



Reclamation Activists Discuss Potential Remedies to Foreclosure Wave

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A group of roughly 550 people from across the country attended the second national Reclaiming Vacant Properties conference, a three-day event held June 1st through 3rd in Louisville, Kentucky. Sponsored by the National Vacant Properties Coalition, a project of Smart Growth America, Local Initiatives Support Corporation (LISC) and the Metropolitan Institute at Virginia Tech, conference participants focused on ways to restore vacant property to community-supporting use.

Two years ago, the first Reclaiming Vacant Properties conference focused largely on the issue of long-term abandonment. Now, the foreclosure crisis has led to a fresh wave of vacancy and blight — as well as fresh urgency for reclamation work. Maria Hampton of the Federal Reserve Bank of St. Louis underscored the scale of the problem: “1.2 million properties went into foreclosure in 2008. Eight million more may between 2009 and 2011. Lenders and communities alike are woefully under-resourced and unprepared for the large volume of real estate that is being processed and will continue to be processed in the near future.”

After welcoming remarks from Metro Louisville Mayor Jerry Abramson, the first evening’s plenary got right to business examining the scope of the challenge. In a panel moderated by Bob Edwards, former anchor of *Morning Edition*, participants included: Dan Kildee of the Genesee Institute and Land Bank of Genesee County (Flint), Michigan; Jay Williams, Mayor of the City of Youngstown (Ohio); Rob Simpson of the business group, the Metropolitan Department Association of Central New York (Syracuse); and Teresa Brice of LISC Phoenix.

Kildee, Williams, and Simpson all come from communities that have long faced disinvestment. Kildee noted that, “Today the company founded three blocks from my office [General Motors] declared bankruptcy. It’s been a long process: at one time, GM employed 79,000 in the City of Flint. Now it employs 6,000.” In Youngstown, according to Mayor Williams, the City lost 30,000 steel manufacturing jobs in about three years during the late 1970s; the population of Youngstown, which once was 170,000 is now at around 80,000.

By contrast, property vacancy in Phoenix and Maricopa County is quite new, in a place that until recently had been losing “an acre of desert every hour to development. “What message have we been giving people?” asked Brice. “That you’re not worth something if you don’t own a house? It’s a cultural message. It’s turned the American dream upside down. People don’t own a house to provide security for their families. People own their house so they can have an ATM. Well the ATM has broken down. What does it mean now?”

Complicating matters further is the fact that foreclosed property land is not always under the control of the community, making planning for reuse much more difficult. “Our community assets are controlled from folks that do not live here. You need to regain control so the disposition is controlled locally – not by a Florida real estate firm,” observed Simpson from Syracuse. One solution promoted by the conference are land banks, which give city or county governments the ability to intervene to acquire properties with tax liens to avoid speculators buying the properties at auction. In Flint, the Genesee County land bank authority has taken over 9,000 abandoned houses in seven years and helped prevent foreclosure on 2,300 homes.

Kildee argued that a silver lining in the foreclosure crisis, beyond the “transactional” opportunity to acquire land is that it provides a “real opportunity is for the first time in a long time we have a nationwide acknowledgement of a crisis. This ought to be moving us to fundamental changes. Federal regulation failed. Over-exuberance of housing policy failed. ... There has been a lot of failure. So this is an opportunity to make fundamental changes regarding development, communities, and the whole [real estate] business.”

The next morning’s plenary focused on the policy side of the equation. Don Chen from the Ford Foundation explained their approach. The Ford Foundation, Chen noted, began to work with vacant properties in 2002 and has sought to support the identification of best practices, research, communications and networking. The foreclosure crisis, Chen emphasized, has lent new importance to these efforts. Already, the current foreclosure wave has resulted in the “largest loss of wealth among people of color in history. African Americans and Latinos are experiencing [the equivalent of] a great depression right now.”

A key part of Ford’s response has been to place a \$50 million program-related investment (PRI) in the National Community Stabilization Trust, its largest single PRI ever. Piloted in the Twin Cities, the Trust is already in 80 cities and aims to facilitate bulk transfer of property to community groups in over 100 cities. Ford is also trying to strengthen community capacity by supporting the development of data collection information systems. Chen added that Ford recently completed a strategic planning process in which it reaffirmed three long-term goals: to de-concentrate poverty, increase affordability, and reduce blight— while adding a fourth new goal of increasing access to opportunities. Ford Chen said, seeks break down silos, with a focus on affordable housing, land use, and metropolitan work.

Frank Alexander, Professor of Law at Emory University and a national expert on land banking, followed Chen’s remarks. Alexander noted that the policy response to the foreclosure crisis has been disappointing. With \$75 billion in federal funding, “Loan modifications have been occurring at a greater rate than at any time in history: but it still such a small percentage.” Alexander said that, “Bankruptcy cram-down was the most important thing to do, but Congress decided not to do that two weeks ago.” One provision, however, that did make it into the “Helping Families Save Their Homes Act” passed by Congress in May, however, was a provision in Title VII that says that in a foreclosure “tenants’ rights survive foreclosure for at least 90 days and in certain situations up to the full length of the lease.” This marks, the first time in 70 years that federal legislation has determined the rights of parties in foreclosure,” Alexander said. ” It overrides all state law in the country.” In terms of the vacant properties reclamation movement, Alexander called for a push on mortgage foreclosure reform. If we don’t

do this,” Alexander added, “the foreclosure wave will continue. We need to begin to argue and advocate that if you foreclose, you must bear *all* of the costs of the foreclosure, including those borne by the community.”

Alan Mallach of the National Housing Institute followed Alexander and offered three somber predictions: 1) Foreclosures and REOs are going to continue to increase. All of the efforts to date may slow down the process and blunt the curve a little but won’t create fundamental change; 2) Prices will continue to go down and possibly stabilize in 2010, but it will not be until 2013 or 2014 before housing prices begin to recover to today’s levels and probably never get back to peak levels; and 3) We are in the middle of the hurricane – we are trying to fix our roof while the storm is still raging. Neighborhoods will continue to be destabilized by foreclosures. “It is a new and very difficult and very painful world we are in and it’s going to be that way for a few years,” Mallach warned. “Our work has just begun.”

In the closing session, George “Mac” McCarthy of the Ford Foundation sought to temper Mallach’s somber assessment. While agreeing that the situation was dire, McCarthy urged attendees to think offensively and seize the opportunity – the first such opportunity in decades, he argued —to shape a new urban policy in the United States. “The economic context has opened large windows for us to think about what we can do,” McCarthy stated. “It behooves all of us to develop the tools, to convey that information from settings like these to the White House. It is a job for Ford, but also for Smart Growth America and the National Vacant Properties Campaign – to be able to summarize and communicate these policies to Washington. There is an opportunity to do this and we have to think about how we are going to do that.”

“At the same time,” McCarthy noted, “We have to think about metering expectations... Who thought things would be getting better less than six months after the Obama administration took office? Now we are disappointed in what? ... We need to meter our expectations and understand certain things. The real economy lags finance by 9-12 months. We should expect to see declines for the rest of this year. Then we’ll start building out of that slowly. And we are going to be seeing big problems in the mortgage market for the next two-to-three years. Can we fashion a response quickly enough to avoid another negative cycle? I think we can.”

Following McCarthy’s remarks, Carol Coletta, head of CEOs for Cities, chaired the closing panel on possible future policy directions. Panelists were: Dvora Lovinger of Enterprise Community Partners; Geoff Anderson, CEO of Smart Growth America; State Rep. Harold Mitchell (D-SC); and Bart Peterson, a former Mayor of Indianapolis. Peterson noted that “local flexibility will always be the dream and goal of governmental leaders at the local level,” a point seconded by Mitchell. Lovinger recommended targeting the Appropriations bill to gain more support for community groups’ reclamation work, while Anderson spoke about the Transportation bill as an opportunity to direct more federal resources to support further development of public transportation. In Portland, Oregon, Anderson emphasized, “They drive on average six miles a day less. That’s a billion dollars of savings every year: It is their own private stimulus. They just generate the money by doing things more efficiently.”

For more information on the National Vacant Properties Coalition, see:
<http://www.vacantproperties.org>.