13 percent of its houses and apartments standing vacant. Higher rates are found in several nearby cities. The vacancy rate is 19 percent in Cleveland and Youngstown, Ohio. And 15 percent of Steubenville’s housing is vacant.

Even higher concentrations are found in poor urban neighborhoods and municipalities that have endured decades of economic decline. In other words, the places shouldering the heaviest burden are the most fragile and the least likely to have the resources to do something about it.

Many pay the price

While those living on blight-ridden streets are the most directly affected, studies suggest the economic and social costs of long-standing vacancy are widely shared.

What those costs amount to in southwestern Pennsylvania is unclear. Pittsburgh's year-old Land Recycling Task Force, planning department and others are working on an analysis of the economic impact on the city, which is expected later this year. And there is no countywide or regional accounting of the total cost of vacant property.

Philadelphia is one of the few places that examined those costs. Its study found that vacant properties reduce market values by 6.5 percent citywide and by as much as 20 percent in high-vacancy neighborhoods, resulting in an average loss in value of \$8,000 for each city household. Tax-delinquent vacant properties in Philadelphia owe an estimated \$70 million in back taxes, a sum that grows by \$2 million every year. And vacant properties consume \$20 million in city services a year, including \$8 million spent on code enforcement and maintenance.

When housing values plummet, those who are hurt the most include long-time homeowners, many of them senior citizens – the very people who tend to hold together what is left of declining neighborhoods.

“We got a call last year from an elderly woman in one of those neighborhoods,” said Rob Stephany, director of the Pittsburgh Urban Redevelopment Authority. “She had a \$9,000 bid from a contractor to replace her roof, which had started to leak. Her next-door neighbor's house had sold for less than that, about \$7,000. Here was a responsible, salt-of-the-earth-Greatest-Generation senior citizen asking whether she should repair her roof or just ride it out. That is loss of equity.”

Vacant and blighted properties also play a role in unraveling of the quality of life in a neighborhood and dimming the outlooks of those who live there.

For Malik Bankston, one of the more challenging aspects taking control of vacant properties in Pittsburgh's Larimer neighborhood and then creating gardens, parks and a safer and more vibrant place to live was convincing residents that it could be done. “It was tough getting a conversation going,” said the Kingsley Center director. “For so long, the neighborhood watched a deliberate kind of disinvestment play out, which resulted in us having one of the highest incidence of vacant and blighted property.”

More than 42 percent of the lots, houses and buildings in Larimer are unoccupied. And, like most neighborhoods with high rates of vacant and blighted property, crime rates are higher than citywide averages – in Larimer's case, 30-50 percent higher.

In Homewood, where nearly 44 percent of the lots and 28 percent of the houses are vacant, finding ways for school children to avoid them is a priority of the Homewood Children's Village, which is based on a program in New York's Harlem neighborhood that concentrates community support and services on mending the social fabric and improving children's outcomes.

“The impact of vacant and abandoned properties on kids is a real concern,” said John Wallace, a University of Pittsburgh associate professor of social work who spent several

years planning the Homewood initiative. “These properties are risk factors for crime, they’re a safety risk and they’re a health risk.”

The “broken window” theory argues that is not by coincidence. The theory, introduced by social scientists James Q. Wilson and George Kelling in 1982, has become widely accepted by law enforcement. It suggests that vacant and blighted houses, abandoned cars and other visible evidence of neglect send the signal that nobody cares, erode community controls and leave neighborhoods more vulnerable to crime.

Southwestern Pennsylvania police departments don’t track the relationship between crime and vacant property. And the few local studies that looked at the relationship offer contradictory, inconclusive findings.

Evidence elsewhere suggests the relationship is not benign. Philadelphia spends close to \$6 million a year on police and fire calls to vacant properties. A study published by the Federal Reserve Bank of Chicago reported violent crime rates in the city rose 2.3 percent with every 0.01 percent increase in mortgage foreclosures. After a sharp rise in foreclosures and vacancy, the Charlotte-Mecklenburg Police Department in North Carolina analyzed its records and found that high neighborhood foreclosure rates predicted higher crime rates, including violent crime, which rose steadily in those neighborhoods, but stayed much lower in places with few foreclosures.

Whether residents of neighborhoods with a high percentage of vacant, boarded-up stores and homes, litter and graffiti have a higher incidence of disease and premature death was a question RAND researchers looked at in 2003. Even after controlling for poverty, they found that those who live in deteriorating neighborhoods have higher rates of premature death and death by cardiovascular disease and homicide than people in neighborhoods that are not in decline.

That was not the only troubling effect they noted. In neighborhoods where residents were seen as willing to work toward a common good, the rate of premature deaths was lower. The one exception was in neighborhoods with a high number of vacant homes and other signs of decline, where the willingness of residents to help out made no difference.

Liabilities to assets

The flip side of vacant and blighted properties is that under the right circumstances they can be used to improve conditions in the neighborhoods they helped lead down a path of decline. In southwestern Pennsylvania, both public and private sector interest in reclaiming vacant property to add elbowroom and a little green to crowded urban neighborhoods is growing.

“With a lot of liabilities, your only option is to eliminate or reduce them. To be able to turn a liability into a asset is a unique opportunity,” said Frederick Thieman, executive director of the Buhl Foundation, which funded the Sustainable Pittsburgh report on

vacant property in southwestern Pennsylvania. “Vacant property provides us with such an opportunity.”

Demolition is a common municipal response to abandoned houses. Clarksburg, W.Va. took a low-interest state loan to finance a campaign against the blight that had accumulated during decades of economic decline, tearing down nearly 300 homes. More than half of the 900 vacant houses acquired by a public land bank in Cuyahoga County, Ohio last year have been razed.

“It’s like cleaning the cancer cells out of the body so the rest can be healthy,” said Frank Ford, vice president for research and development at Neighborhood Progress, Inc., a Cleveland neighborhood development agency. “It’s hard for me to say that. Like most of my colleagues, I was a preservationist 20 years ago. We rehabbed houses. That’s not feasible now. The market isn’t going to come back until we clear out the bad stuff and allow it to come back.”

“Greening” vacant lots is an increasingly popular strategy for helping turn around distressed neighborhoods.

In Pittsburgh, the city’s Green Up Pittsburgh program has put hundreds of vacant lots in the hands of community groups and residents who use them as neighborhood green spaces and side yards. Before Larimer residents decided to reinvent themselves as a green community, nonprofits used vacant lots to introduce them to ideas such as community gardens and urban farming. And in Homewood, a community group that began gardening vacant lots a decade ago established its own urban landscaping company and youth training program.

But before any house is rehabilitated or lot seeded with sunflowers, those interested in doing the work must take title of the property, which can be a time-consuming and costly process. In some cases, their local government lends them a hand.

Allegheny County, for example, helps municipalities and others acquire vacant properties through eminent domain-like powers granted in the state’s Urban Redevelopment Authority law and pays for clearing the title, which costs about \$3,000.

And Pittsburgh takes tax-delinquent properties through treasurer’s sales, “quiets” the titles and holds them in its land reserve until community groups arrange financing to buy them. But financial and staffing constraints cap acquisitions at 300 properties a year, which represents about 1.5 percent of the vacant houses and lots in the city.

Pennsylvania added a number of legal tools to help combat vacancy and blight in recent years. The state’s new conservatorship act, for example, allows community groups and others to petition courts to appoint a third party to take temporary possession of a blighted property, rehabilitate or demolish it, and then offer the property back to the owner for the cost of the work done or sell it under court supervision to someone else.

But the consensus best practice for tackling vacant property on a large scale is not available in Pennsylvania. Genesee County, Mich. and Cuyahoga County in Ohio are showing how land banking and property tax reform can be used across entire counties to take control of thousands of vacant tax-delinquent properties, keep them out the hands of slumlords and speculators and manage them as community assets.

In June, legislation to empower land banks was introduced in the Pennsylvania House of Representatives by state Rep. John Taylor (R-Philadelphia). The bill, which received the endorsement of Pittsburgh Mayor Luke Ravenstahl, is under consideration in the House Urban Affairs Committee.

But costs are an issue. Genesee County and other land banks are able to recover much, if not all, of their operating costs through sales and the collection tax liens and penalties.

Start-up costs are another matter. While a land bank in Pittsburgh is estimated to cost \$3.7 million a year to operate, it could take another \$15 million to clear the titles of the more than 7,500 vacant properties in the city's inventory, according to an unpublished report prepared for the city Land Recycling Task Force.

Spending that kind of money makes many municipal officials nervous, particularly when most face serious budget shortfalls. "We run into that all of the time," said Dan Kildee, a former Genesee County treasurer who now directs the Center for Community Progress, a nonprofit that specializes in vacant property issues. "But it ignores the costs taxpayers already pay for vacant property and abandonment. You have to measure the cost of change against the cost of the current path that we're on. Anybody who argues that the current path we're on is the right one isn't examining the full cost of vacant and abandoned property."

(Matt Stroud of PittsburghTODAY.org contributed to the reporting for this article).

#