From Blight to Bright: Tools to Mitigate Blight and Revitalize Communities Through Code Enforcement

Karen Black

MAY 8 CONSULTING
Karen L. Black, Esq.
May 8 Consulting Principal
University of Pennsylvania Lecturer
Healthy Rowhouse Project Co-Founder
Drexel University Lindy Institute for Urban Innovation Senior Research Fellow
Total & Vacant US Housing Stock

Total and Vacant Housing Units, 2000-2016

- Total Housing Stock
- % Vacant

Year

Total Housing Units

Percent Vacant

2000: 9.0% 105,000,000
2001: 10.8% 110,000,000
2002: 13.1% 115,000,000
2003: 13.1% 120,000,000
2004: 12.4% 125,000,000
2005: 12.4% 130,000,000
2006: 12.4% 135,000,000
2007: 12.4% 140,000,000
2008: 12.4% 145,000,000
2009: 12.4% 150,000,000
2010: 12.4% 155,000,000
2011: 12.4% 160,000,000
2012: 12.4% 165,000,000
2013: 12.4% 170,000,000
2014: 12.4% 175,000,000
2015: 12.4% 180,000,000
2016: 12.4% 185,000,000
Vacant Housing Units

A Quarter of Block Groups Have High Concentrations of Vacant Housing Units

- Less than 2% of Housing Units - 33%
- 2-5% - 20%
- 5-10% - 15%
- >10% - 26%
- No Vacant Houses - 6%
Status Quo Is Not An Option: High Cost of Vacant and Deteriorated Properties

- Municipal Services - $11 million
- Lost tax revenue - $9 million
- Decline in property values - $8-10 million
- Loss of investment - $8 million

Mon Valley PA
Huge Benefits when Eliminate Blight

• Reduces crime, in particular gun-related violence

• Improves health of residents

• Raises surrounding property values by up to 30% just by greening a vacant lot

• Increases tax revenue for city and school district
Remove blight

Blight is a symptom, not the underlying issue.
Underlying issue

Blight

Weak Demand

Blightburg ahead!
Municipalities Fighting Different Forms of Blight

- Vacant land: 22%
- Vacant commercial properties: 11%
- Vacant buildings: 12%
- Deteriorated homes: 30%
- Foreclosed properties: 33%
- Substandard rental properties: 6%
- Illegal rooming houses: 0%
- Other: 3%

URBAN: Blue
SUBURBAN: Red
RURAL: Green
ALL: Purple
Many New York Municipalities Have Significant Challenges.
Monticello, NY Market Analysis
# Monticello, NY Market Analysis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$72,839</td>
<td>71%</td>
<td>42%</td>
<td>2.50</td>
<td>4%</td>
<td>3</td>
<td>3%</td>
<td>29%</td>
</tr>
<tr>
<td>B</td>
<td>$64,737</td>
<td>78%</td>
<td>40%</td>
<td>4.70</td>
<td>7%</td>
<td>8</td>
<td>1%</td>
<td>40%</td>
</tr>
<tr>
<td>C</td>
<td>$47,824</td>
<td>63%</td>
<td>29%</td>
<td>4.18</td>
<td>7%</td>
<td>9</td>
<td>5%</td>
<td>46%</td>
</tr>
<tr>
<td>D</td>
<td>$33,756</td>
<td>59%</td>
<td>22%</td>
<td>6.16</td>
<td>8%</td>
<td>13</td>
<td>8%</td>
<td>63%</td>
</tr>
<tr>
<td>E</td>
<td>$32,348</td>
<td>51%</td>
<td>18%</td>
<td>4.43</td>
<td>5%</td>
<td>4</td>
<td>14%</td>
<td>48%</td>
</tr>
</tbody>
</table>
# Match Tools to Markets

<table>
<thead>
<tr>
<th>Tools</th>
<th>Brief Explanation</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent, strategic code enforcement</td>
<td>After completing inspections of all rental and vacant properties, focus on investor-owned properties in B, C, and D markets. All three market types have substantial percentages of investor-owned properties. Values in B and C markets should be sufficient support property investments. Where enforcing the code re: owner-occupied properties, pair with home repair grants and loans wherever possible.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacant property registration</td>
<td>Enforce most aggressively in downtown and in high value residential neighborhoods where owners can recover rehabilitation expenses through sale or rental.</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Enforce rental registration</td>
<td>Identified markets have a high percentage of rentals.</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Make village whole for code and tax liens</td>
<td>Markets experiencing the highest levels of tax foreclosure. Where the county pays all tax and code liens, it will incentivize the village to pursue code violations and make exterior repairs to be reimbursed from sale proceeds.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial counseling for at-risk owners</td>
<td>Markets that have high homeownership and troubling amounts of foreclosure.</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Federal and state law - Local government’s may enforce acceptable property conditions because deteriorated properties have “a profound adverse effect on the well-being of the community”
Tools to Address Problem Properties

- **What does it do?**
- **How does it work? What is needed to use the law effectively?**
- **How do we pay for it?**
- **What policies and practices will increase our chances of successfully using this tool?**
- **What types of property are covered?**
- **What legal documents will we need?**
- **What challenges will it solve?**
- **Who is using the tool now?**
- **Where does it apply?**
- **How can we combine this with other strategies?**
Gain the Owner’s Attention

The goal for strategic code enforcement is to change the owner’s stance

*from:* I’m going to ignore You
*to:* How much time do I have to get my property into compliance?
Compliance is the Goal for All Tools
Bring Together Allies and Partners/Establish a Task Force

City Agencies Include:
Mayor’s Office Departments
• Planning and Community Development
• Public Works
• Public Safety
• Police
• Fire
• Code Enforcement
• Judicial System
• Municipal Court
• DA’s Office
• City Council

Public & Quasi-Public Agencies Include:
• Land Bank Authority
• Housing Authority
• Public Schools
• Regional Commission

Property/Neighborhood Quality

Mayor and City Departments
Public Safety
Judicial System
Legislature
Public & Quasi-Public Agencies
Community Stakeholders

MAY 8 CONSULTING
Target Limited Resources

- Target enforcement efforts to 3-5 worst properties that have greatest negative impact.
- Reserve harshest penalties for absentee owners who have clear assets but refuse to invest in their properties.
- Do not impose severe fees and penalties on good owners or owners without money who will walk away from their properties.
- Publicize actions taken to motivate other owners.
Create and Proactively Enforce a Clear Framework of Standards

Transform the maintenance of building exteriors from optional to required

- International Property Maintenance Code
- Local ordinances
- Fines and penalties pay for enforcement
Critical Tool - Strategic Code Enforcement

• Goal is regulatory compliance - voluntary or involuntary
• Proactive and systematic, augments complaint-driven
• Database identifies owners of multiple problem properties
• Bundle enforcement actions for the magistrate/judge to be able to see patterns and take appropriate action
• Track noncompliance, fees, and penalties
Strategic Code Enforcement Can Change The Culture By Offering Clear Standards

- Creates tangible threat
- Fosters compliance
- Focuses limited resources on blighted properties
- Eliminates unfairness and targets efforts – waive fee if fix
- Shared code enforcement
Data-Based, Systematic Inspections Achieve Results

- **Los Angeles** (1998-2005) 90% of multi-family stock corrected 1.5 million violations. $1.3 billion reinvestment by owners.
- **Sacramento** (2008-2013): Reduced dangerous buildings by 22%.
- **Greensboro North Carolina** (2005-2007): Brought 8,700 properties up to code – reduced housing complaints by 61%.
Tools to Identify Property Owners & Learn Intent

Registration of Vacant Properties

• Statement of Intent
• Interior inspection
• Local agent
• Utilities terminated
• Liability insurance
• Escalating fee shifts monetary incentives
Tools That Require Owners To Take Action

- Mandatory timeframe for purchaser to make property code compliant
- Registration of rental properties
- Permit denial
- Tax sale eligibility standards
Tools Where Enforcement Fails To Demolish Or Transfer Properties

Require owner to pay for action taken wherever possible

- Demolition or abatement with code lien
- Zombie Properties
- Land Bank
- Asset attachment
- 19A
Enforcement Strategies

- **Lansing, MI Neighborhood Enhancement Action Team:** $150 monthly fee for properties tagged unsafe. Declined from 740 to 362 (2007 – 2013)

- **Los Angeles Rent Escrow Account Program:** Tenants receive rent reduction and put rent in escrow

- **Boston, MA Chronic Offender Point System:** Public registry for owners with chronic violations and police calls for arrestable offenses

- **Seattle Carl Haglund Law:** No rent increases on properties that violate the city's core standards for livability
Philadelphia Doors and Windows

- Structures *on blocks with at least 80% occupancy* must have working doors and windows or pay $300 per opening daily.

- Courts upheld legality.

- Increased surrounding sales prices by $74 million.

- Created 19% reduction in assaults and 39% reduction in gun assaults.

Homeowners Present a Challenge

Owner Occupied
Exteriors Only

- Change the culture – voluntary compliance where possible
- Enact clear laws and perform systematic enforcement
- Identify issues before they become too costly
- Avoid foreclosures when possible
Small cities including Buffalo and Syracuse have gained state authorization for administrative adjudication and ticketing under General Municipal Law §§ 380
## Loans for Lower-Income Owners

<table>
<thead>
<tr>
<th>Improve health</th>
<th>Preserve the city’s iconic housing stock</th>
<th>Become a more resilient city</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revitalize neighborhoods</td>
<td>Create neighborhood jobs</td>
<td>Stop abandonment</td>
</tr>
<tr>
<td>Slow the decline of home ownership</td>
<td>Allow seniors to age in place</td>
<td>Prevent displacement</td>
</tr>
<tr>
<td>Improve school performance</td>
<td>Lower healthcare costs</td>
<td></td>
</tr>
</tbody>
</table>

**Healthy Rowhouse Project**
Public Sector Market Intervention

Guiding Principles:

• Public subsidy is scarce; acting alone, subsidies cannot create a market

• Public policy and subsidy must leverage private investment or create conditions for investment to occur

• In distressed markets, build from strength by investing near strong assets

• The best decisions are based on the sound and objective analysis of quantitative and qualitative data
Reactivating First Property – Easton PA - $2.5 Million
Reactivating that First Property – OTR Cincinnati
Reactivating that First Property – OTR Cincinnati
Each Investment Builds Momentum