

Vacant & Abandoned Properties Task Force Report

City of South Bend
Pete Buttigieg, Mayor

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Introduction

The issue of vacant and abandoned properties has been a major concern for South Bend and cities like us throughout the Midwest. The economic shocks of past decades, combined with population shifts and changes in the housing market, have combined to leave communities like ours with more homes than families can fill, and many teetering on the brink between demolition and rehabilitation.

Shortly after taking office, I convened a group of city and county officials, private sector practitioners, and neighborhood advocates to form a working group on this policy challenge. Co-chaired by academic expert Jim Kelly from the Law School of the University of Notre Dame, this group took on the dual challenge of analyzing the dimensions of South Bend's problem, and assessing the elements of a comprehensive solution.

The Task Force met over a dozen times throughout 2012, and held three field hearings to share initial findings and gather input from affected neighborhoods. Based on this work, they were able to create a much more sophisticated view of the dimensions of our abandoned property problem than we have ever had before. Thanks to their work, instead of flying nearly blind, we now have a deep and rich body of data to guide policy decisions going into the future.

Even more importantly, the group was able to evaluate a number of short-term and long-term policy approaches to deal with vacant and abandoned houses. Their recommendations range from small tweaks to the way we already handle problem properties, to wholesale change in state laws governing the ability of municipalities to acquire and dispose of land.

There is no magic wand to deal with the issue, and the report's recommendations are not a cure-all. But the information and recommendations here will guide our administration's policy and activities as we undertake more proactive and ambitious action to improve our neighborhoods.



Over the next five years, we will coordinate internally and externally to address the problems described in this report, using the tools the task force has identified. Change will not come overnight, but citizens will see a difference in our responsiveness and efficiency in dealing with problem properties.

I also made a point of asking that the Task Force identify ways that citizens and private actors wanting to help address the problem can make a difference, and this report includes information on how you can be part of the solution. This is a community problem, and it will be addressed by the whole community—government and citizens working together to ensure every neighborhood is a great place to live.

A handwritten signature in black ink, appearing to read 'Pete'.

Pete Buttigieg
Mayor

fig. 2 The well-kept homes of River Park

Introduction

In the decade that I have spent working at the neighborhood, city, and state levels to help older communities confront the problem of vacant and abandoned properties, I have had no experience more fulfilling than serving with Mayor Pete Buttigieg as co-chair of South Bend's Vacant and Abandoned Properties Task Force. The Mayor recognizes the vital importance of effective strategies to deal with abandoned houses in South Bend's neighborhoods. The Task Force, in partnership with the City administration, reached out to those most affected by vacant property nuisances to develop solutions. This report presents those strategies so that the conversation may continue even as the City moves forward to facilitate the transformation of South Bend's vacant and abandoned properties.

Our work as a Task Force focused on understanding the problem, moving forward on immediate and long-term responses and marshaling the resources for helping older neighborhoods overcome the enormous challenge of vacant and abandoned houses and lots. Our report mirrors these four focus areas: Data-Driven Decision-Making, Code Enforcement, Land Banks and Tax Sales, and Resources and Reuse.

The working groups that took up each of these areas were guided by three principles. First, good decisions require a full understanding of the relevant information. Second, the success of any governmental intervention must be measured by the outcomes achieved more than by the outputs produced. Third, the communities most affected by the problem of vacant and abandoned properties must be engaged in shaping and implementing the responses.

As one way of moving forward on this last principle, the Task Force supplemented its bi-weekly meetings with three community hearings in three neighborhoods hardest hit by the problems associated with vacant and abandoned properties. The first two, held at Muessel Elementary School and Kennedy Primary Academy, focused on gaining input from community members about not only the problems they saw but also the solutions they could contribute. The third forum, held at Riley High School, allowed the Task Force to preview and receive feedback on its initial findings and recommendations.



The Report that follows is the work of many hands coordinated and led by the City's Deputy Chief of Staff Kathryn Roos. The members of the Task Force listed at the front of the Report served not only as deliberators but as workers. The Report would not have been possible without the help of several others, including Michael Cwidak-Kusbach, Malcolm Phelan, Frieda Fein, and Chrystal O'Connor. In addition to helping produce the report, city planner Elizabeth Maradik produced the Neighborhood Market Condition mapping system featured in the Data-Driven Decision-Making section. Although much of what the Task Force has produced amounts to guideposts for future action, this mapping system tool allows the City to make the critical resource decisions that will allow South Bend's neighborhoods to preserve and renew their vitality.

Jim Kelly
Co-Chair Vacant and Abandoned Properties Task Force



Executive Summary

To control the future of the vacant and abandoned properties problem in South Bend, the City needs to understand its past and present.

- The vacant and abandoned properties problem in South Bend has several causes, including population decline, loss of manufacturing, the national housing crisis, and effects of property value reassessment.
- At the request of the Task Force, the City's Department of Community Investment has mapped neighborhood market conditions to help the Department of Code Enforcement focus its enforcement and demolition resources.
- The City should make the information relevant to vacant and abandoned properties, especially vacant houses, available to the public through its website.
- The City should continue to evaluate and update not only its data, but also its approach to measuring neighborhood market conditions.

- Using the proper use of owner, property condition and neighborhood market conditions data, the City should categorize all abandoned houses into three groups, each with its own particular response or action:

Type of Abandoned House	City Response
Houses to be repaired now	Code Enforcement Order to Repair
Houses that can be repaired, but only later	Land Bank without Demolition
Houses that will not be repaired	Demolition, then Land Bank

- The City should develop regular progress reports about its efforts to prevent, reclaim and renew vacant and abandoned properties and make this information freely available to the public.

The City needs to focus Code Enforcement on what it can do best: Promptly eliminate abandoned house nuisances.

- Code Enforcement should identify which abandoned house nuisances can be eliminated promptly through either repair order proceedings or demolition.
- Code Enforcement should aggressively pursue repair orders only:
 - Against any owner who has the funds to complete repairs **and also**
 - On any abandoned house in a neighborhood with a market strong enough to support a rehabilitation loan on the property.



fig. 4 The community works to repair homes through Rebuilding Together



fig. 5 Rebuilding Together helps homeowners make repairs to their homes

- To guarantee that abandoned houses in healthy neighborhoods can be promptly repaired, the City should develop a vacant house receivership strategy.
- The remainder of the tax delinquent abandoned houses should be acquired by a land bank, after being demolished if necessary.
- The City should fund the demolition of all severely dilapidated abandoned houses that are both unlikely ever to be occupied again and will allow for beneficial reuse.



fig. 6 Older homes that have been preserved through rehabilitation

The City needs to pursue land banking efforts, both short and long-term, to make vacant lots and remaining abandoned houses available for productive use by new owners.

- The City should work with the County to begin the partial land banking efforts currently allowed under existing law.
- The City should continue to support statewide legislation that enables the establishment and funding of a third generation land bank to acquire tax-delinquent vacant properties through a reformed tax sale process and make them available for productive use.



fig. 7 Vacant lots are the ideal location for community gardens

The City should work with the community to develop resources and reuse options for vacant and abandoned properties.

- The City should partner with banks, other community financial institutions, as well as local non-profits to direct investment into neighborhoods in a way that will spur new stability and growth, including the building of new homes. The City should partner with community groups and volunteers to transform vacant lots into side yards for adjoining homeowners, community gardens or other community assets.

Data-Driven Decision-Making

Assessing the problem

History of vacant and abandoned properties

A number of factors over the years have contributed to the amount of vacant and abandoned homes in South Bend, including:

- Population decline
- Loss of manufacturing
- National housing crisis
- Property value reassessment

Population decline

Between 1960 and 2010 the City of South Bend's population decreased from 132,445 to 101,168, a 23.6% decline. During this same time period the St. Joseph County population (which includes South Bend's population) increased from 238,614 to 266,931, an 11.9% increase (see figs. 8 & 9).

Loss of manufacturing

Much of the population decline can be attributed to the decrease in manufacturing following World War II. Like many Rust Belt cities, in the second half of the 19th century, South Bend's industrial economy grew rapidly.

Locally owned and operated manufacturers included the Studebaker Brothers Manufacturing Company, the Oliver Chilled Plow Works, the Birdsell Manufacturing Company, and the Bendix Corporation, as well as numerous smaller supporting industries. However, in the years following World War II, industrial growth declined. South Bend was particularly hard hit when the Studebaker plant closed in December 1963.

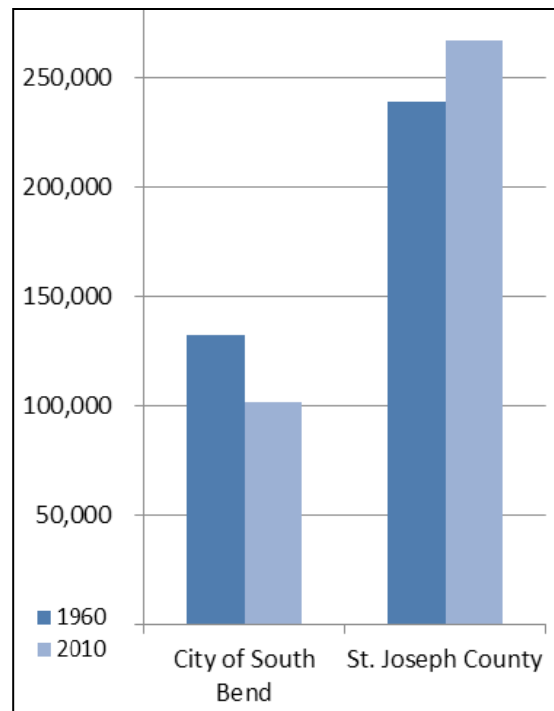


fig. 8 Population change, 1960-2010

National housing crisis

In 2006, the housing bubble burst and home prices began to fall, contributing to a nationwide rise in the number of foreclosures. The housing bubble impacted communities across the country and was driven by multiple factors:

- Relaxed standards for mortgage loans
- Housing price speculation
- Low mortgage interest rates
- Low short-term interest rates (such as adjustable rate mortgages or ARMs)

As housing prices fell, many homeowners soon held mortgages that were greater than the value of their homes. Homeowners were unable to refinance or sell their property given the gap between its value and what they owed the banks on the mortgage, trapping many in mortgages that they could no longer afford for reasons including unemployment or change in their mortgage interest rate (i.e. ARM).

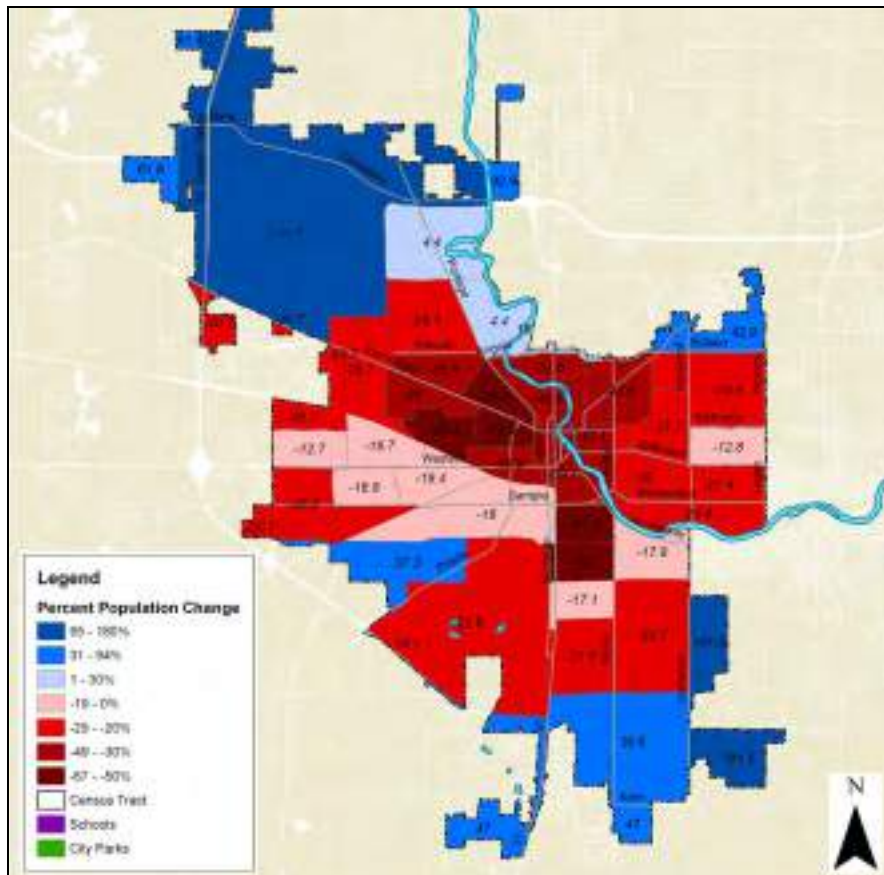


fig. 9 Change in South Bend population, 1970-2010

Lending institutions began the foreclosure process when homeowners were unable, or unwilling, to make their mortgage payments. Foreclosed homes flooded the market and housing prices were depressed even further.

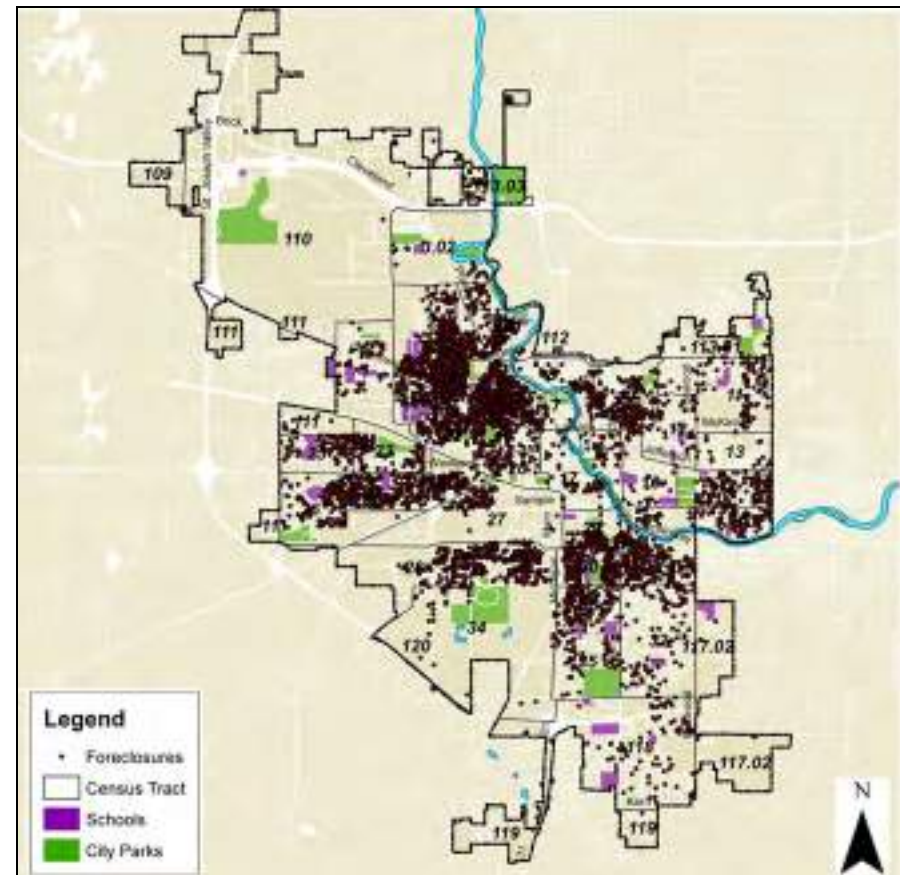


fig. 10 Foreclosures occurring in South Bend from 2001-2007

From 2001 until 2007 there were 6,777 foreclosures in South Bend alone (see fig. 10). The recent national economic downturn, or “The Great Recession,” was partially fueled by the housing crisis. It has resulted in high unemployment rates in the region and contributed to the continued uncertainty in the housing market.

Data-Driven Decision-Making

Assessing the problem

Property value reassessment

In 2002, St. Joseph County underwent a property value reassessment process to update the valuation of properties for taxing purposes. The new system resulted in significant increases in assessed values for many homes, especially in the older, central neighborhoods of South Bend. This ultimately resulted in large property tax increases for many property owners with tax bills from 2002 to 2003 increasing by more than 100% for over 25% of city parcels. This placed a significant - and unexpected - burden on many property owners when they received tax bills in 2003. If property owners could not afford to pay their increased taxes, they either became delinquent on their taxes or on their mortgage payments, leading to tax sale, foreclosures and/or abandonment.



fig. 11 Assessed values of homes in older neighborhoods increased significantly

Current Conditions

There is a general understanding that vacant and abandoned properties are a huge concern in South Bend, but what does that mean? What do our neighborhoods look like today? Several factors help to further describe the problem our community faces:

- Number of vacant and abandoned properties
- Location and concentration
- Focus on abandoned houses
- Ownership of abandoned houses



fig. 12 Vacant properties are located next to well maintained homes

Number of vacant and abandoned properties

The City of South Bend's Department of Code Enforcement conducted a citywide survey of all homes in the spring of 2011 to identify vacant and abandoned properties. Code Enforcement used the following definitions for its survey:

- Vacant property – no one has lived in the house for at least 90 days
- Abandoned property – the home is vacant (according to above definition) AND has a code violation that has not been addressed for more than 30 days.

As a result of the survey, over 1,900 properties were identified as vacant (see fig. 13). These properties can range from empty rentals to homes currently on the market or homes that are completely abandoned. Out of those 1,900 properties, Code Enforcement found that 1,275 homes were not only vacant, but also abandoned. It is important to note that abandoned properties are a subset of vacant properties, so all abandoned homes are vacant, but not all vacant homes are abandoned.

Location and concentration

There is a concentration of vacancy and abandonment in the central areas of South Bend. This can be attributed to a number of factors.

- Greater supply than demand
 - Population decline of more than 31,000 people from 1960 to 2010
 - Increase of 3,734 housing units from 1960 to 2010
- Expansion of city boundaries
 - Geographic area expanded from 23.9 square miles to 41.6 square miles from 1960 to 2010
- Increased housing options
 - Older homes in central areas some times lack modern amenities
 - New homes at edge of city offer large yards, master suites, and multiple bathrooms

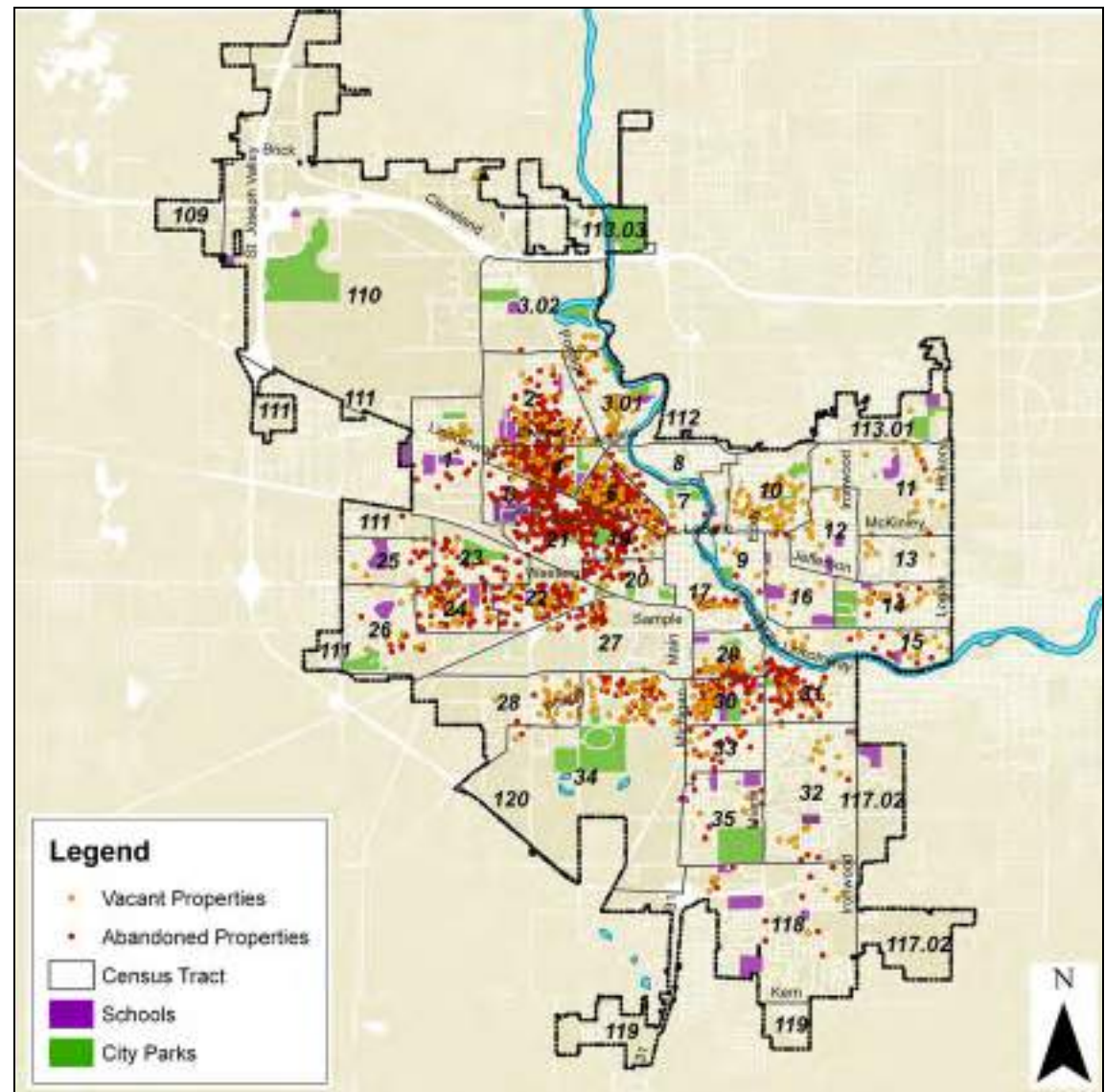


fig. 13 Vacant and abandoned properties

Data-Driven Decision-Making

Assessing the problem

Focus on abandoned houses

Abandoned houses are the main focus of the Task Force. These are vacant properties that have serious code violations that are not being addressed. In other words, an unresponsive property owner is negatively affecting the appearance and value of a neighborhood. Abandonment tends to occur when the cost of owning and maintaining a property is greater than the returns. No matter the circumstances, the owner ultimately decides that it is better financially to walk away from the house rather than to continue investing money into the property.

To move beyond the current state of the abandoned house problem to a more promising future, the City needs three key pieces of information: the physical condition of the structure, the financial resources of the property's owner, and the strength of the neighborhood real estate market. There is no data more important than the information obtained by Code Enforcement inspectors about the condition of the property. By understanding what needs to be done, the City can get a handle on how much money is needed to complete the repairs.

Ownership of Abandoned Houses

One of the main challenges of abandoned houses is the unwillingness or the inability of owners to make the necessary repairs. Contrary to widespread impressions, the City of South Bend does not own such properties. Private individuals or entities own the homes. Types of owners include:

- Homeowners that have walked away because of foreclosure and higher taxes
- The estate of a resident who has passed away
- Investor who has walked away due to over extension or after purchasing a property without realizing its condition.

Understanding who owns the property and what resources the owner has is every bit as important to the City's response strategy as knowing the condition of the property itself.



fig. 14 The surrounding area impacts the desirability of a house



fig. 15 A concentration of investment leads to a stronger market

Neighborhood market conditions

An abandoned house owned by someone who lacks the money needed to repair it presents a special problem. Ultimately, the City's judgment on whether that abandoned house can be repaired now or only later will depend on the economic conditions in the neighborhood around the property. The Task Force used available data to establish criteria to evaluate various solutions:

- Market condition classifications
- Market indicators

Market condition classifications

Solutions to address abandoned houses will differ depending on the market and causes. The Task Force quickly understood that the market conditions of the City's neighborhoods needed to be better understood in order to assist in finding appropriate solutions. As such, a framework for market condition classifications was established; this included four distinctive types that would reflect the housing market in smaller geographical areas throughout the City. We propose the following classifications:

1. **Conservation Area:** An area where the housing market is strong and little or no public intervention is needed. The private market should effectively address abandoned properties.

2. **Stabilization Area:** An area where the housing market functions relatively well, but is beginning to show signs of decline. Without some attention, the area could decline further. This is a transitional area where private investment still occurs and minimal public intervention is needed in order to help stabilize the area.

3. **Revitalization Area:** An area where the housing market does not function as well as it could and assistance and/or incentives are needed. The area is somewhat distressed and some private investment is occurring; some public investment is needed to improve the area.

4. **Reinvestment Area:** An area where the housing market has limited to no demand. This area has experienced significant decline, including widespread vacancy and abandonment. There is minimal private investment and public investment is needed.



fig. 16 Poorly maintained vacant homes have a negative impact on the surrounding neighborhood



fig. 17 Stronger markets need little public assistance to deal with abandoned homes

Data-Driven Decision-Making

Assessing the problem

Market indicators

In order to determine what areas in the city limits fall within these classifications, a data-driven approach was used to evaluate market conditions. Data was collected for nine indicators that reflect the current conditions of the housing market (see fig. 18).

All nine indicators were analyzed at a small-scale geographic level (census block groups) for the entire City. Based on the information gathered, each block group was classified (see fig. 19). See Appendix I for additional indicator information.

Indicator	Significance
Average Change in Assessed Value (% change from Pay Year 2003 to Pay Year 2013)	Assessments are completed through a market based analysis; home value indicates the strength of the housing market in an area; shows change in value for area over time
Percent of Abandoned Properties	Percent of residential properties that have been vacant for at least 90 days AND have an active code violation not addressed for at least 30 days; indicates that there is not a sufficient economic benefit to repair home (i.e. no return on investment)
Percent of Commissioners' Certificate Sale Properties	Percent of properties that were available at the Spring 2011 Commissioners' Certificate Sale; these properties have back taxes and were not purchased at the Fall tax sale; implication is that property has less value than back taxes and market demand is low
Percent of Foreclosures	Share of homes that have been foreclosed upon between 2001 and 2007; high foreclosures indicate areas where undesirable loan practices (subprime, predatory, etc.) and/or high unemployment and/or speculative buying occurred
Average Home Sale Price	Sales price reflects the strength of the demand for housing in an area; higher prices indicate stronger demand
Average Days Home on Market	Length of time it takes to sell a house reflects the strength of the demand in an area; areas where homes sell quickly indicate a stronger demand
Mortgage to Sales Ratio	Percent of home sales where a mortgage was obtained; mortgaged purchases tend to be homeowners vs. investors
Vacant Properties	Percent of residential properties that have not been occupied for at least 90 days; indicates desirability of area (i.e. if highly desired, homes will be occupied)
Homeownership Rate	Neighborhoods with high homeownership rates will signal more stable and more desirable areas

fig. 18 Neighborhood market condition indicators

The market condition classifications map, alone, does not determine where resources will be deployed. Rather, when moving forward to address vacant and abandoned properties, the neighborhood classification will be examined in conjunction with the location of existing assets, such as parks and schools, as well as where existing investment—both public and private—is occurring. As such, the analysis of the indicators and resulting map do not pick the “winners” and “losers” when it comes to abandoned properties and future investment.

This analysis helps to clarify the conversation on where efforts should be focused and what those efforts should be. The Task Force created a “toolbox” of activities that can help to address vacant and abandoned properties within each of the neighborhood classifications (see Resources and Reuse). Since the housing market differs in each of the four neighborhood classifications, different types of activities will need to occur within each of the areas for maximum impact. Once target areas have been identified, the table will be used to select the appropriate activities for implementation.

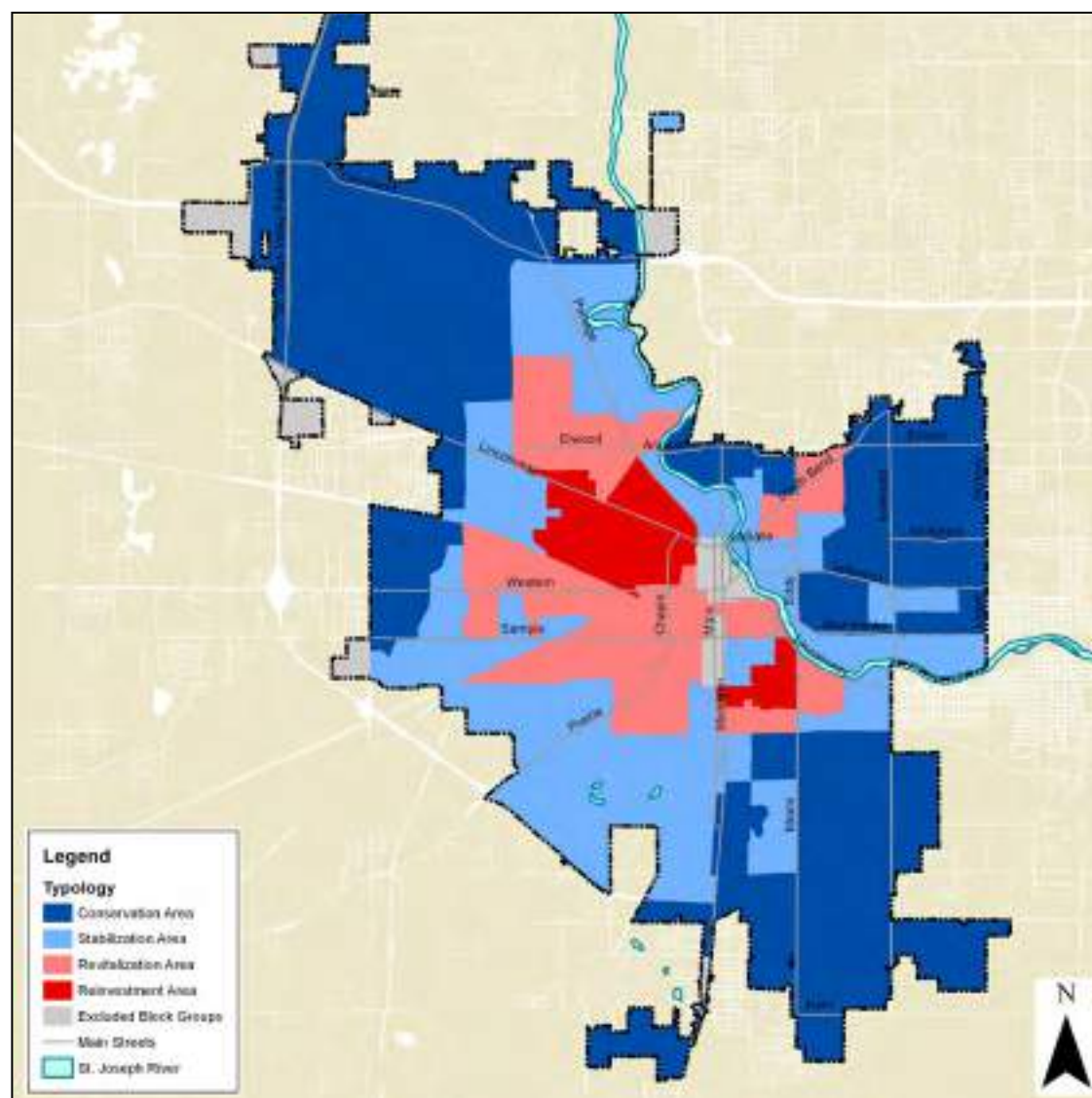


fig. 19 Neighborhood market condition classification by census block group

Data-Driven Decision-Making

Assessing the problem

Recommendations: What the City should do

Recommendation 1: Utilize data and the market condition classifications to assist with addressing vacant and abandoned properties.

- 1.1 Continue to collect data for the market condition indicators.
- 1.2 Begin collecting data to assist with a more in-depth understanding of the problem, such as predictive indicators to identify properties in danger of becoming abandoned (i.e. assist with targeting preventative activities).
- 1.3 Continue evaluating performance of areas based on neighborhood market condition classifications.
- 1.4 Modify, remove, and/or introduce new market indicators as appropriate to ensure the City is conducting an accurate evaluation of market conditions.



fig. 20 Market conditions help determine how to address vacant homes

Recommendation 2: Evaluate.

- 2.1 Update market conditions analysis over time in order to determine areas where the market conditions have improved, declined, or stayed the same.
- 2.2 Evaluate impact of actions taken based on changes in market conditions.
- 2.3 Modify strategies as needed, such as targeting different locations, changing the implementation process, etc.
- 2.4 Review descriptions and definitions for market condition classifications and modify as appropriate. This may involve modifying the definition and/or the inclusion of an additional category.

Recommendation 3: Keep the public informed about vacant and abandoned properties and the status of recommendations.

- 3.1 Share progress reports, including updated data and maps, on the City website.
- 3.2 Develop a straight forward reporting system the community can use to report code violations.

Recommendation 4: Seek out best practices for addressing vacant and abandoned properties, implement as appropriate.

- 4.1 Research and evaluate best practices for data collection and analysis.
- 4.2 Research and evaluate programs and initiatives, as well as their implementation, which can have an impact on the number of vacant and abandoned properties.
- 4.3 Research and review evaluation processes that can effectively examine City efforts.

Recommendations: What the community can do

Recommendation 1: Support City efforts by reporting conditions and circumstances surrounding vacant or abandoned properties.

- 1.1 Participate in Code Enforcement training sessions provided to neighbors by the City.
- 1.2 Use the City website to report code violations such as poor housing conditions, trash or tall grass.
- 1.3 Report vacant and abandoned properties through the City website and other available methods.
- 1.4 Use secure reporting methods to provide the City with sensitive information about a home such as when the owner is in a nursing home.



fig. 21 Initiatives like a side-lot program should be explored as a way to address vacant lots after demolition

Code Enforcement

Tackling Vacant and Abandoned Properties

Code Enforcement's Broad Responsibility

The Department of Code Enforcement ensures that the municipal code is being followed throughout South Bend and aims to maintain and improve the physical quality of life in our neighborhoods. Not only is Code Enforcement responsible for animal control and environmental issues – such as unmowed lawns or piles of dumped trash – but it also addresses housing code violations. Code Enforcement has a team of inspectors that monitors properties throughout the city – including responding to citizen complaints – for potential code violations. Code Enforcement can assess fines against property owners who break municipal code or continue to leave problems unresolved.

Code Enforcement is responsible for nearly every aspect of the City's response to vacant properties, including identifying, tracking, and responding to all types of abandoned property issues.

Legal Authority

Under Indiana's Unsafe Building Law, Code Enforcement can bring legal proceedings against property owners to compel them to address code violations found at their properties through:

- Administrative orders and hearings
- Demolition of the structure
- Order to repair the property

Administrative orders and hearings

Indiana's Unsafe Building Law provides for an enforcement authority (Code Enforcement) to issue orders regarding property, including orders to clean, repair, vacate, or demolish structures on the property. It also provides for administrative hearings at which the property owner may be heard, and at which the hearing authority may affirm, modify or rescind the administrative order and take other actions as appropriate. It also provides for an opportunity for the property owner to appeal to a court for review of the order, and for the City to seek additional relief by court orders.

Demolition of the structure

Indiana's Unsafe Building Law allows Code Enforcement to demolish an abandoned house if the condition of the property and the threat it poses to people or nearby properties justifies its removal. What does this mean for abandoned houses in South Bend?

Some cases are easy. When a home is severely damaged and becomes a danger to residents, such as the house in fig. 22, the property is torn down and removed as soon as possible. The City of South Bend currently has enough demolition funds annually to promptly eliminate houses in this extreme condition but not many more.



fig. 22 Fire damaged houses are a hazard to the community and are torn down as quickly as possible

Some properties are clearly severely dilapidated but require an interior inspection in order to make sure that they are beyond repair prior to Code Enforcement being able to pursue demolition (see fig. 23). But, once Code Enforcement is able to look inside a house, like the one shown in fig. 24, it will go through the required process in order to obtain legal authority to demolish the property. Once demolition has been affirmed by the hearing authority the property will be placed on Code Enforcement's demolition list.

Other properties, even when fully inspected, require a more thorough evaluation before a decision whether to pursue demolition can be made. Although the house is vacant, and may be abandoned, it does not mean that the house is beyond repair and requires demolition. The repairs required must be reviewed in order to determine if it is financially feasible for a property owner to make them (see figs. 25 & 26). Because the law recognizes that destroying private property is a drastic measure, the Unsafe Building Law offers the property owner an extensive set of notices, hearings and opportunities to repair the property. Unless there is an immediate danger to public safety, these proceedings take several months.



fig. 23 Exterior of a dilapidated home which requires inspection prior to pursuing demolition



fig. 25 Not all properties are easily categorized as demolition vs. repair candidates by looking at the exterior



fig. 24 Interior of above dilapidated house



fig. 26 An interior inspection of a property provides a clearer understanding of if it should be demolished

Code Enforcement

Tackling Vacant and Abandoned Properties

Order to repair the property

The Unsafe Building Law also allows Code Enforcement to bring a housing code violation before a hearing officer in order to compel the property owner to repair a house. The process for getting an order to repair is demanding on the City in both staff time and resources. Ultimately the legal process to obtain and enforce an order to repair can take months – if not longer. Legally, owners are given time to fix up properties – even if they may have no chance of rehabilitating the property during that time. Rehabilitation is often the most effective use of resources and by concentrating on properties that can be rehabilitated, Code Enforcement, in conjunction with the Legal Department, can pursue legal action that can assure rehabilitation of every qualifying vacant house.



fig. 27 Vacant house that is a candidate for order to repair proceedings

Targeted Code Enforcement Efforts

The enhanced enforcement tools of order for repair and demolition are very important in promptly eliminating abandoned houses from South Bend neighborhoods. Because both are so drastic, they require extensive investigations, notices to stakeholders, and legal hearings. This legal process that Code Enforcement must follow is ultimately very demanding on Code Enforcement and Legal Department staff time. Fig. 28 provides an overview of the required Code Enforcement legal process.

Even after that process, both call for significant money to eliminate the nuisance:

- The typical demolition costs \$6,000.
- The required rehabilitation is certain to cost the homeowner at least that amount and can require many times more.

In the end, these enhanced enforcement tools work if and when the money is available. So Code Enforcement must strategically utilize its resources by:

- Focusing its order-for-repair efforts
- Prioritizing the demolitions list

Focusing order for repair efforts

By collecting and using data about neighborhood properties and market conditions, Code Enforcement can concentrate on the relatively few abandoned houses either owned by persons that have the resources to fix them up or in neighborhoods with market conditions strong enough to support investment. If an owner does not need a loan to rehabilitate the abandoned house, Code Enforcement should ask the court to force that owner to make repairs. If an owner lacks the funds to make the repairs, Code Enforcement needs to know more about whether or not house repairs can be financed.

If they strategically focus on obtaining and enforcing repair and demolition orders, they can quickly resolve abandoned house nuisances instead of continuing to spend resources maintaining the property and trying to work with unresponsive property owners who have long stopped caring for the house.

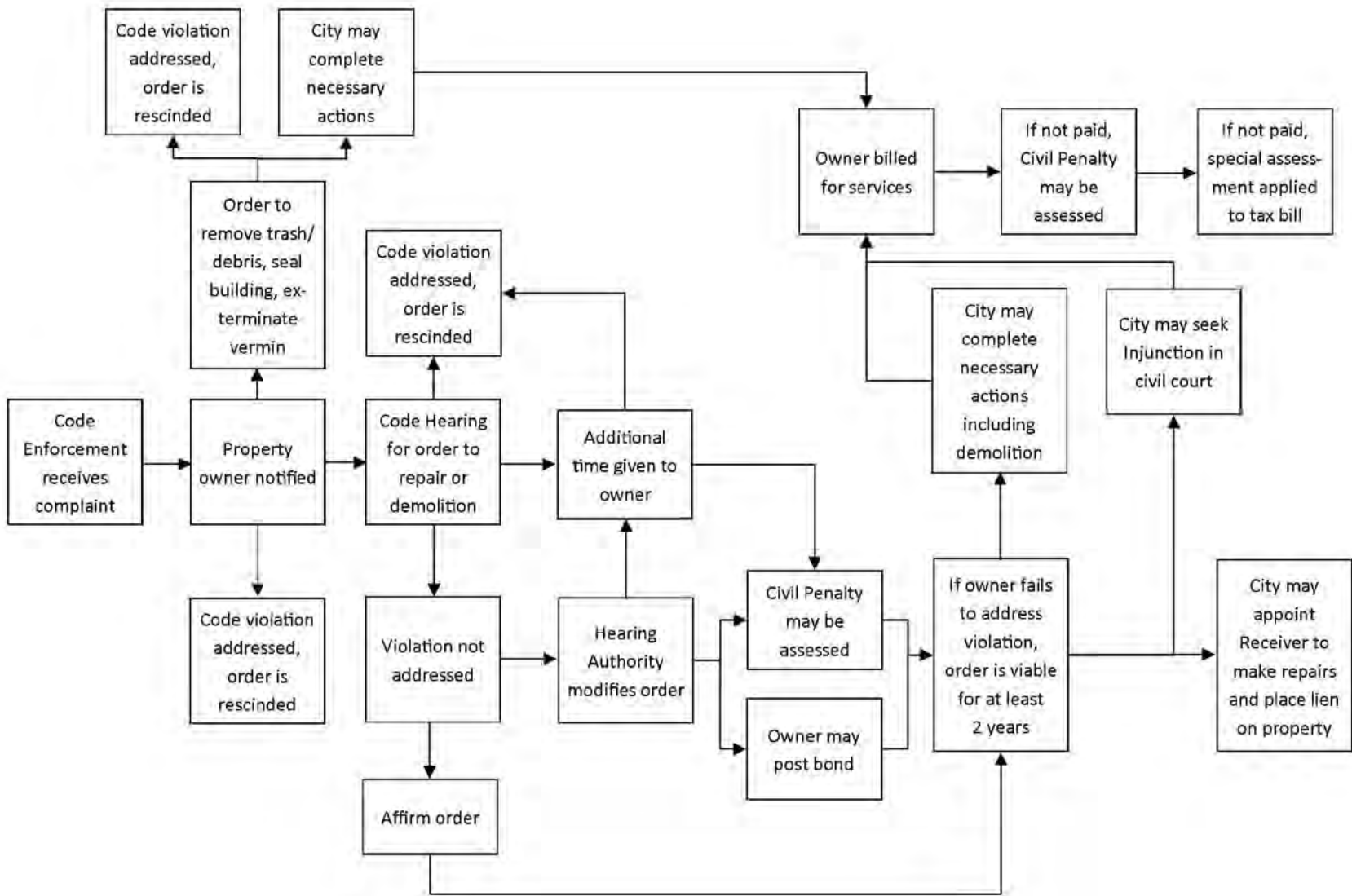


fig. 28 Overview of the legal process Code Enforcement must follow when addressing a violation

Code Enforcement

Tackling Vacant and Abandoned Properties

Prioritizing the demolitions list

Prompted by the Task Force's discussion of demolition priorities, the Code Enforcement sub-committee developed a form for taking all the relevant information about a severely dilapidated house and using it to assign a demolition priority score. Through this scoring process, Code Enforcement is bringing together data from its own inspections, 911 call activity, neighborhood market condition data, and historic preservation resources. A copy of the form is reproduced in Appendix II.

In reviewing the demolition priority score, the Task Force decided to use Code Enforcement's guiding principles in recommending how demolition funding should be increased and targeted. Because demolition is a drastic step for the neighborhood and not just the property owner, the City should not seek it in every case where the law allows it. Homeowners in strong market neighborhoods sometimes become so concerned about a dilapidated house that they urge its demolition rather than keep waiting for it to be rehabilitated. But creating a vacant lot, especially without a strong plan for its reuse, can hurt a neighborhood in the long-term.

Even in more struggling neighborhoods, tearing down every abandoned house that meets the legal test will not help that community, either right now or in the long run. The City recognizes the importance of evaluating the houses that pose the greatest threats to neighbors and first responders and the sites that offer the best opportunities for rehabilitation. As such, three factors identify which abandoned houses should be demolished as soon as possible:

- First, the house must be severely dilapidated, as the law only allows the public demolition of properties that have little or no possibility of repair.
- Second, there must be no chance that the house will be rehabilitated in the near future. While the law does not limit Code Enforcement's authority this strictly, the City cannot afford to tear down properties that might soon be part of a neighborhood block with more of its houses fully restored.
- Third, the City must move an abandoned house to top priority status only after there is a plan for the reuse of the vacant lot. Next door neighbors and community members anxious to see derelict houses removed can move the process forward by committing to care for the

new open space as a side yard, community garden, or pocket park.

With these three requirements in place, the City can assure community members that every teardown in an aggressive demolition plan will be a step forward to a more vibrant future for the neighborhood and the city as a whole.

Receivership and Land Banking: The Missing Pieces

While regular maintenance and repairs can usually be completed on a home in need of attention, especially under a repair order from Code Enforcement, some homeowners are unable to complete the necessary repairs. In these instances, the only hope for the restoration of that house may be with someone other than the current owner. When this happens there is a need for:

- Receivership
- Land Banking

Receivership

For an abandoned house in conservation, stabilization, or in many revitalization areas, the neighborhood real estate market may be

sufficiently strong to support a rehabilitation loan on the property. If the owner is unwilling or unable to get such a loan, the City can use a remedy under the Unsafe Building Law called receivership.

In a receivership proceeding, Code Enforcement asks the court to name a nonprofit or a qualified person to make essential repairs and place a lien on the abandoned house. If the lien goes unpaid, the receiver can get the costs back through a foreclosure sale, assuming the demand for the house is strong enough to pay for the repairs made. The City, in partnership with local banks, can work to set up a revolving fund to finance the repair of those abandoned houses that can repay the cost of rehabilitation upon resale. With a financed receivership process in place, the City would be able to assure homeowners in conservation, stabilization and many revitalization areas that every abandoned house can be promptly rehabilitated through Code Enforcement proceedings.

Land Banking

What about the abandoned houses in re-investment and some revitalization areas where the market is too weak to support

the private investment the houses need for immediate rehabilitation? Demolition may be an important step forward in many cases, but these properties need to be made available for productive reuse through a land bank. An abandoned house may not be able to be fixed up now because it's located on a block that already has several other abandoned houses. But, if a developer can easily and inexpensively acquire all the abandoned houses on that block, then the entire neighborhood has a dramatically brighter future. By acquiring abandoned properties and making them available in groups, land banks play a crucial role in facilitating productive reuse, providing a piece of the puzzle that Code Enforcement cannot. For more information on land banks see Land Banks and Tax Sales: Long-term Legislative Solutions.

Stabilization and Ongoing Maintenance of Abandoned Properties

In addition to eliminating abandoned property nuisances, Code Enforcement is also responsible for minimizing the harm caused by abandoned houses and lots that have not

yet been taken care of. As part of its legal proceedings against delinquent owners, Code Enforcement has sought permission to make essential exterior repairs, remove debris, and, in partnership with the Parks & Recreation Department, mow grass. The recently enacted Good Samaritan Law allows any person or group to clean up and mow the yard around a house that is or is suspected to be abandoned. To review the law and what it allows, please see Appendix III.

Community groups should explore possibilities for clean-ups of privately owned vacant lots and the yards of abandoned houses. The City has provided support and materials for clean ups of alleys, parks and other public space. The City should now explore with the Legal Department the possibility of supporting neighborhood efforts around vacant and abandoned properties. The City should also reevaluate which kinds of clean-up, repair and maintenance activity still require the costly legal proceedings Code Enforcement has been using prior to the passage of the Good Samaritan Law.

Code Enforcement

Tackling Vacant and Abandoned Properties

Recommendations:

What the City should do:

Recommendation 1: Increase financial resources dedicated to demolition.

- 1.1 Focus on significantly dilapidated abandoned houses that cannot be rehabilitated in the near future.
- 1.2 Focus on houses that sit on land that can be put to productive use, such as a side yard for a neighbor, a community garden or an immediate development site.

Recommendation 2: Narrow the focus of houses that go to repair order proceedings.

- 2.1 Focus on owners that can repair houses.
- 2.2 Focus on houses that are in neighborhoods with markets strong enough to support rehabilitation loans.
- 2.3 Focus on houses in areas with existing reuse strategies.

Recommendation 3: Develop Code Enforcement's capacity to pursue receivership.

- 3.1 Partner with local banks to establish a revolving fund.
- 3.2 Focus on properties in conservation, stabilization, and revitalization areas.
- 3.3 Develop a list of qualified receivers.

Recommendation 4: Continue to support and expand neighborhood group clean-up efforts.

- 4.1 Provide special trash pick-up.
- 4.2 Provide clean-up supplies such as trash bags and gloves to neighborhood groups.

Recommendation 5: Utilize available data to determine likelihood of repair.

- 5.1 Assess the financial resources of the owner.
- 5.2 Consider market condition of neighborhood.



fig. 29 Neighbors clear a sidewalk as part of a neighborhood clean-up

Recommendation 6: Reevaluate City processes given the enactment of the Good Samaritan Law.

- 6.1 Evaluate need to bring legal proceedings on abandoned properties in order to clean and mow vacant lots and the yards around vacant and abandoned houses.



fig. 30 Neighbors picking up litter

Recommendations: What the community can do:

Recommendation 1: Work with Code Enforcement to address vacant and abandoned properties.

- 1.1 Report vacant lot and abandoned house violations to Code Enforcement.
- 1.2 Participate in the Code Enforcement hearing process for order to repairs and demolitions when they are located in the resident's neighborhood and they have firsthand knowledge.
- 1.3 Report code violations, such as graffiti locations, trash, and unkempt lawns to the City.
- 1.4 Report suspicious and illegal activity surrounding vacant or abandoned houses.

Recommendation 2: Exercise the rights provided by the Good Samaritan law.

- 2.1 Remove trash around vacant and abandoned properties and lots.
- 2.2 Mow and weed vacant and abandoned properties and lots.



fig. 31 Neighbors work to clean-up a vacant lot



fig. 33 Neighbors clean an alley of litter



fig. 32 Neighbors work together to clean the neighborhood as part of the NNN's Adopt-A-Block program



Land Banks & Tax Sales

Long-term Legislative Solutions

Purpose and function of land banks

A land bank is a governmental authority created to address the problem of vacant and abandoned property within a community by eliminating barriers to redevelopment.

In the communities in which land banking is most effective, legislation empowers the land banks to efficiently deal with vacant, abandoned and tax-foreclosed properties through:

- Acquisition
- Management
- Disposition

Counties and cities generally do not have the resources or legal tools to acquire tax-delinquent vacant and abandoned real estate, but a land bank can streamline the title transfer process and make properties available for redevelopment on a large scale. Land banks are created as public authorities or non-profit public corporations that operate on the local level.

Acquisition

Land banks acquire most of their properties through a reformed tax sale process; land banks also may purchase property and receive donations of property from banks or private citizens.

Management

Once land banks have acquired a property, they evaluate the property and may make renovations or demolish structures based on the property's condition and prospects for sale. Some land banks maintain acquisitions as rental properties.

Disposition

Land banks facilitate both traditional sales and less commonly used paths to property ownership such as land contracts, rent-to-own options, and side-lot purchase programs. The variety and scope of land banking programs make them an effective tool to expedite the return of vacant and abandoned properties to productive use and to help revitalize communities.



fig. 35 Land bank operations

fig. 34 A homeowner rehabilitated this former foreclosure and incorporated a vacant lot into a garden

Land Banks & Tax Sales

Long-term Legislative Solutions

History of land banks

The idea of land banking as a tool to combat the problem of vacant and abandoned properties was developed in the 1960s and has evolved over time, each version addressing the issues of the day:

- First and second generations
- Third generation and beyond

The first and second generations

The City of St. Louis established the nation's first land bank in 1971, and over the next two decades, Cleveland, Louisville, and Atlanta established similarly structured land banks. These first generation land banks were an improvement over existing processes, but had limited success due to their narrow scope of authority to acquire and sell abandoned properties.

In 2002, Genesee County, Michigan (in which the primary city is Flint) established a land bank which was significantly more effective than its predecessors, with changes designed specifically to avoid the shortcomings of the first generation. Following this success, Cuyahoga County, Ohio, where Cleveland is located, re-structured its existing land bank based on the Genesee model.

These second generation land banks have both received national attention for the success of their programs.

- Cuyahoga County Land Reutilization Corporation (CCLRC)
 - Operating for 2 years
 - Returned almost 100 properties to productive use
 - Demolished over 300 properties
 - Holds over 900 properties in inventory

- Genesee County Land Bank Authority (GCLBA)
 - Operating for 9 years
 - Demolished over 1,700 buildings
 - Holds over 8,000 properties in inventory
 - Returned over 5,000 properties to productive use
 - Raised \$12.8 million in tax revenue
 - Increased property values by 10.7% in Flint, Michigan in first three years



fig. 36 Land banks across the United States

Third generation and beyond

The success of the Genesee and Cuyahoga land banks inspired a new wave of land banking programs. These new land banks adopt the more efficient and effective structure of the second generation land banks, but their formative legislation is simpler, making it easier for individual counties to successfully form land banks. In the spring of 2012, the state legislatures of Georgia and New York passed acts authorizing third generation land banks. Similar legislation passed the Pennsylvania General Assembly in the fall of 2012.



fig. 37 CCLRC created pocket park from vacant lot

Tax Sales

The tax sale process is directly related to land banks as vacant and abandoned properties tend to cycle through tax sales repeatedly, never becoming productive properties on the tax rolls. Through reforms, the tax sale process could become part of the solution. To do so, there are several aspects of the tax sale process that need to be considered:

- Current tax sale process
- Commissioners' certificate sale
- Need for tax sale reform
- Solutions to the tax sale problem



fig. 38 GCLBA rehabilitated and sold this home

Current tax sale process

Tax sales generally are structured to help counties make up some of the lost revenue from unpaid taxes. The current process in most counties resembles something of the following:

- After a property has been deemed tax delinquent, the property is put up for tax sale in an attempt to recover the unpaid taxes.
- A private investor may buy a “tax certificate,” thereby paying the county all the taxes and fees owed.
- If the original owner does not redeem the property by paying the private investor back (in full and with interest) within the 1 year redemption period, the private investor may go through the legal process of taking the title to the property.

See fig. 39 and Appendix V for Tax and Commissioners' Certificate Sale process.

Land Banks & Tax Sales

Long-term Legislative Solutions

Commissioners' Certificate Sales

Each Spring, St. Joseph County holds a Commissioners' Certificate Sale; a property is eligible to be included in the sale if it has already gone through at least one tax sale—at which it was not purchased—and the owner has not paid the owed taxes and fees to redeem the property. At the Commissioner's Certificate Sale a property goes through a similar process as at tax sale. If unsold at tax sale and still behind on taxes then the prop-

erty is offered for sale again, only this time the Commissioners have the authority to offer it at a lower price than the unpaid taxes and fines. If the Commissioners' Certificate is purchased at auction, the original owner has 120 days to pay their unpaid taxes and redeem the property. If the property remains unsold (unless the back taxes and fees are paid) it will cycle through the process and go back to tax sale. There were a total of 1,909 properties available at the March 2012 Commissioners' Certificate Sale (see

fig. 41). Of the 1,909 properties available at the 2012 Commissioners' Certificate Sale, 1,299 (68.0%) were available at the 2010 sale, and 1,116 (58.5%) were available at the 2011 sale. There are 966 properties that have been available at all three of these Commissioners' Certificate Sales. These properties continually cycle through the tax sale and Commissioners' Certificate Sales without being purchased. In turn, the properties accrue additional taxes and fees.

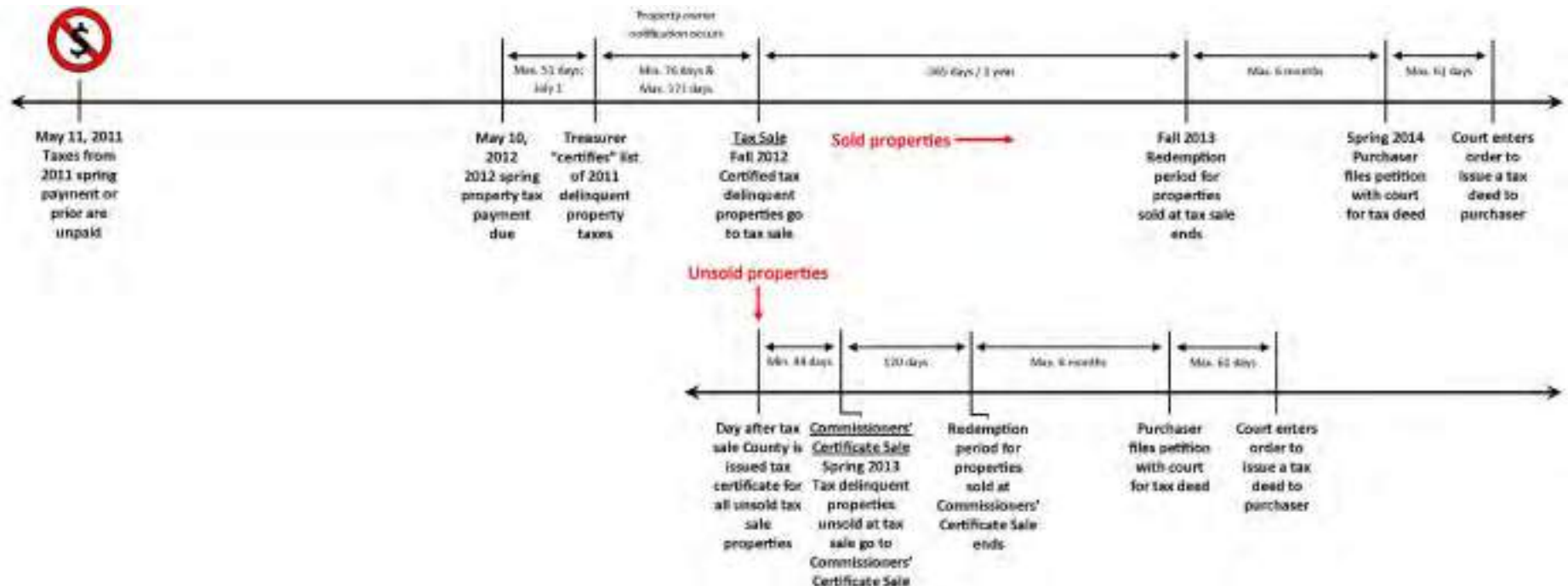


fig. 39 Tax sale and Commissioners' Certificate Sale process timeline

For example, one abandoned property located in the Near Westside accrued over \$6,500 of additional delinquent taxes, special assessments and fees in three years. By 2013, over \$8,000 of the delinquent funds owed were attributed to special assessments - such as civil penalties due to code violations.

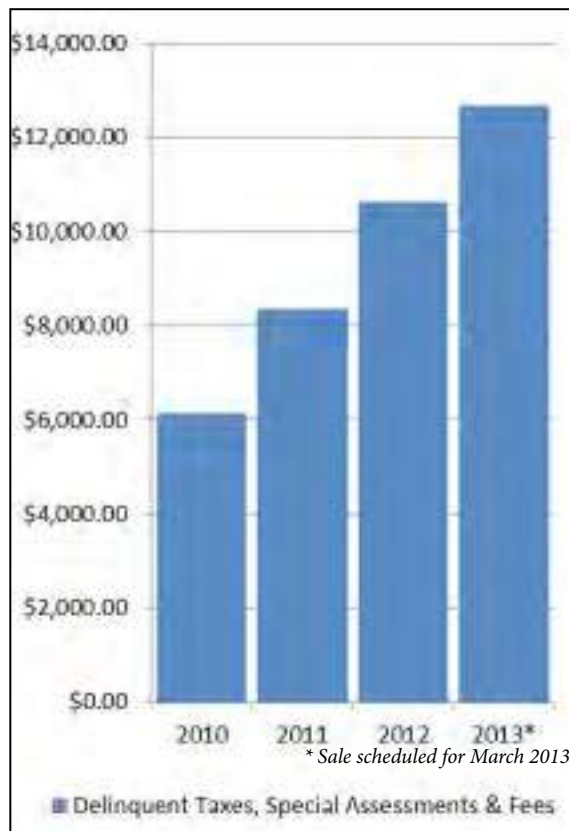


fig. 40 Example of taxes and fees accumulating for an abandoned property

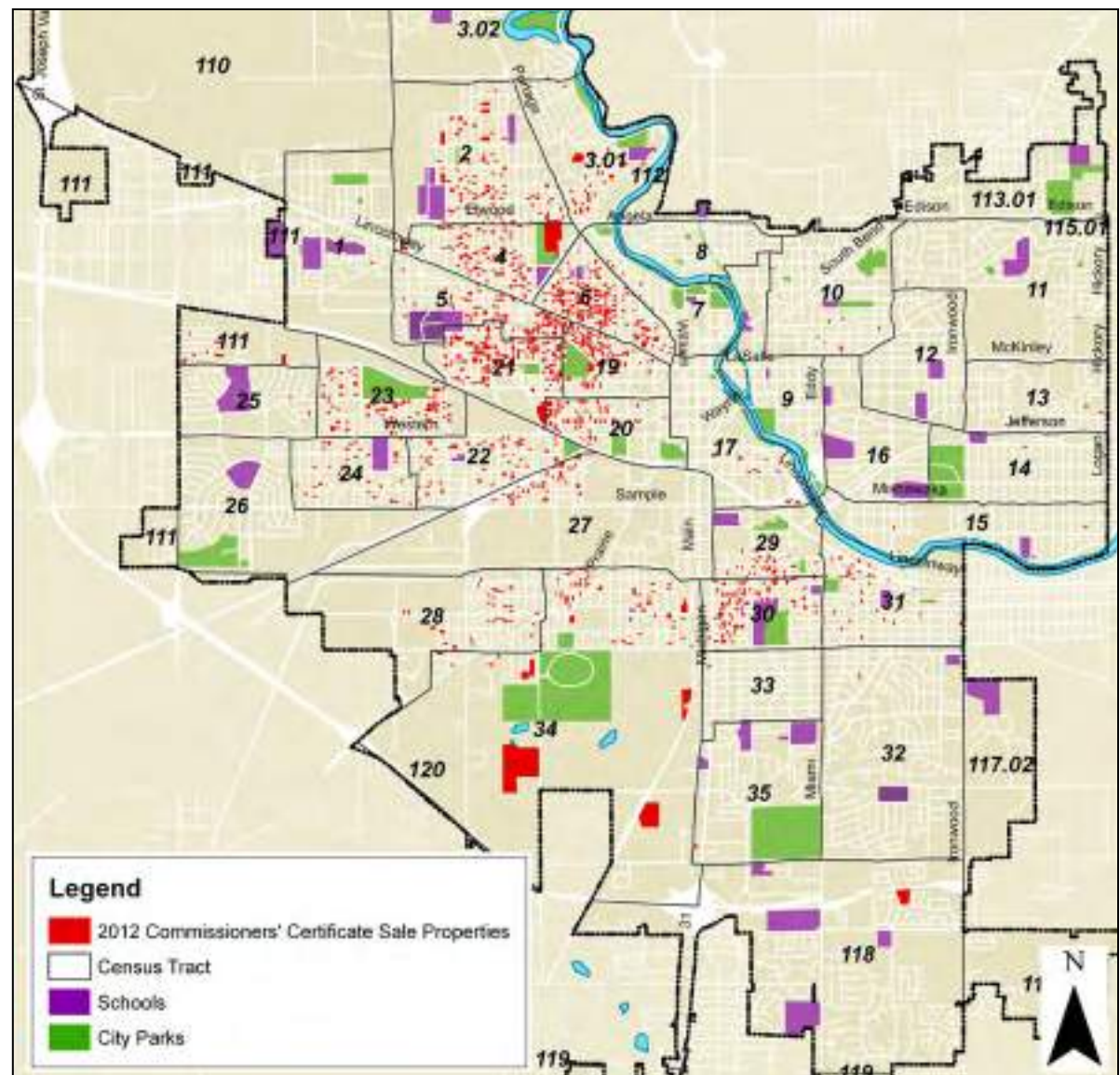


fig. 41 Properties available at the Commissioners' Certificate Sale, March 2012

Land Banks & Tax Sales

Long-term Legislative Solutions

The need for tax sale reform

Tax sales are designed to assist local government in recouping unpaid taxes, but there are some drawbacks to the process. Speculative investors have capitalized on the process by purchasing a property lien at tax sale:

- With the assumption that the original owner will redeem the property - since it is a desirable property they will not want to lose. When the original owner redeems the property, the purchaser gets all of their money back plus a generous interest rate – making the return on investment greater than other short-term investments.
- Or, investors could see an opportunity to take ownership of the property and make a profit on it, whether they flip it (sell it quickly) or use it as an investment property, such as a rental. In these cases the worst-case scenario, from the investor's perspective, is the original owner redeems the property and the investor makes a profit.

In both of these cases, the County receives the delinquent taxes owed on the property; but it does not always have a positive impact on neighborhoods.

Investors will “cherry pick” properties that they are fairly certain will be redeemed and benefit by receiving the high interest rate fee on their money. Since the investors generally focus on those properties with the most promise for redemption some believe that the original property owner will pay the delinquent taxes, plus fees, whether an investor purchases the lien at tax sale or not, and question why the extra funds go to the investor instead of local government. Yet others believe that only the pressure of losing the property is what makes the original owner pay their delinquent taxes so the money the investor receives is an important incentive in the process. To address both sides of the issue some have proposed that a portion of the interest paid by the original owner should go to the government and a portion should go to the investor.

Many times investors are not familiar with the local market and purchase a property lien at tax sale sight unseen. However, because of the change in the local housing market – due to many factors including population shifts, lower market values, higher taxes and other factors – the speculative investments do not always have the same return as they once did. As original property

owners are less likely to redeem their properties, third party investors were suddenly left with the title to properties in subprime housing markets that they were never intending to own.

The low housing values make rehabilitation prohibitively costly for many investors, meaning that the house remains in, or falls into, disrepair, undeveloped and at risk of falling into a continuous cycle of tax delinquency. If the property becomes abandoned then it leads to increased maintenance costs for the city, resulting in multiple liens accruing on the property. If the value of the liens builds up to be greater than the property's value, sale of the property becomes less likely – since the liens need to be paid off at the time of transferring the title - and opportunities for development decrease. Because of the current structure of tax sales, private investors do not have incentives to be a part of a redevelopment project that many of the properties available at tax sales most need. Instead of solving the problem of vacant and abandoned property, tax sales often make it worse.

Solutions to the tax sale problem

Land banking legislation has included reforms to the tax sale process to allow land banks to gain control of property tax sale inventories in need of redevelopment.

- In some counties, private investors no longer play a role in tax sales and the county retains all liens to tax-delinquent property.
- In other areas, the county, in consultation with the land bank, may choose to retain the liens to property it deems to be in need of development before the tax sale and any liens not retained by the county are offered to private investors at tax sale.

When the county retains the lien, there are two possible outcomes.

- If the lien is redeemed, the county makes a profit from the fees and interests on the delinquent taxes, and the original owner retains the rights to his property.
- If the property is not redeemed, the county gains the title to the property and can transfer it to the land bank. The property will then be entered into one of the land bank's programs with the eventual goal of reentry into the real estate market and return to productive use.

The reforms to the tax sale process remove the responsibility of abandoned property redevelopment from private investors and empower counties and land banks to effectively end the cycle of tax delinquency.



fig. 42 Well-kept homes contribute to the overall assessed values of surrounding homes

Land Banks & Tax Sales

Long-term Legislative Solutions

Redevelopment strategies for land banks

The second generation land banks employ a variety of redevelopment strategies to return properties on their inventories to productive use. After acquiring a property, the land bank's staff assesses its condition and the real estate market before making development recommendations specific to that property. Based on these recommendations, the property is channeled into one of the land bank's programs:

- Renovation or demolition
- Management
- Disposition
- Foreclosure prevention

Renovation vs. demolition

Houses acquired by land banks that are in poor condition are either renovated or demolished. Land banks manage the general processes of demolition and renovation, including hazardous material checks, bidding on contracts, and managing contractors. Several factors are considered before a property is renovated or demolished:

- Land banks renovate when:
 - Minimal or inexpensive repairs are required
 - The property is strategically located
 - Neighborhood market is strong
 - Probability of resale is high
 - The property has historical significance
- Land banks demolish in cases of:
 - Extremely poor or unsafe condition
 - Severely decreasing neighborhood condition
 - Exceedingly expensive renovation costs

Management

After land bank properties have undergone either demolition or renovation, they may not sell quickly and the land bank may have to hold the property in its inventory for a while. Land banks have developed various programs to prevent their properties from deteriorating:

- Buildings
 - Board up windows
 - Change locks
 - Disconnect utilities
 - Cut grass
 - Weather-proof

- Vacant Lots
 - Pick-up trash
 - Remove weeds
 - Cut grass

Many land banks offer maintenance programs that encourage community involvement. Private citizens or community groups are invited to apply for access to lots, which then become their responsibility. Often these programs include special initiatives to include local youth as a way to foster a sense of investment in the community.

- Community members are encouraged to
 - Plant gardens
 - Cut grass
 - Pick-up trash



fig. 43 Neighbors plant a garden on a vacant lot

Disposition

In counties where there is a need for land banks, demand for real estate on the open market is often low. Because of this, land banks have developed a number of programs to encourage potential buyers, especially low-income or first-time homeowners.

- **Rent-to-own** programs allow potential buyers to rent homes from their local land bank and have the option of counting rent payments toward the purchase of the house, resulting in eventual ownership.
- **Land contracts** allow land banks to finance the purchase of property and the purchaser repays the loan in installments, often with credit given for renovations.
- **Side lot transfer** programs allow current homeowners to purchase vacant lots next to their property at lower-than-market prices.
- **Market price sales** are more likely in neighborhoods with stronger markets and thus are more tempting to private citizens.
- **Large scale development** programs allow land banks to bundle and sell properties to developers. The process of collecting

individual tracts of urban land is costly for developers but once the tracts are assembled by the land bank they can usually be sold at market price.

Tax foreclosure prevention

Aside from managing vacant and abandoned properties, the second generation land banks often have tax foreclosure prevention programs. Working in conjunction with the county treasurer, a land bank can offer one- or two-year reprieves on delinquent property taxes to homeowners who demonstrate financial distress and can present a plan to begin making payments on their owed property taxes. Allowing greater leniency in tax foreclosure proceedings often results in the owner eventually paying back the delinquent taxes. In the meantime, the owner continues to be invested in the property. This prevents many of the biggest problems associated with vacant and abandoned properties such as the spread of blight and decreasing neighborhood property values.



fig. 44 Dilapidated vacant homes have a negative impact on a neighborhood (before)



fig. 45 If rehabilitated they can contribute to a neighborhood (after)

Land Banks & Tax Sales

Long-term Legislative Solutions

Funding sources

Second generation land banks are not financed through a general revenue fund, but instead receive funding from specific revenue sources. This funding comes from three main sources;

- Tax recapture
- Penalties and interest on delinquent real estate taxes
- Grants from the federal government

These are the three largest sources of land bank funding. Additionally, land banks have access to many less lucrative funding options. Land banks are generally able to take out loans against the property in their inventories to fund small-scale projects. Land bank funding is also supplemented by private donations and the profits from the sale of land bank properties, though neither tends to constitute a significant portion of a land bank's budgets.

Tax recapture

Tax recapture puts money generated by land bank operations back into the land bank. A portion of property taxes from all proper-

ties sold by the land bank is designated for the land bank for the first few years after the sale. For example, in Michigan, 50 percent of property taxes from all properties sold by the GCLBA are transferred to the GCLBA for the first five years after the property's sale. Though the county's general revenue fund technically only receives a portion of the property taxes, without the land bank's actions the county would not be collecting any taxes on the property. Thus the county ultimately stands to make more revenue under this cost-sharing agreement than if it collected 100 percent. Tax recapture alone generally will not sustain land banks in their first years of operations but may eventually provide most of the sustained funding the land bank needs.

Penalties and interest on delinquent real estate taxes

The existing reforms to the tax sale process that allow the county to retain the liens to tax-delinquent properties also create a significant new source of funding for the counties. When liens are redeemed, as most are, the county makes a profit from the fees and interest on the delinquent taxes. Land banks play a crucial role in the process by

acting as a repository for all liens that are not redeemed. Because of this, land banking legislation often contains provisions that allow the county treasurer to advance a portion of the profits from interest and fees on delinquent taxes to the land bank.

Grants

The U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program (NSP) had provided significant funding to assist with local land banking programs. These federal grants were especially helpful for demolitions and renovations, a land bank's most expensive activities. Both the GCLBA and the CCLRC received large federal grants. Without the grant money, the land banks would still have been functional, but they would have had to scale back their demolition and renovation programs. NSP was a one-time special allocation, but other federal programs such as Community Development Block Grant (CDBG) could potentially be utilized for some aspects of land banking.

State-wide legislation

Previous and current legislation in the State of Indiana can help South Bend address vacant and abandoned properties:

- 2006 reforms
- Current legislative efforts

2006 reforms

In 2006, the Indiana state legislature passed Public Law 169-2006 (HEA 1102), a series of reforms that allow county executives to more effectively address the problem of vacant and abandoned properties in their communities. Though based on the second generation land bank legislation, the Indiana law is somewhat more limited in scope. The 2006 reforms provide for:

- Changes to code enforcement procedures
- Allowing city or county department of development to form land banks
- Changes to tax sale process

The 2006 reforms allow code enforcement to issue penalties against properties that are repeat violators. These penalties can be charged as nuisance abatement liens, which if left unpaid, can be sold at tax sale and can lead to transfer of the property's deed. This expedites the process by which counties

can acquire the right to develop vacant and abandoned houses.

The 2006 reforms also authorized the establishment of partial land banks, which have powers very similar to most second generation land banks, allowing them to acquire, hold, develop, and sell property. Unlike most second generation land banks, however, the 2006 reforms create land banks under the direct control of local departments of development. Because of this, the land banks are potentially subject to personnel changes with each election cycle and do not have a guaranteed source of funding.

The 2006 reforms also allow the county to certify property as vacant and abandoned before tax sale. Once certified vacant and

abandoned, a property goes through an expedited tax sale which reduces the redemption period of its lien by six months, thus decreasing the period of time during which the property deteriorates and cannot be redeveloped. The new tax sale procedure also allows for the title of properties not sold at the tax sale to be automatically transferred to the county. The county may then transfer this property to a land bank for further redevelopment. Though land banks may develop properties not sold at tax sale, they are not able to select specific properties to be transferred before the tax sale, making it harder to enact long-term neighborhood development initiatives. Much of the language in Public Law 169-2006 refers specifically to Marion County, although all Indiana counties may take advantage of the reforms.



fig. 46 Proposed vacant and abandoned expedited tax sale process, as allowed by the 2006 reforms

Land Banks & Tax Sales

Long-term Legislative Solutions

Current Legislative Efforts

During the 2012 legislative session, the Indiana state legislature passed House Bill 1249, which created a study committee to research land banking practices and policy. The committee then drafted a bill based on third generation land banking legislation that would allow county and municipal governments to establish more effective land banks. This bill, House Bill 1317, was introduced in the 2013 legislative session and was again sent to a summer study committee to discuss the bill further.

The new legislation would expand on the 2006 reforms to allow land banks to operate outside of direct governmental control, offer funding sources and allow counties to further reform their tax sale processes. In the proposed legislation, instead of operating under the direct control of a department of the local government, land banks could be government authorities or non-profit corporations.

Also the draft legislation suggests specific methods of funding for land banks, not dependent on allocations from annual county or municipal budgets. Dedicated funding for

Indiana land banks would include 50 percent of the fees and interest on delinquent taxes, property taxes on properties sold by the land bank for the first three years after the sale, and all profits from the sale of properties. These changes would establish a relatively stable annual budget for land banks, improving their ability to achieve redevelopment goals.

The legislation being drafted would also overhaul the tax sale process. The redemption period for tax-delinquent properties would be changed to end before the tax sale, so that the deeds to tax-foreclosed property would be sold instead of the liens to tax-delinquent properties. All private buyers would enter the sale with the intention of acquiring actual property and would be more likely to be interested in playing an active role in its development. Land banks would have the option to acquire any unredeemed property they were interested in before the sale, giving them greater power to enact targeted redevelopment initiatives.



fig. 47 GCLBA was able to obtain this problem property, repair it and offer it for sale



fig. 48 CCLRC has this property for sale after rehabilitation

Recommendations: What the City should do:

Recommendation 1: Work with St. Joseph County to enact an intergovernmental agreement taking advantage of the 2006 reforms.

- 1.1 Improve the efficiency of the tax sale process by working with the county to approve definitions of Vacant and Abandoned properties so as to enact 2006 reforms.
- 1.2 Establish a partial land bank as allowed under the current law.
- 1.3 Implement strategic foreclosures of Code Enforcement liens.

Recommendation 2: Support third generation land banking and tax sale reform legislation at the state level.

- 2.1 Cooperate with legislators as the proposed bills are shaped and move through the State legislature.
- 2.2 Offer testimony to the severity of problem and the important role a land bank could play in South Bend.

Recommendations: What the community can do:

Recommendation 1: Support third generation land banking and tax sale reform legislation at the state level.

- 1.1 Call and write to local State representatives in support of land banking legislation and tax sale reform .



fig. 49 CCLRC returns homes to a positive influence on a neighborhood



fig. 50 A CCLRC home currently available for sale



fig. 51 A GCLBA rehabilitated home currently for sale



Resources & Reuse

Planning for the future

History of resources and reuse

To analyze and eliminate the problem of vacant and abandoned properties, the City of South Bend must use its resources to revitalize and cultivate sustainable, innovative ways to reuse vacant properties. The Task Force has explored the past and current use of federal funds to use them for vacant and abandoned properties in South Bend. The Task Force has also found new ways city residents can take advantage of vacant lots and open spaces to make their neighborhoods more vibrant places to live.

Early South Bend neighborhood revitalization efforts began in the mid-1970s and early 1980s; and have included physical development as well as neighborhood engagement, public services, and capacity building activities. At that time, federal funds were the only resources allocated to the physical work occurring in targeted revitalization areas. Since resources were scarce, the resulting work was limited in its impact.

South Bend is considered an “entitlement community” by the U.S. Department of Housing and Urban Development (HUD), which means that it receives a yearly alloca-

fig. 52 A home that was rehabilitated with Federal funds

tion of funding in order to develop viable communities by providing decent housing, suitable living environment, and opportunities to expand economic opportunities. Federal funding over the years has consisted of:

- Community Development Block Grant (CDBG) / Community Development Block Grant – Recovery (CDBG-R)
- HOME Investment Partnership Program (HOME)
- Neighborhood Stabilization Program 1 (NSP1) / Neighborhood Stabilization Program 3 (NSP3)

CDBG/CDBG-R

South Bend falls into a federal category called “entitlement community,” which means it receives an annual allocation of Community Development Block Grant (CDBG) funding. CDBG funding was as high as \$4 million in the early 1980s, but has been reduced to under \$2.3 million in 2012. These funds are used for activities principally for the benefit of low and moderate-income persons (up to 80 percent of area median income as determined annually by HUD). The federal government uses a formula to determine how much of the available funding is dedicated to each entitlement community.

The American Recovery and Reinvestment Act of 2009 provided a one-time allocation of Community Development Block Grant Recovery (CDBG-R) funding. This was provided for housing, community, and economic development and assistance for low-to moderate-income persons and special populations. All funds have been allocated and spent.

HOME

The HOME Investment Partnership Program (HOME) funds are also received as an annual allocation; the funds go to the St. Joseph County Housing Consortium (Consortium) which is composed of South Bend, Mishawaka and St. Joseph County. HOME funding has fluctuated over the years and has been reduced by Congress, resulting in current level of \$705,582 in 2012. These funds are used for the benefit of low and moderate-income persons (up to 80 percent of area median income as determined annually by HUD). The federal government uses a formula to determine how much funding will be dedicated.

Resources & Reuse

Planning for the future

NSP1/NSP3

South Bend also received funding through one-time special allocations based on federal legislation for Neighborhood Stabilization Program (NSP1) – made available through Housing and Recovery Act 2008 (HERA) – and Neighborhood Stabilization Program 3 (NSP3) – made available through Wall Street Reform and Consumer Protection Act of 2010, commonly known as the Dodd-Frank Act.

NSP1 and NSP 3 appropriations were created for emergency assistance for the redevelopment of vacant, abandoned, and foreclosed residential properties and allowed for a broader target population than other federal funds. This allowed governments to assist low, moderate, and middle income people (up to 120 percent of area median income as determined annually by HUD). All funds have been allocated and are largely spent.

All federal funded activities are defined by the St. Joseph County Housing Consortium's Housing and Community Development Plan (HCD Plan), which defines the type of activities, who will implement these activities, and the process by which awards will be

made. The 2012-2014 HCD Plan indicates the priority needs and objectives to support strong neighborhood revitalization activities. To see the HCD Plan in its entirety, please visit www.southbendin.gov/government/content/hcd-plan. See Appendix IV for more information on Federal funding and assisted programs.

Community Partners

Over time the City has developed partnerships with existing non-profits to implement programs that would address needs and priorities. With these relationships, efforts were usually limited to certain neighborhoods as defined by the HCD Plan. The partners that the City has worked with include:

- Neighborhood Housing Services, Inc.
- South Bend Heritage Foundation
- Near Northwest Neighborhood, Inc.
- Northeast Neighborhood Revitalization Organization
- Habitat for Humanity of St. Joseph County
- Housing Assistance Office

Neighborhood Housing Services, Inc.

Neighborhood Housing Services, Inc. (NHS) is no longer in existence. The organization was a non-profit that formed in 1979 in order to address housing related needs within specific South Bend neighborhoods.

South Bend Heritage Foundation

South Bend Heritage Foundation (SBHF) is a non-profit organization that has been in existence for over 30 years. The organization can work throughout the city, but mainly focuses its efforts in the near west side. The organization's housing related work includes rehabilitation and new construction.



fig. 53 A SBHF rehabilitated home



fig. 54 NNN neighbors clean-up a vacant lot during Adopt-A-Block

Near Northwest Neighborhood, Inc.

The Near Northwest Neighborhood, Inc. (NNN) began as a neighborhood association in 1974 and has since become a non-profit organization with a mission, in part, to provide affordable housing. The NNN completes rehabilitation and new construction of housing in the near northwest of South Bend.



fig. 55 A home rehabilitated by the NNN

Northeast Neighborhood Revitalization Organization

The Northeast Neighborhood Revitalization Organization (NNRO) is a collaboration between residents and area institutions with an interest in the northeast neighborhood. Partners include the University of Notre Dame, Memorial Hospital, St. Joseph Regional Medical Center, South Bend Clinic and the City of South Bend. The organization's work includes rehabilitation and new construction of housing in the northeast neighborhood.



fig. 56 A new home in the NNRO's Triangle development

Habitat for Humanity of St. Joseph County

Habitat for Humanity (HFH) is a county-wide non-profit organization. HFH works to provide safe and decent housing in communities by building new housing. HFH is an international organization; the local affiliate was established in St. Joseph County in 1986.

Housing Assistance Office

The Housing Assistance Office's (HAO) mission is to provide affordable housing to low-moderate income families. It operates and administers the St. Joseph County Housing Authority.



fig. 57 A newly constructed Habitat home

Resources & Reuse

Planning for the future

Current Operations and Funding

With 30 years of federal aid, our community successfully:

- Eliminated blighted influences
- Created several new public facilities by rehabilitating old, deteriorating, and under-utilized buildings
- Rehabilitated hundreds of homes throughout the community
- Built many new homes
- Helped new homebuyers to buy homes in South Bend

Currently, a number of programs address priority needs in South Bend—as identified in the HCD Plan. These programs assist with reducing the prevalence of vacant and abandoned properties by addressing housing as well as other neighborhood issues, like homeowner education and home rehabilitation. Services include:

- Housing counseling
- Owner occupied rehabilitation programs
- Rehabilitation and new construction of housing
- Homeowner down payment programs and financing assistance
- Demolition

Housing counseling

The City of South Bend is certified by HUD as a Housing Counseling Agency and offers a number of counseling options, including homebuyer education and foreclosure prevention. During 2011, the sole counselor in the City administration offered counseling to 214 households.

This work is important because it prevents foreclosures. Given the negative impact of foreclosures on a community and the spike of these issues during the housing crisis, preventing additional foreclosures is a high priority. As such, foreclosure counseling provides help to residents navigating the complex foreclosure process. In 2011, the housing counselor assisted 135 households with mortgage default issues. Budget counseling is also offered; if sought prior to missing payments, it can also help a household from reaching the point of foreclosure or help prepare them for homeownership.

In addition, homebuyer education counseling is offered for pre- and post- home purchase. This provides new homeowners with a fundamental education on the responsibilities of homeownership.

Owner occupied rehabilitation programs

There are three owner-occupied rehabilitation programs that offer assistance to income qualifying households:

- City of South Bend's South Bend Home Improvement Program (SBHIP)
- Rebuilding Together St. Joseph County
- Real Services Aging in Place Program

From 2007 to 2011, nearly \$3.4 million of federal funds were invested in over 450 homes. In many cases, the assistance provided allowed the homeowner to remain living in their own home, given limited options elsewhere. Geographically, SBHIP is a citywide program. Rebuilding Together works throughout South Bend, but it targets its resources each year to a specific neighborhood. Additionally, Real Services' Aging in Place program offers assistance to elderly homeowners in the 46619 zip code.

Rehabilitation and new construction of housing

The City partners with local non-profits to rehabilitate homes and construct infill single family homes for sale to homeowners. The rehabilitation of existing housing with robust

architectural features can return once vacant and abandoned homes to a positive reuse while new construction can reuse under-utilized properties (in some cases including demolition of a vacant property).

Homeowner down payment & financing assistance

Home ownership generally stabilizes a neighborhood and its value. The REWARD Program offers down payment assistance and Community Homebuyers Corporation (CHC) offers mortgages and subsidies to income qualified households. Both of these programs are leveraged by private community investment through local financial institutions. CHC is a consortium of six local financial institutions that pools resources to provide mortgages. Additionally, the required pre- and post-counseling provide a new home purchaser with an essential understanding of being a homeowner, increasing the likelihood of their success. Both REWARD and CHC have assisted 80 households from 2007 to 2011 with a combined investment of just over \$1.3 million in federal funds.

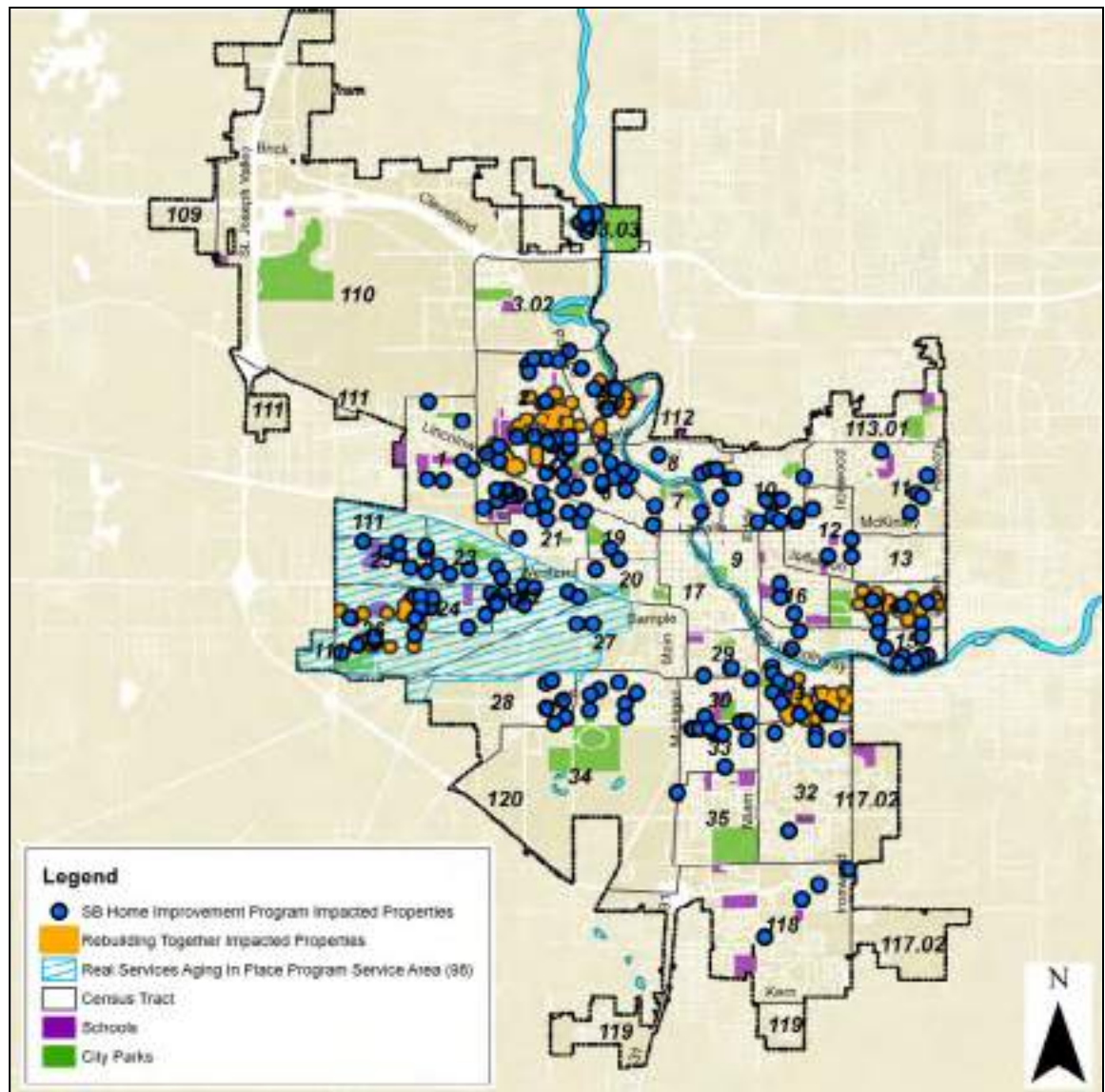


fig. 58 Owner occupied rehabilitations assisted with Federal funds, 2007-2011

Resources & Reuse

Planning for the future

Demolition

Historically, demolition has been funded primarily to address a specific project development; including the occasional residential development. However, beginning in 2007 until now, demolition funding has been substantially increased to assist with the eradication of substandard vacant and abandoned properties. Federal funding has been used to complete demolitions in targeted areas throughout South Bend. NSP1 coupled with CDBG funds have been able to assist the City in augmenting its general fund demolition dollars for Code Enforcement.

From 2007 to 2011, nearly \$2 million in federal funds has been allocated for the demolition of substandard housing. Federal funding has assisted with the removal of 373 structures; and the demolition of nearly 500 buildings has been completed through a combination of federal and municipal funding.

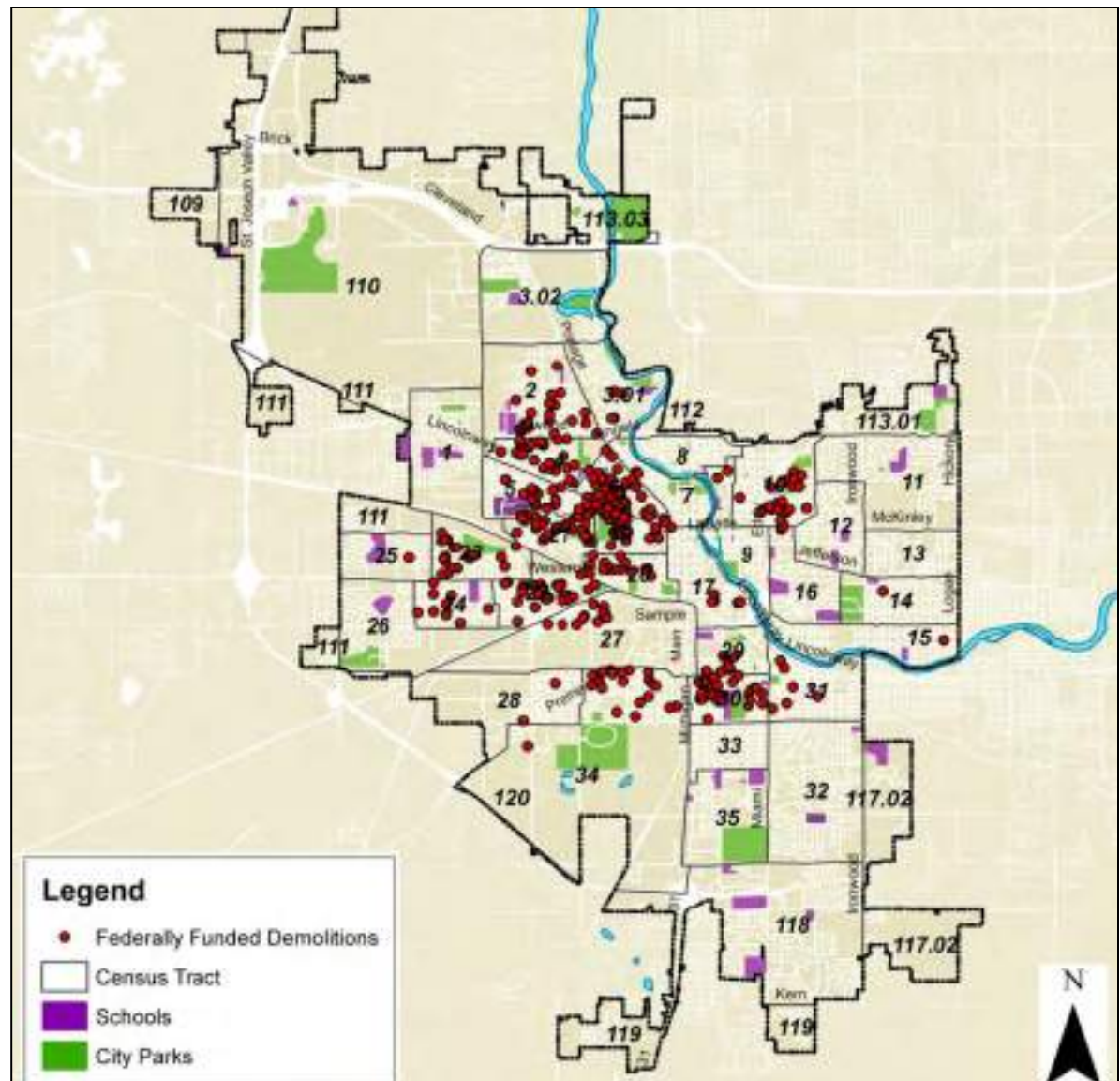


fig. 59 Code Enforcement demolitions completed with Federal funds, 2007-2011

Other Strategies

In addition to the direct reuse of vacant or abandoned property, there are other efforts that can have a positive impact. The City supports a number of other efforts that can have an impact on the problem of vacant or abandoned properties, including:

- Marketing
- Quality of life
- Neighborhood capacity building

Marketing

Promoting the positive aspects of a community educates the public about the benefits of living in particular neighborhoods and the city as a whole, and encourages individuals to move into, and stay in, an urban neighborhood. The City markets its neighborhoods through:

- SELL South Bend Initiative
- City's neighborhood website
- Supporting neighborhood events such as the Near Northwest Neighborhood's Arts Café

Quality of life

By enacting and enforcing ordinances that improve the quality of life of a neighborhood, it encourages people to move into urban neighborhoods. The City has the following Ordinances which assist to address abandoned properties:

- Nuisance Property Ordinances such as the City's Drug House and Disorderly House Ordinances help to a limited extent by requiring property owners to take action to address illegal conduct or conditions at their properties after they receive notice of them,
- The Vacant Property Registration requires that any property which is vacant AND abandoned in the City of South Bend be registered.



fig. 60 Homes in the River Bend neighborhood

Under the Vacant Property Registration:

- A property is considered vacant if it lacks the legal presence of human beings for 90 days. A property is considered abandoned if it is subject of an order issued pursuant to the Indiana Unsafe Building Law which has not been addressed within 30 days.
- You must file an application which requires owners name, mortgage company name, address and phone number and most importantly, a property manager who is located within 50 miles, their address and 24 hour contact phone number.
- Proof of \$100,000 liability insurance must also be provided.
- 400 homes are currently registered.

Neighborhood capacity building

Building the capacity of residents empowers them to work on projects they believe will improve their quality of life. Engaged neighbors—and the projects they initiate—are selling points to moving into, and staying in, a particular neighborhood. The City supports organizations like Neighborhood Resources Corporation (NRC).

Resources & Reuse

Planning for the future

Resource Strategies

The City has traditionally relied on federal funds to help with neighborhood revitalization. As federal and municipal budgets decrease, the City needs to examine the way it currently allocates funding in order to maximize the impact of the limited dollars. Other communities have utilized a variety of resources to assist with funding for similar projects, some of them include:

- Working with financial institutions
- Self-sustaining programs
- Taxing vacant properties
- Leveraging municipal funds

Working with financial institutions

By working with financial institutions communities have established revolving loan funds which can be used to provide mortgages or rehabilitation loan products for targeted geographies or for residents trying to get a loan to purchase or rehabilitate an abandoned home.

Self-sustaining programs

Many communities develop new programs even on a tight budget by using the fees generated by a program to pay for it going forward. Initial costs do need a funding source, but after a couple years of running the program, the fees and registrations charged through the program should be adequate to cover the costs associated with running the program. Examples of self-sustaining programs are:

- Landlord Registration
- Vacant Building Registration

Taxing vacant properties

The abandoned urban property tax is a way to discourage property neglect. The tax requires owners of vacant properties that are 1) tax delinquent or 2) have active, unresolved code violations, to pay higher property taxes. Generally, it results in the owner paying three times the normal tax rate.

Leveraging municipal

Given the limited resources that are available, it is critical for communities to ensure their investment of funds has the greatest return. This is best accomplished when municipal funds are only a portion of the funding used to complete a project (and the smaller the portion the better) with the remainder of funding coming from the private sector.

One way to do this is to create a “Neighborhood Development Fund.” The City brings more certainty to the market by committing future funding to a targeted geography where a little extra incentive or push is needed. City investment will help leverage private sector investment in the target area.

Another way communities accomplish this is by leveraging their federal funds. Communities require private sector match when federal funds are invested in certain types of projects; the amount of private sector funding is based on an established set of guidelines for determining the required match.

Reuse Strategies

While many efforts are aimed at dealing with the effects of vacant and abandoned homes, further action must be taken to return the properties to productive use. After a property becomes vacant or abandoned, whether it holds a building or not, a productive reuse should be identified. A successful re-use of a property can turn a neighborhood eyesore into a true neighborhood asset. It is important to remember that in most cases, the original property owner is still responsible for the property and the City of South Bend does not have ownership. Common productive reuse of land includes:

- Pocket park
- Side-lot program
- Community garden
- Wildflower and native grass spaces
- Large open spaces and linear parks
- Urban forest
- Urban agriculture
- Water management
- Energy generation
- Housing redevelopment

Pocket park

Small scale park spaces, also known as pocket parks, can take the form of a small playground, a passive park or even a dog park. Often they are owned and maintained by a neighborhood group or other nonprofit organization.

Side-lot program

In a side-lot program vacant properties are sold or transferred to an adjoining property owner. A residential side-lot program allows the property owner to use the larger yard for more extensive landscaping, for a garden or recreational space, or other use. While a non-residential side-lot program allows the owner, such as a school, business, or place of worship, to use the land to expand their operations, add additional activity, or beautify their grounds.



fig. 61 Side-lot turned into a neighbor's garden



fig. 62 Neighborhood pocket park

Community garden

Neighbors of the lot may grow food for their own households or join others in providing food for those in need. In South Bend, the nonprofit organization Unity Gardens coordinates and educates volunteers who manage about two dozen garden locations in the city.



fig. 63 Vacant lot being used as a community garden

Resources & Reuse

Planning for the future

Wildflower and native grass spaces

Vacant lots can be planted with wildflowers or native grasses, adding to the neighborhood's beauty while reducing mowing and other maintenance requirements, as well as the need for Code Enforcement to pursue unkempt lawns.

Large open spaces and linear parks

Adjacent vacant properties can be combined into larger open spaces or a succession of vacant properties can be linked as a linear park or greenway. Multipurpose trails may be added to this string of open spaces to serve as a transportation and recreation amenity for the area.

Urban forest

Trees can be planted on a series of vacant lots to create a small urban forest, which can decrease the need for upkeep and can also become a community asset, such as Rum Village Park. Beyond the environmental benefit, forestry can have commercial applications, such as a tree farm or nursery use.



fig. 64 A lot planted with wildflowers



fig. 65 Large open spaces provide the community an opportunity to enjoy the outdoors

Urban agriculture

Available vacant land can be used for agricultural use on a scale beyond vegetable gardening. Private individuals and nonprofit organizations have established urban agricultural uses on vacant land and in vacant buildings; with food raised sold to individuals, restaurants, and grocers.

Water management

Vacant properties can be used to manage storm water, helping to reduce the need for costly traditional upgrades to the storm sewer. The use of rain gardens, ponds, and other approaches allows water to be filtered of pollutants and slowly released into the City's sewer system.

Energy generation

Electricity generating devices can be hosted on vacant lots. Utility companies, nonprofit organizations, and institutional users can set up solar panels that can help to meet local electricity demand.



fig. 66 Urban gardening offers food for neighbors



fig. 67 Rain gardens assist with water management

Housing redevelopment

Another reuse for vacant lots is infill housing development, which commonly occurs in the stronger housing market areas. Infill housing projects can range from smaller scale scattered site housing construction to large scale development projects.

Many communities, including South Bend, offer government owned vacant lots at no or low cost to nonprofit organizations or developers for infill housing development. In addition adjacent vacant properties can be combined into a large development site ideal for a nonprofit organization or developer to build housing. By assembling a number of properties, parcels can be re-platted into larger sites and homes with more modern amenities can be constructed.



fig. 68 Scattered site infill development



fig. 69 The Triangle neighborhood in the Northeast is a large scale redevelopment effort

Resources & Reuse

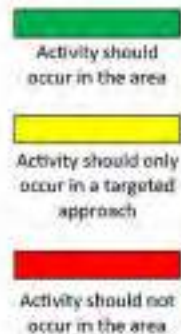
Planning for the future

Reuse Tools

Since the housing market varies within the four neighborhood market condition classifications there are different types of activities that should be implemented in each of the areas in order to best address vacant and abandoned properties. A “toolbox” of potential activities was developed which specifies which type of activities are most

appropriate for the different housing markets. The toolbox provides a guide for developing strategies to reduce the number of abandoned properties. These activities will need to be implemented by not only the City, but by community partners, neighbors, and the private market to fully address abandoned properties.

Items indicated in green for a particular neighborhood classification are those that are well suited for addressing abandoned properties and should be considered. Those in yellow are potentially good approaches, however they should be applied in a targeted and strategic manner instead of used throughout the area. Lastly, those items indicated in red should not be pursued.



Activity	Neighborhood Market Condition Classification			
	Conservation Area	Stabilization Area	Revitalization Area	Reinvestment Area
Rehabilitation	Green	Green	Yellow	Yellow
Enhanced Code Enforcement	Yellow	Green	Green	Yellow
Demolition	Red	Yellow	Green	Green
Receivership	Green	Green	Yellow	Red
Land Banking	Yellow	Yellow	Green	Green
"Green" Reuse after Demolition	Yellow	Yellow	Green	Green
Scattered Infill Development	Green	Green	Green	Green
Large Scale Infill Development	Red	Red	Yellow	Green
Prevention Activities:				
Home Improvement Assistance Programs	Yellow	Yellow	Green	Yellow
Down Payment / Homeownership Programs	Yellow	Green	Green	Yellow
Implement Good Samaritan Law	Green	Green	Green	Green
Neighborhood Clean-ups	Green	Green	Green	Green

fig. 70 Toolbox of activities to address abandoned properties

Recommendations: What the City should do:

Recommendation 1: Leverage municipal funds when investing in projects.

1.1 Invest federal and other public funds to induce matching private resources to build up neighborhoods.

1.2 Create a Neighborhood Development Fund to focus on targeted areas in which public investment can spur new stability and growth.

Recommendation 2: Develop and implement self-sustaining programs to address abandoned properties.

2.1 Explore enactment of an Abandoned Property Tax that would triple the tax rate on vacant properties that are tax delinquent or have active, unresolved code enforcement cases.

2.2 Make sure that absentee-owned and vacant property registration programs collect fees sufficient to pay the costs of those programs.

Recommendation 3: Work with financial institutions to address abandoned properties.

3.1 Partner with banks and other community financial institutions to develop loan products that will facilitate rehabilitation of abandoned houses and new construction in South Bend.

Recommendation 4: Develop and expand programs to make vacant lots an asset to the community.

4.1 Work with land banking entities to create a side yard program that facilitates acquisition of vacant lots by adjoining homeowners, nonprofits and businesses.

4.2 Partner with community gardening groups such as Unity Gardens and the Kankakee Wetlands Organic Gardeners to steward vacant lots and develop neighborhood-based urban agriculture.

Recommendation 5: Evaluate existing programs with a view to the importance of addressing vacant and abandoned homes.

5.1 Evaluate existing City housing related programs to determine if they should be continued, discontinued or restructured. This could include targeting to particular market condition classification areas, for example.

Recommendations: What the Community can do:

Recommendation 1: Work together to convert vacant lots into a community asset.

1.1 Work with neighborhood associations, churches and greening nonprofits to develop pocket parks and community gardens on the sites of demolished houses.

1.2 Use and maintain community green spaces in your neighborhood.



Appendix

I. Market Condition Classification Indicators

Appendix I - Market Condition Classification Indicators

Data was collected for nine indicators which reflect the current conditions of the housing market:

- Average Change in Assessed Value,
- Percent of Abandoned Properties,
- Percent of Commissioners' Certificate Sale Properties,
- Percent of Foreclosures,
- Average Home Sale Price,
- Average Days Home on Market,
- Mortgage to Sales Ratio,
- Percent of Vacant Properties, and
- Homeownership Rate.

Since market conditions can change significantly by crossing a street the indicator analysis was completed at a fine grain scale through the use of Census block groups. Block groups are a geographical unit used by the U. S. Census Bureau in order to publish Census data; they are composed of multiple "blocks" but are smaller than a census tract. Block groups are generally smaller geographical areas than recognized neighborhood boundaries.

fig. 71 Rehabilitated home on West Colfax Ave.

Prior to completing the analysis, block groups with fewer than 20 residential parcels containing 1 to 3 family homes were categorized as non-residential areas and excluded (reflected as grey in the maps).

Each indicator has been standardized with a z-score which allows it to be evaluated relative to its relationship to all the block group scores and accounts for local conditions.

- Z_i = the z-score for the block group
- X_i = the value of the indicator for the block group
- $AVG x_{(1 \text{ to } n)}$ = the average value of the indicator based on its value for all block groups
- $STDEV x_{(1 \text{ to } n)}$ = the standard deviation for the indicator based on its value for all block groups

The z-score for an indicator is calculated using the following formula:

$$z_i = (x_i - AVG x_{(1 \text{ to } n)}) / STDEV (x_{(1 \text{ to } n)})$$

Since z-scores help to determine the relationship of the conditions within a block group compared to the conditions of the greater city having a positive z-score means that the block group is faring better than

the average local condition and a negative z-score means that the block group is faring worse than the average local condition. In the cases where an indicator has a negative relationship with the market strength (such as the number of abandoned properties) the inverse of the z-score is used.

Maps were created for each market condition indicator which shows the z-score for all block groups. Z-score distributions are based on 12 natural breaks in the values as assigned by ArcGIS mapping software. Natural breaks groups like z-scores together by calculating ranges so there is minimal deviation between values within the same range and so that there is maximum difference between the sets of ranges.

Appendix

I. Market Condition Classification Indicators

Change in Assessed Value

Data utilized to calculate the percent change in assessed value came from the St. Joseph County Assessor's Office. The average value for all properties classified as residential (including 1, 2 and 3 family homes, condominiums and vacant land) within a block group was calculated for the 2002 Pay Year (PY) 2003 assessment as well as the 2012 PY2013 assessments. Then the percent change between the two years was calculated. Assessed values were not adjusted for inflation.

Fig. 72 shows the areas with a high z-score (largest increased change in average assessed value) in dark blue and the areas with a low z-score (largest decreased change in average assessed value) in dark red. The average percent change in assessed value in South Bend is a 2.1% decrease.

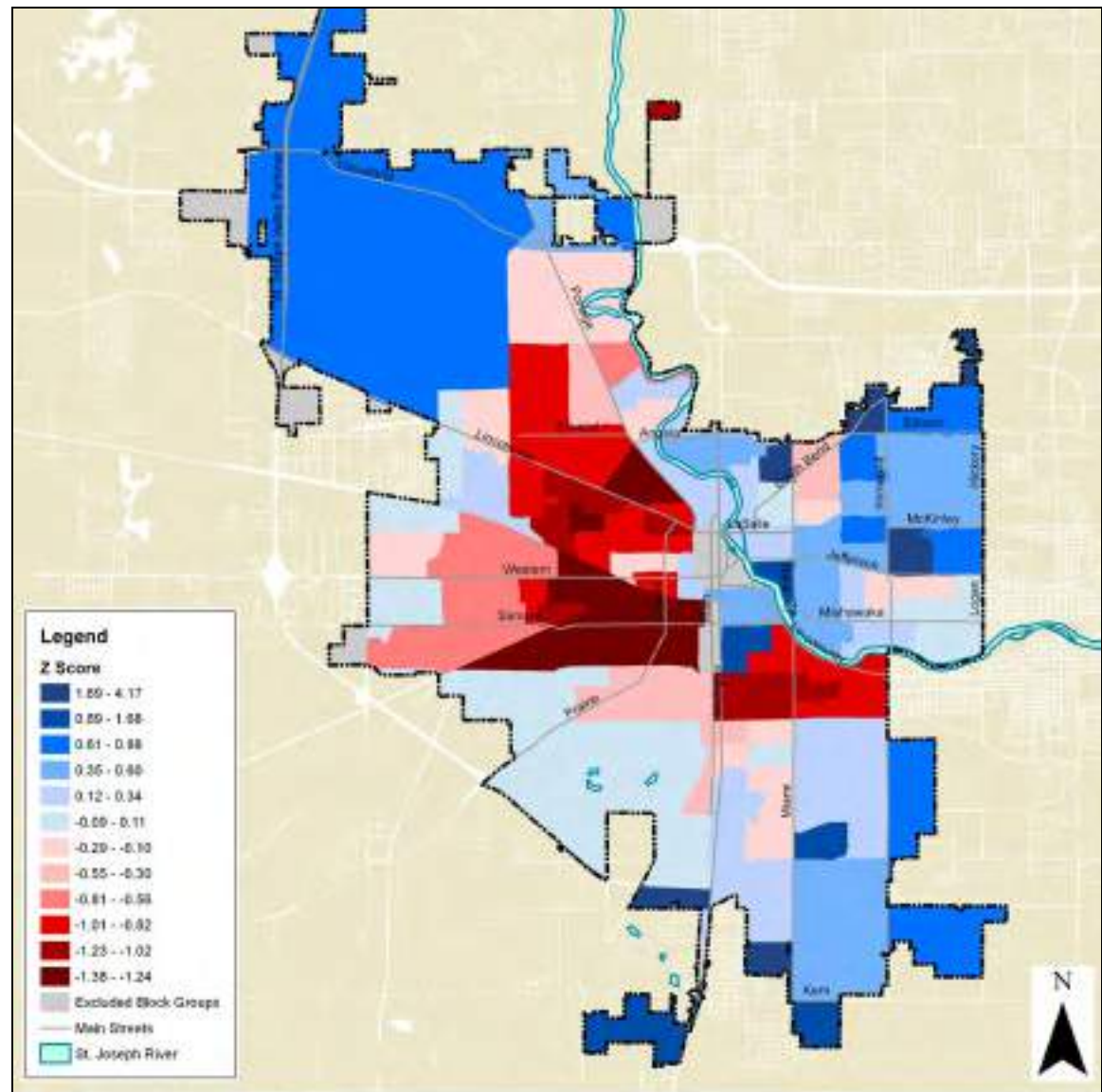


fig. 72 Change in assessed value, 2002-2012

Abandoned Property

Two datasets were utilized to calculate the percent of abandoned properties; the number of abandoned houses came from the Spring 2011 Vacant and Abandoned Property Survey conducted by the City of South Bend's Department of Code Enforcement while the total number of residential structures was determined based on the 2011 PY2013 assessment data provided by the St. Joseph County Assessor's Office (searching for 1-3 family residential parcels with a structure). Since abandoned properties have a negative relationship with the market strength the inverse z-score was calculated.

Fig. 73 shows the areas with a high z-score (low percentage of abandoned properties) in dark blue and the areas with a low z-score (high percentage of abandoned properties) in dark red. The average percent of properties in a block group considered abandoned in South Bend is 3.7%.

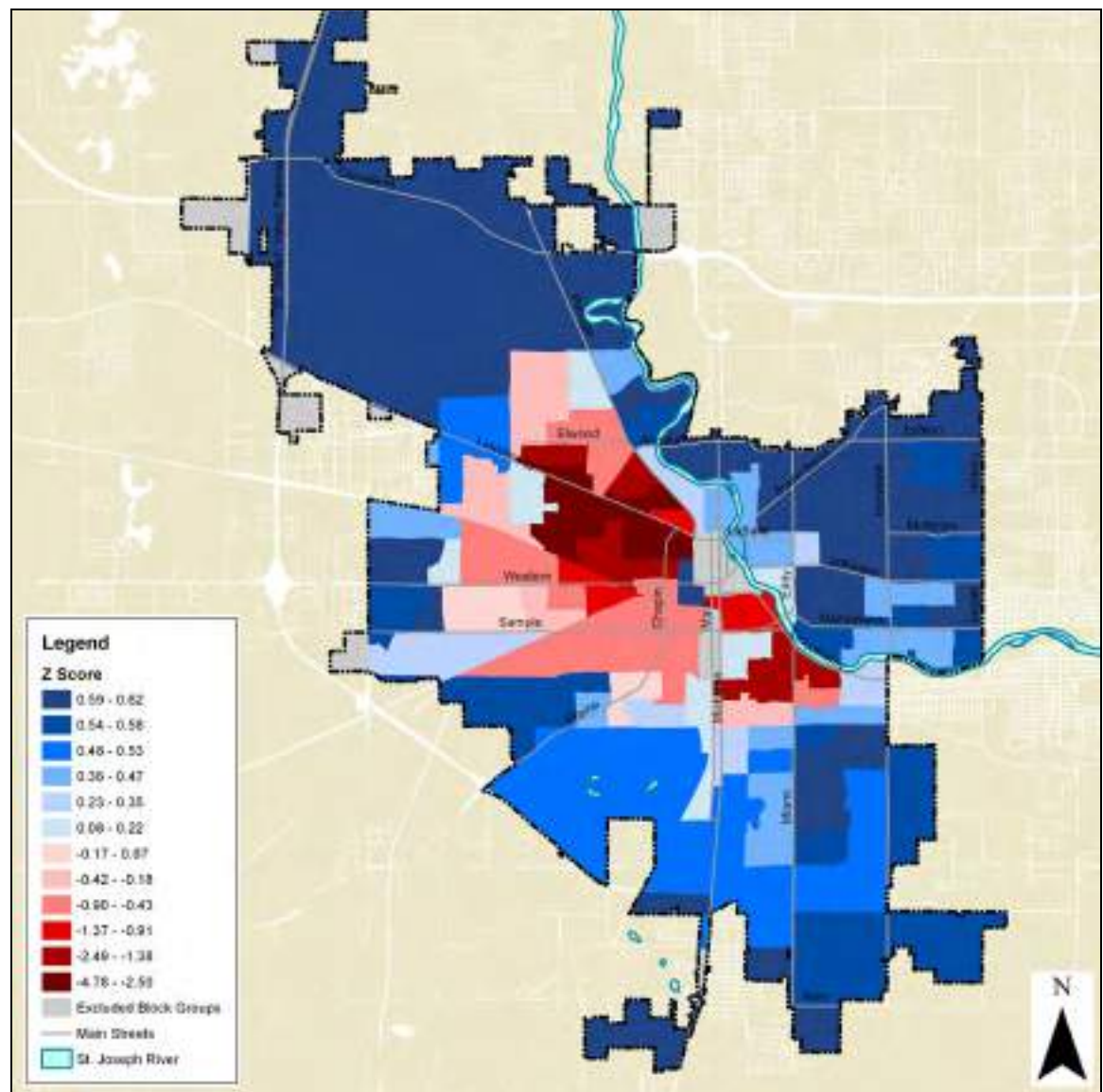


fig. 73 Abandoned properties, 2011

Appendix

I. Market Condition Classification Indicators

Commissioners' Certificate Sale Properties

Two datasets were utilized to calculate the percent of properties that were available at the Commissioners' Certificate Sale; the number of properties available at the March 2012 Commissioners' Certificate Sale came from the St. Joseph County Treasurer's Office and the total number of parcels was determined based on the June 2012 City of South Bend Geographic Information Systems parcel layer. Since the availability of Commissioners' Certificate Sale properties has a negative relationship with the market strength the inverse z-score was calculated.

Fig. 74 shows the areas with a high z-score (low percentage of properties available at the Commissioners' Certificate Sale) in dark blue and the areas with a low z-score (high percentage of properties available at Commissioners' Certificate Sale) in dark red. The average percent of properties available through the Commissioners' Certificate Sale per block group in South Bend is 3.4%.

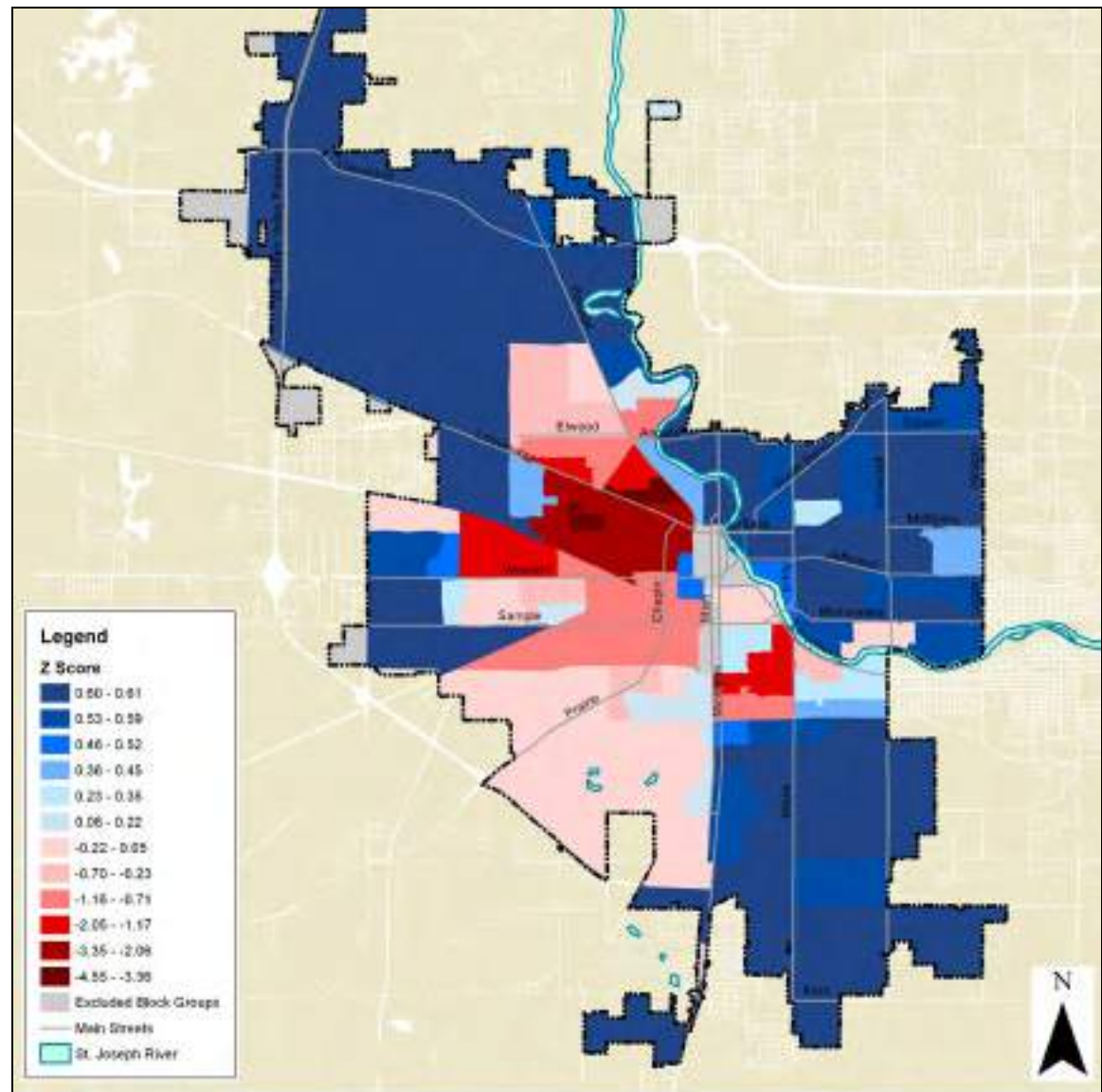


fig. 74 Commissioners' Certificate Sale properties, 2012

Foreclosures

Two datasets were utilized to calculate the number of properties that went through foreclosure based on the number of homes in a block group; the number of properties that were foreclosed on between 2001 and 2007 was collected from the St. Joseph County Sheriff through the 2001-2007 Sheriff Sale lists (going to Sheriff Sale is the last step in the process to foreclose on a property) and the total number of parcels was determined based on the 2004 PY2005 assessment data provided by the St. Joseph County Assessor's Office. It is important to note that some properties were foreclosed on multiple times during the seven year timeframe, so the total number of foreclosures has been counted based on the number of instances versus the number of homes. Since the occurrence of foreclosures has a negative relationship with the market strength the inverse z-score was calculated.

Fig. 75 shows the areas with a high z-score (low percentage of foreclosures) in dark blue and the areas with a low z-score (high percentage of foreclosures) in dark red. The average percent of properties that went through foreclosure based on the number of homes per block group in South Bend is 18.9%.

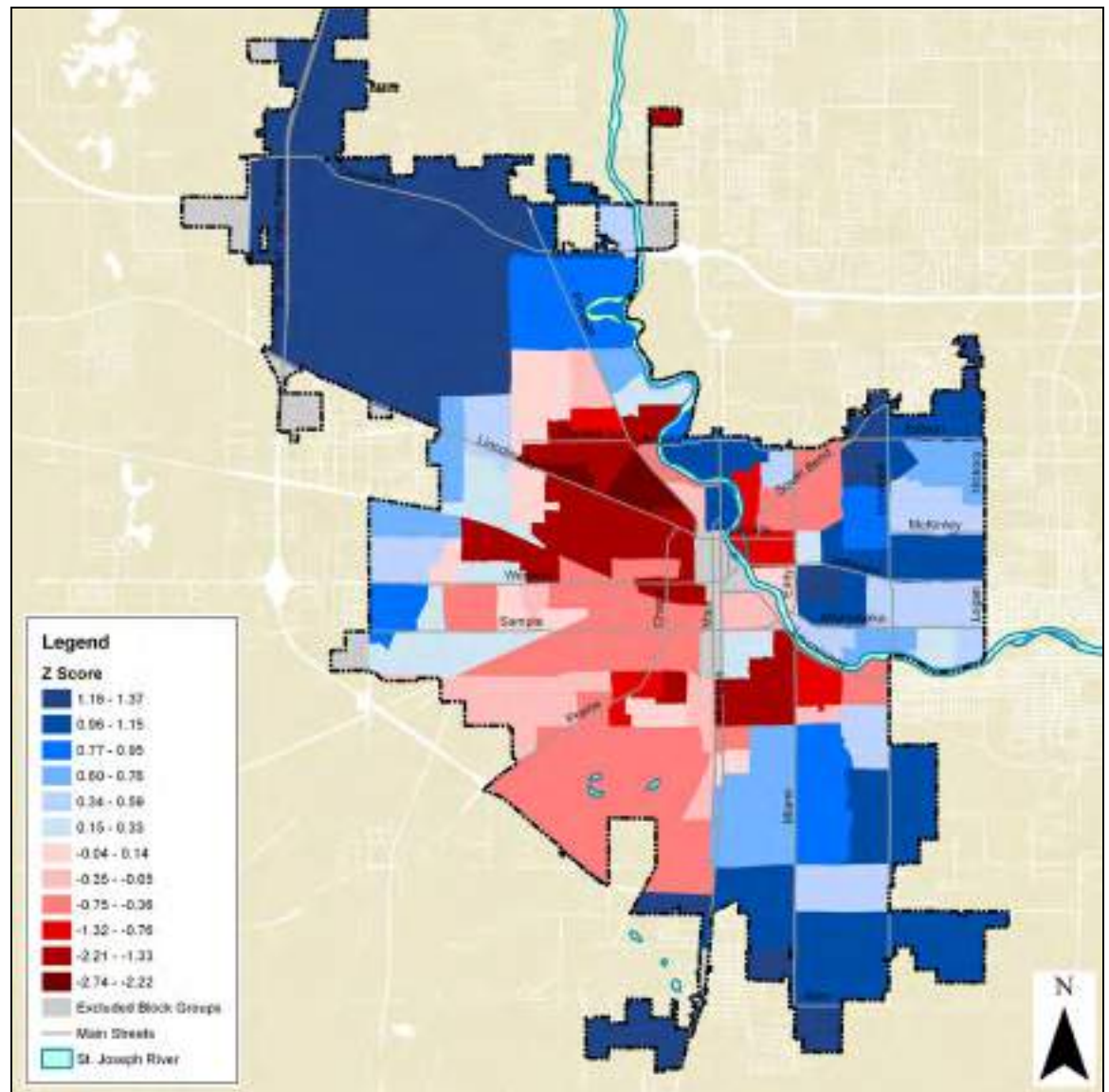


fig. 75 Foreclosures, 2001-2007

Appendix

I. Market Condition Classification Indicators

Home Sale Price

Data utilized to calculate the average home sale price came from the Greater South Bend – Mishawaka Association of REALTORS, Inc. Multiple Listing Service (MLS) for sales that occurred from 2007-2011. Since the information was collected from the MLS it only reflects sales that were entered into the system (i.e. properties sold by the owner / without a Realtor are not included). Sale prices were not adjusted for inflation.

Fig. 76 shows the areas with a high z-score (high average home sale price) in dark blue and the areas with a low z-score (low average sale price) in dark red. The average sale price from 2007 to 2011 in South Bend was \$62,373.91.

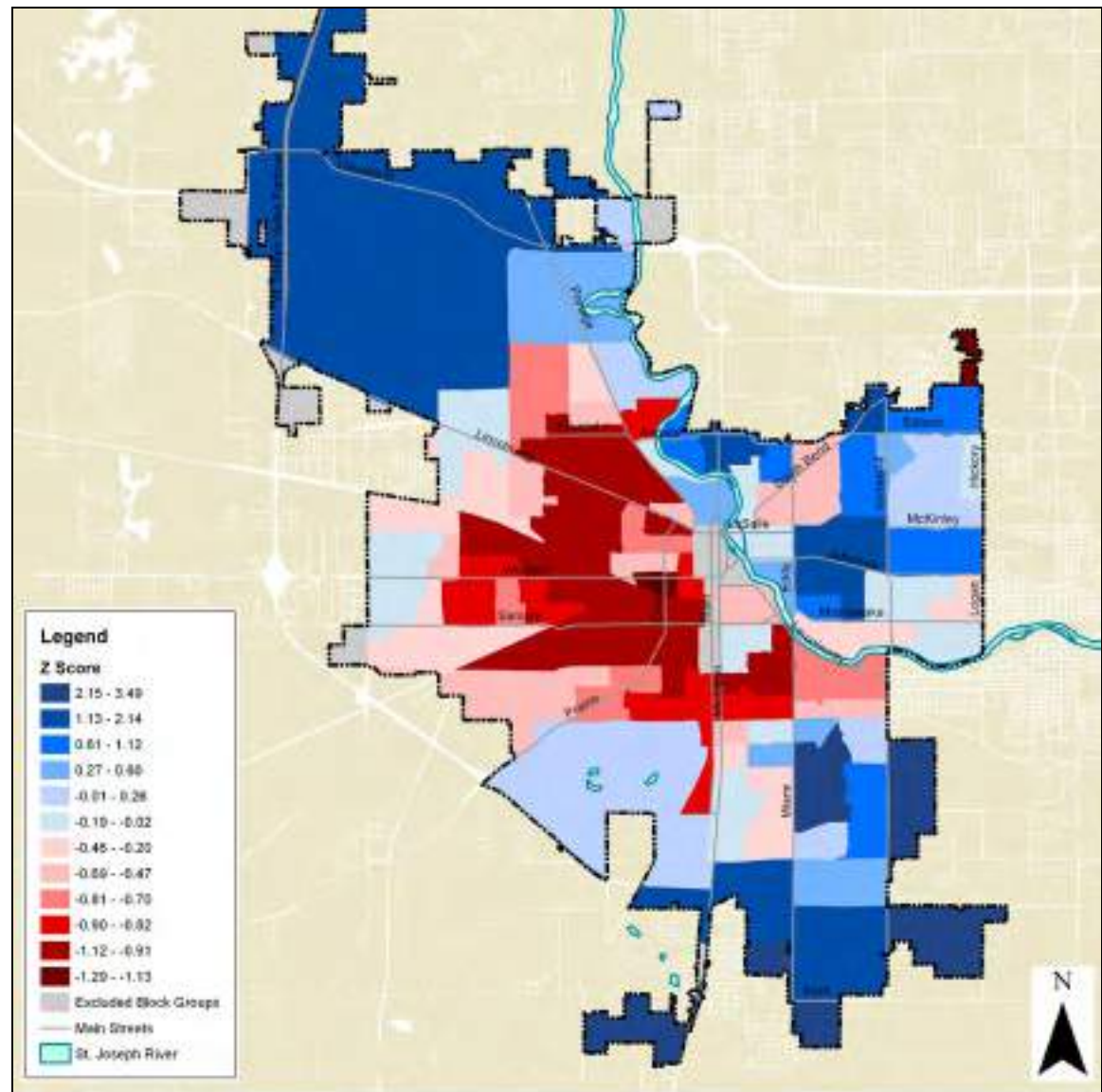


fig. 76 Home sale price, 2007-2011

Days on Market

Data utilized to calculate the average number of days that a home was listed for sale prior to being purchased came from the Greater South Bend – Mishawaka Association of REALTORS, Inc. Multiple Listing Service (MLS) for sales that occurred from 2007-2011. Since the information was collected from the MLS it only reflects sales that were entered into the system (i.e. properties sold by the owner / without a Realtor are not included). Since the number of days a house is on the market has a negative relationship with the market strength the inverse z-score was calculated.

Fig. 77 shows the areas with a high z-score (low average number of days on market) in dark blue and the areas with a low z-score (high average number of days on market) in dark red. The average days on market from 2007 to 2011 in South Bend was 124 days.

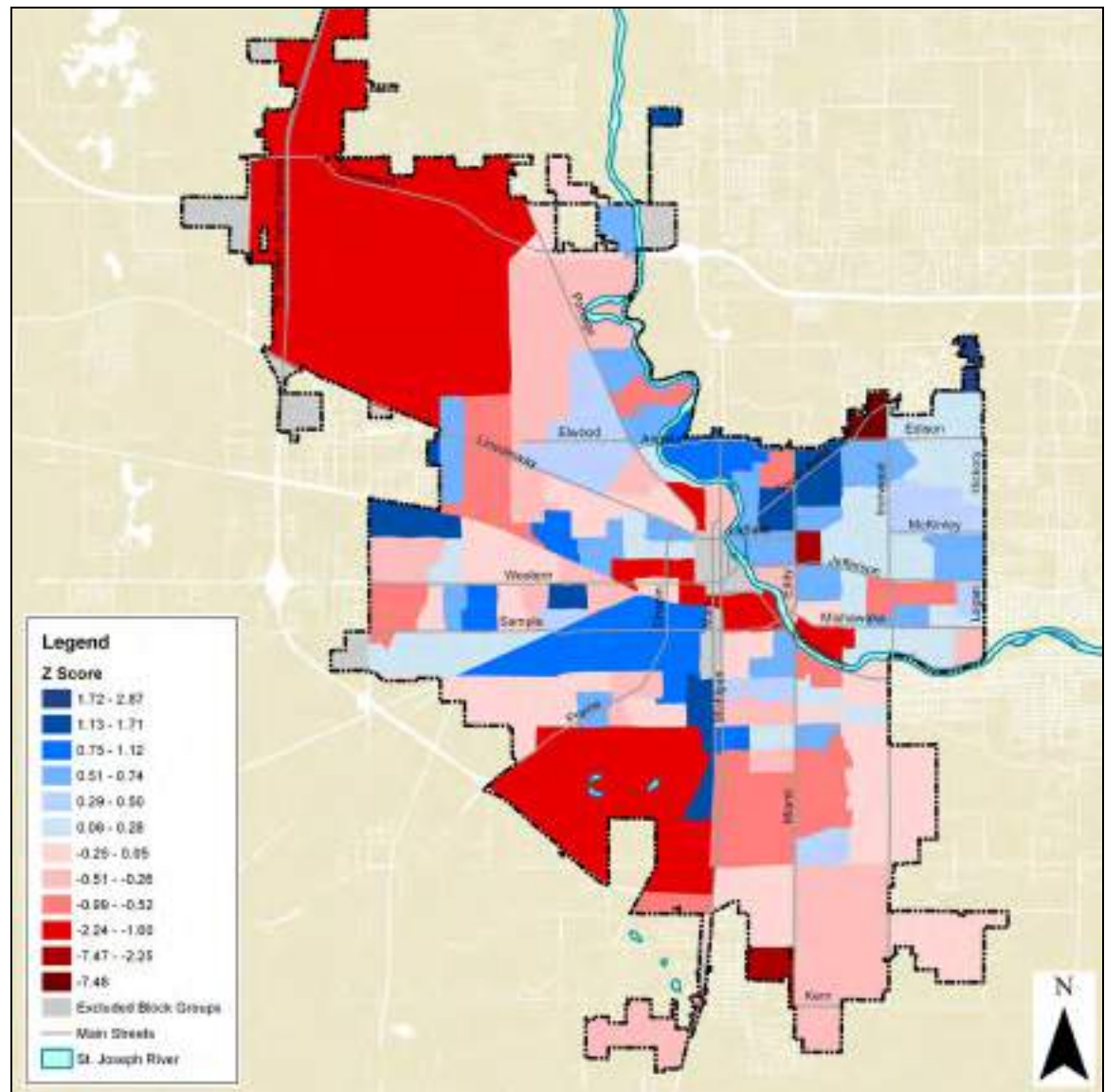


fig. 77 Days on market, 2007-2011

Appendix

I. Market Condition Classification Indicators

Mortgage to Sales Ratio

Data utilized to calculate the percent of homes purchases that utilized a mortgage as its financing came from the Greater South Bend – Mishawaka Association of REALTORS, Inc. Multiple Listing Service (MLS) for sales that occurred from 2007-2011. Since the information was collected from the MLS it only reflects sales that were entered into the system (i.e. properties sold by the owner / without a Realtor are not included).

Fig. 78 shows the areas with a high z-score (high percentage of mortgages) in dark blue and the areas with a low z-score (low percentage of mortgages) in dark red. The average percent of homes purchased with a mortgage from 2007 to 2011 in South Bend was 48.3%.

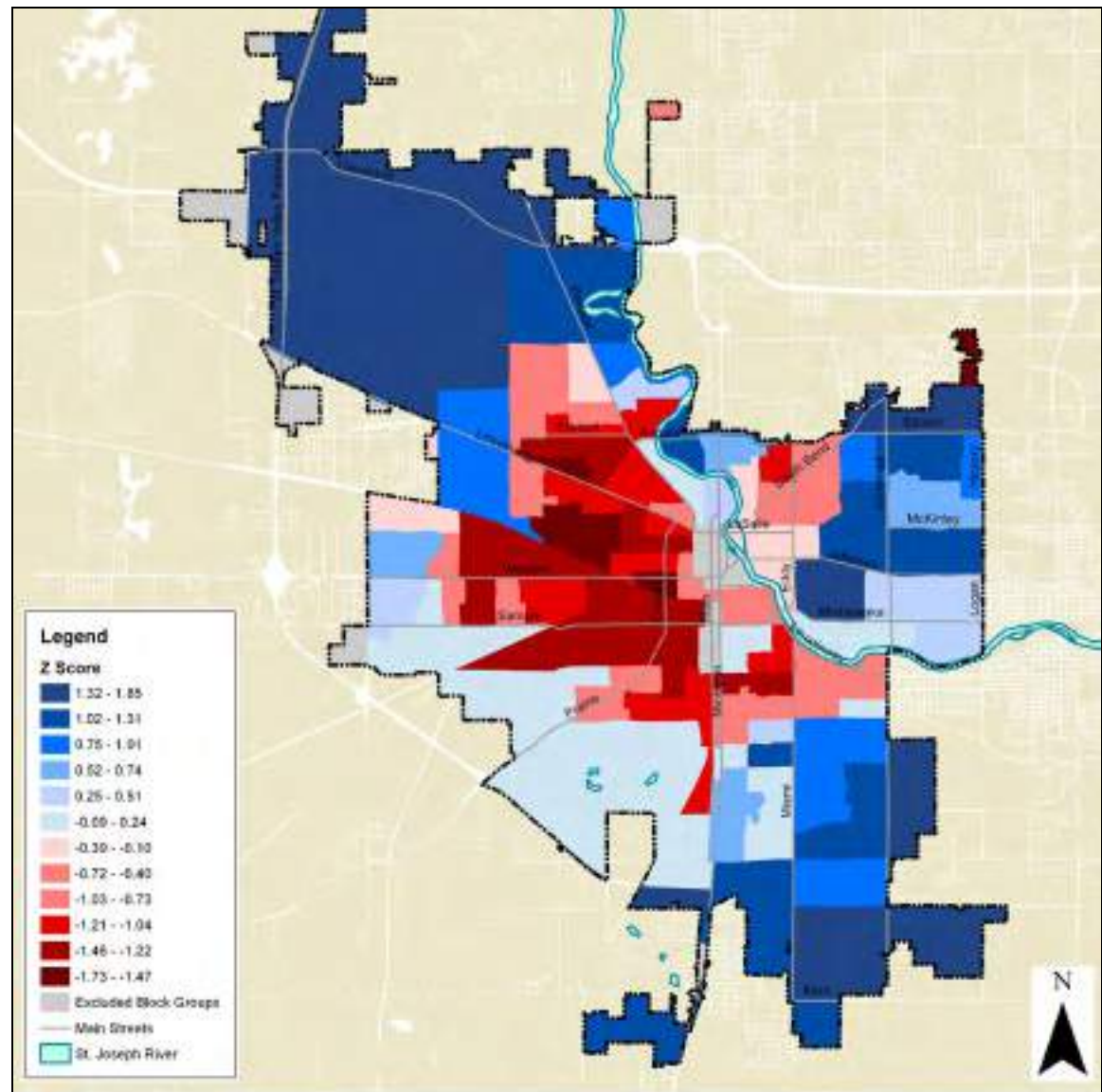


fig. 78 Sales to mortgage ratio, 2007-2011

Vacant Properties

Two datasets were utilized to calculate the percent of vacant homes; the number of vacant houses came from the Spring 2011 Vacant and Abandoned Property Survey conducted by the City of South Bend's Department of Code Enforcement while the total number of residential structures was determined based on the 2012 PY2013 assessment data provided by the St. Joseph County Assessor's Office. It is important to note that the Code Survey definitions make abandoned properties a subset of vacant properties (since a home must be vacant in order to be considered abandoned) however the number of vacant properties used to calculate this indicator do not include those properties that are also considered abandoned (as they are accounted for in a separate indicator). Since vacant properties have a negative relationship with the market strength the inverse z-score was calculated.

Fig. 79 shows the areas with a high z-score (low percentage of vacant properties) in dark blue and the areas with a low z-score (high percentage of vacant properties) in dark red. The average percent of vacant properties per block group in South Bend is 1.9%.

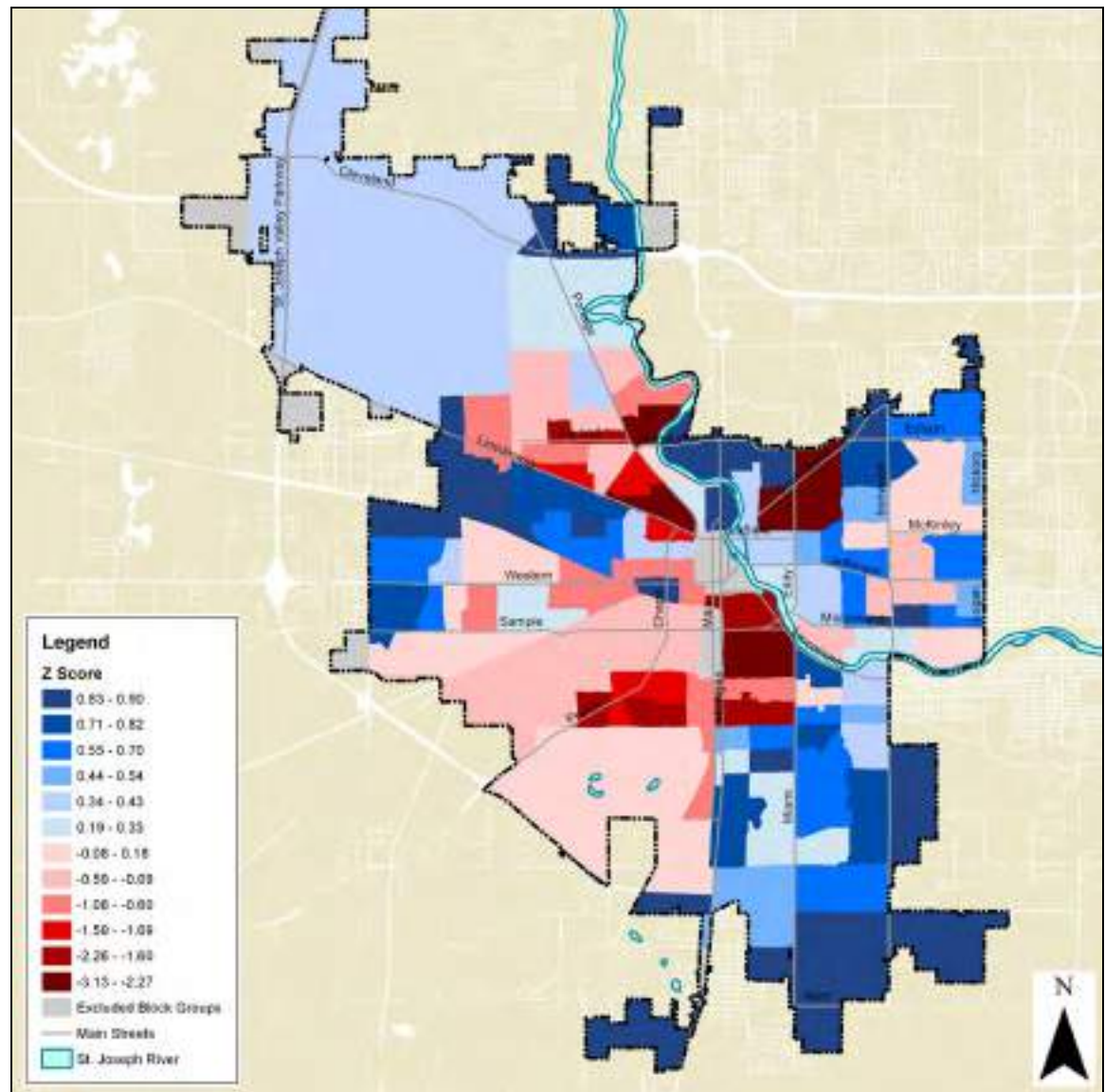


fig. 79 Vacant properties, 2011

Appendix

I. Market Condition Classification Indicators

Homeownership Rate

Data utilized to calculate the homeownership rate came from the 2010 Census, Housing Units by Tenure data table. The indicator was determined by dividing the number of owner occupied units by the total number of residential units in each block group.

Fig. 80 shows the areas with a high z-score (high percentage of homeowners) in dark blue and the areas with a low z-score (low percentage of homeowners) in dark red. The average percent of homeowners per block group in South Bend is 68.5%.

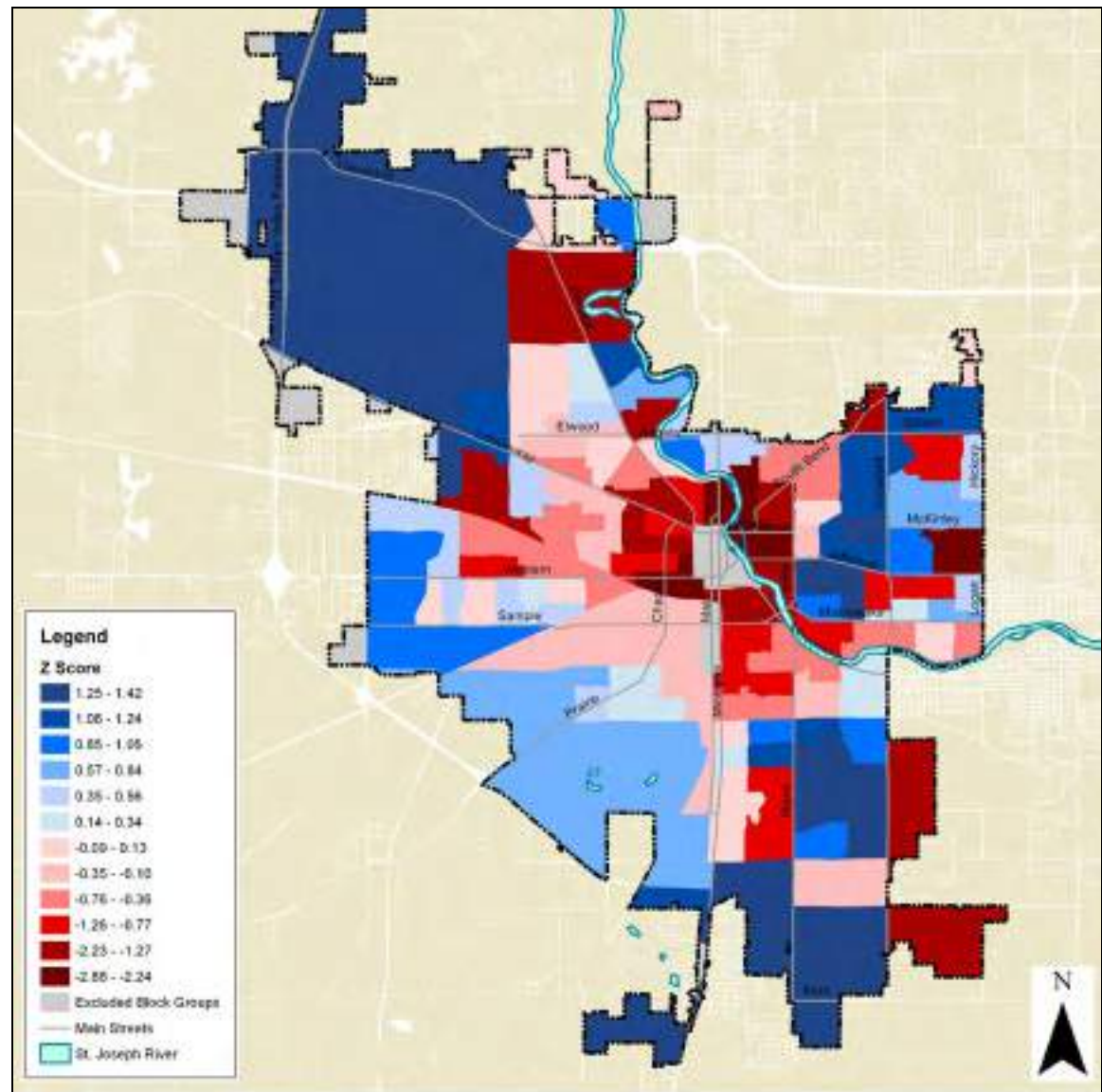


fig. 80 Homeownership rate, 2010

Cumulative Indicator Map

The previous nine indicators were combined to develop the cumulative z-score. However, weights were applied to each of the indicators based on how directly each is related to the market conditions in an area – i.e. a large number of abandoned homes is a greater determiner of a weak market than the average sale price of homes since different neighborhoods have different housing stock with differing values. The following weights were applied to each of the indicators in order to determine the cumulative z-score:

- Average Change in Assessed Value – 15%
- Percent of Abandoned Properties – 25%
- Percent of Commissioners' Certificate Sale Properties – 15%
- Percent of Foreclosures – 10%
- Average Home Sale Price – 2.5%
- Average Days Home on Market – 7.5%
- Mortgage to Sales Ratio – 5%
- Percent of Vacant Properties – 15%
- Homeownership Rate – 5%

Fig. 81 shows the areas with a high z-score (overall stronger market strength) in dark blue and the areas with a low z-score (overall weaker market strength) in dark red.

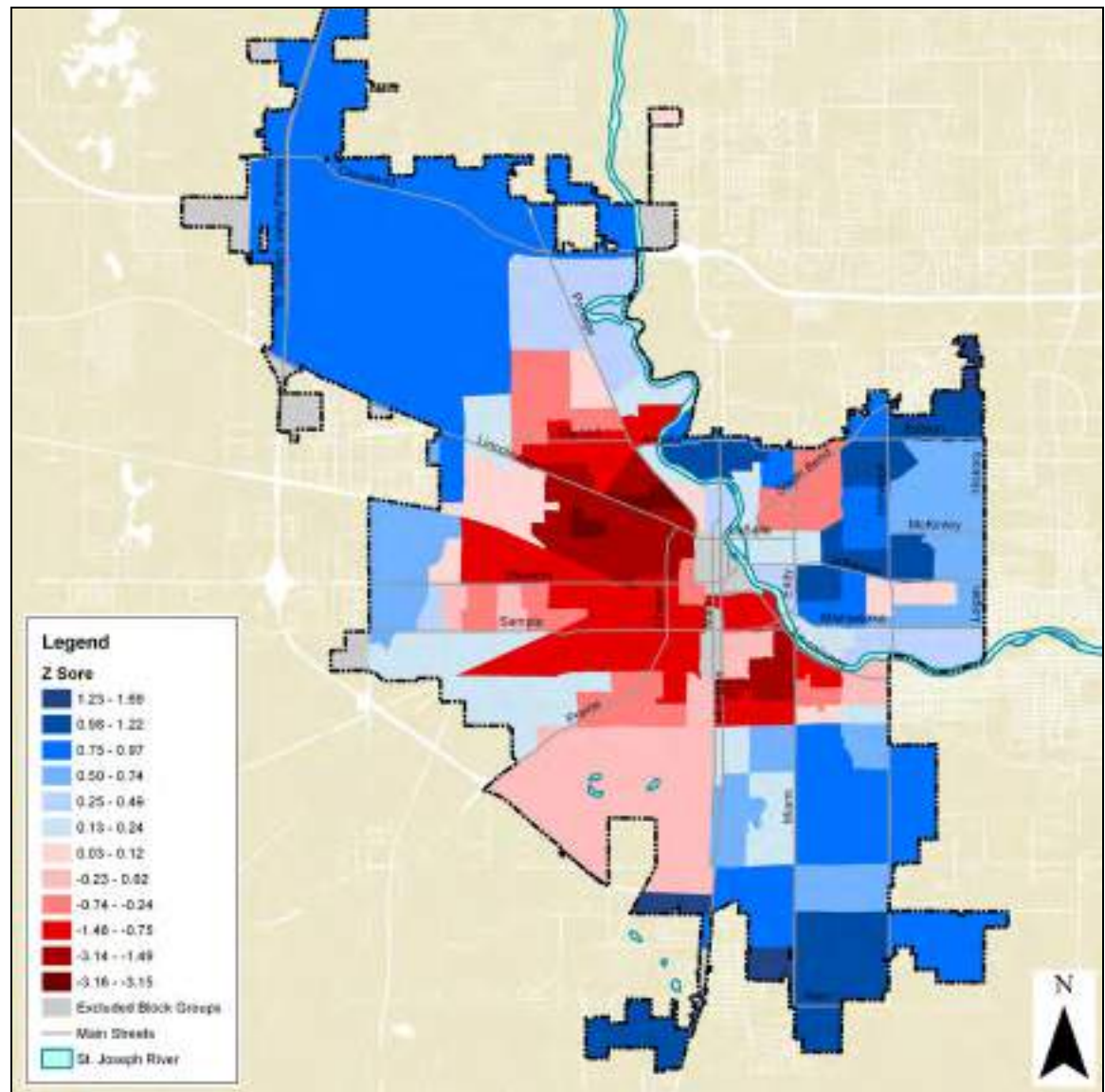


fig. 81 Cumulative indicator map

Appendix

II. Demolition Prioritization Form

Vacant and Abandoned Demolition Priority

What is the street number of the property's address? _____

What is the street name of the property's address? _____

What is the type of street of the property's address?

Street Road Avenue Boulevard Drive Lane Way
Court Place Circle Other: _____

What is the condition of the house?

1: Stable 2: Minor Deterioration 3: Deteriorating,
4: Collapsing 5: Collapsed

What is the Police and Fire activity like in the neighborhood? Consult the Police or Fire E911 table for the block group this property is in.

Inactive 1 2 3 4 5 Very Active

How long has this property been on the demolition list?

1: less than six months 2: six to twelve months
3: twelve to eighteen months 4: eighteen to twenty-four months
5: more than twenty-four months

Neighborhood Score for vacancy rate in neighborhood, please consult the Vacancy rate table for the block group this property is in.

Low 1 2 3 4 5 High

Condition of adjacent properties:

1: Stable 2: Minor Deterioration 3: Deteriorating,
4: Collapsing 5: Collapsed

Proximity to Neighborhood Assets. Please use GIS algorithm to determine score.

1 2 3 4 5

Potential for property post-demolition. 1: No, 2: Yes

1 2

Land Bank Opportunity? — —

Neighborhood Plan? — —

Post Demolition Plan? — —

Rehabilitation Likelihood & Opportunity

Easy or likely to be rehabilitated 1 2 3 4 5 No chance of rehabilitation

Ownership.

1: Excellent 2: Good 3: Neutral 4: Problem 5: Absent/Very Bad

Is it a historic property?

1: Yes 2: Unsure 3: No

III. Good Samaritan Law

Indiana Code 34-30-26-5

Suspected vacant or abandoned property; right of nonowner to enter premises to inspect and perform remedial actions; immunity from civil liability and trespass; limit on creditor's right to enter

Sec. 5. (a) Except as provided in subsection (d), a person who is not the owner of real property, and who suspects that the property may be vacant or abandoned, may enter upon the premises of the real property to do the following:

(1) Without entering any structure located on the real property, visually inspect the real property to determine whether the real property may be vacant or abandoned.

(2) Perform any of the following actions:

(A) Secure the real property.

(B) Remove trash or debris from the grounds of the real property.

(C) Landscape, maintain, or mow the grounds of the real property.

(b) A person who:

(1) enters upon the premises of real property to visually inspect the property, as permitted under subsection (a)(1); and

(2) after inspecting the real property, determines that the real property may be vacant or abandoned;

may notify the appropriate enforcement authority of the suspected vacant or abandoned status of the property and request that the enforcement authority inspect the property to determine whether the property is in fact vacant or abandoned.

(c) A person that enters upon the premises of real property as permitted under this section:

(1) is immune from civil liability for an act or omission related to the entry or to any action described in subsection (a)(2), unless the act or omission constitutes gross negligence or willful, wanton, or intentional misconduct; and

(2) shall be held harmless from and against all claims of civil or criminal trespass.

(d) In the case of real property that is subject to a mortgage, the creditor in the mortgage transaction may not enter upon the premises of the real property under subsection (a) if entry is barred by an automatic stay issued by a bankruptcy court.

As added by P.L.170-2011, SEC.15.

Appendix

IV. Federal Funding and Resource Allocation Breakdowns

CONTRACT #	CONTRACT AMOUNT	AMOUNT EXPENDED	CONTRACT BALANCE	STRUCTURES DEMOLISHED
CD2007	450,000	450,000	-	93
CD2008	450,000	450,000	-	120
CD2009	257,000	257,000	-	62
CD2010	100,000	100,000	-	25
CD2009 *	126,000	30,604	95,396	5
NSP1 - 2008 *	563,891	522,629	41,262**	68
ANNUAL TOTALS	1,946,891	1,810,233	136,658	373

* Restricted to specific geography

** Balance of funds obligated

fig. 83 Funding for demolitions

FUNDING SOURCE	2007	2008	2009	2010	2011
CDBG	2,874,076	2,765,625	2,816,534	3,055,831	2,551,928
CDBG-R			750,873		
HOME	810,336	770,607	778,138	851,576	762,861
NSP1		4,098,521			
NSP3					1,708,707
ANNUAL TOTALS	3,684,412	7,634,753	4,345,545	3,907,407	5,023,496

fig. 84 Total Federal funding

	2007		2008		2009		2010		2011		TOTALS	
	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED
CHC	206,000	15		23	300,000	27	146,434	11		4	1,212,726	80
REWARD	17,000	17		24	15,000	15	10,000	10		14	96,000	80
TOTALS	223,000	32		47	315,000	42	156,434	21		18	1,308,726	160

fig. 85 Funding homebuyer assistance

	2007		2008		2009		2010		2011		TOTALS	
	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED
Habitat					84,000	4	84,000	4	84,000	2	252,000	10
NNN	564,000	5	1,570,325	13	444,276	4	568,156	4	870,854	4	4,017,611	30
NNRO									1,110,660	0 *	1,110,660	
SBHF			980,000	6							980,000	6
TOTALS	564,000	5	2,550,325	19	528,276	8	652,156	8	2,065,514	6	6,360,271	46

fig. 86 Funding for rehabilitation and new construction

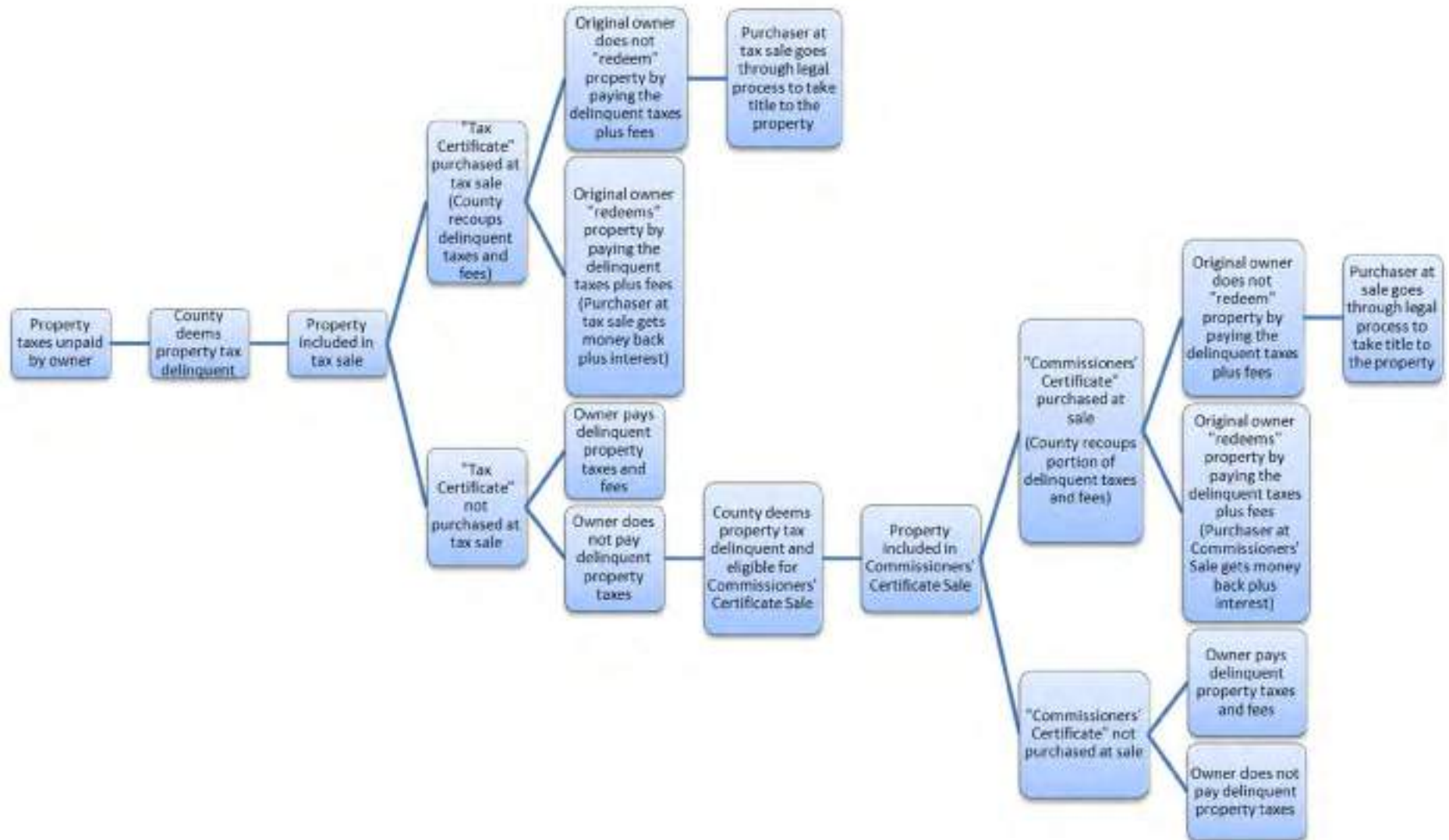
Appendix

IV. Federal Funding and Resource Allocation Breakdowns

	2007		2008		2009		2010		2011		TOTALS	
	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED	ALLOCATION	HOMES IMPACTED
SBHIP	425,000	48	469,365	49	470,000	56	450,000	60	450,000	37	2,264,365	250
Rebuilding Together	74,731	15	80,000	16	125,000	22	135,000	28	109,637	18	524,368	99
REAL Services - Aging in Place					352,623	82			255,898	27	608,521	109
TOTALS	499,731	63	549,365	65	947,623	160	585,000	88	815,535	82	3,397,254	458

fig. 87 Funding homeowner rehabilitation

V. Tax Sale and Commissioners' Certificate Sale Process



Appendix

VI. Definitions

Abandoned Property - No one has lived in the house for at least 90 days AND has a code violation that has not been addressed for more than 30 days.

Commissioners' Certificate Sale - Indiana law allows counties to hold Commissioners' Certificate Sales to attempt to sell those parcels that did not sell in the Tax Sale. The original property owner has a period 120 to redeem their property; this shorten redemption period allows the buyer to take ownership more expeditiously.

Good Samaritan Law – Indiana Code 34-30-26-5 which allows the nonowner of a property to enter the premises in order to perform remedial actions, such as mowing the grass or picking up trash, without liability. See Appendix V for the full law and what it permits.

Foreclosure - The process of taking possession of a mortgaged property as a result of the property owner's failure to keep up mortgage payments.

Land bank - Public or community entity created for the single purpose of acquiring, managing, maintaining, and repurposing vacant, abandoned, and foreclosed properties.

Subprime lending - Making loans to people who may have difficulty maintaining the repayment schedule. These loans are characterized by higher interest rates and less favorable terms in order to compensate for higher credit risk.

Tax Delinquent – A property is considered tax delinquent if all taxes and special assessments are not completely paid on or before the payment due date

Tax Sale – Indiana law allows counties to hold tax sales to attempt to sell tax delinquent properties and recoup delinquent taxes. A property is eligible for inclusion in tax sale if any property taxes or special assessments from the prior year's spring installment or before are delinquent.

Unsafe Building Law – Indiana Code 36-7-9 defines the Unsafe Building Law, including what constitutes an unsafe building and the process and legal actions required to remedy the situation.

Vacant Property - No one has lived in the house for at least 90 days

Z-Score – A statistical way of standardizing data so a comparison can be made between a particular instance and the average of the entire data set.

VII. Acronyms

CCLRC – Cuyahoga County Land Reutilization Corporation

CDBG – Community Development Block Grant

CHC – Community Homebuyers Corporation

GCLBA – Genesee County Land Bank Authority

HAO – Housing Assistance Office

HCD Plan – Housing and Community Development Plan

HOME – HOME Investment Partnership Program

HUD – Federal Department of Housing and Urban Development

NHS – Neighborhood Housing Services

NNN – Near Northwest Neighborhood, Inc.

NNRO – Northeast Neighborhood Revitalization Organization

NSP – Neighborhood Stabilization Program

SBHF – South Bend Heritage Foundation



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