

\$60 Million and Counting:

The cost of vacant and abandoned properties to eight Ohio cities

February 2008

Executive Summary



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Executive Summary

This research documents the magnitude and cost of the vacant and abandoned properties problem in eight Ohio cities—Cleveland, Columbus, Dayton, Ironton, Lima, Springfield, Toledo, Zanesville. The research found:

- 25,000 vacant and abandoned properties
- Widespread vacancies in both large and small cities
- \$15 million in annual city service costs
- \$49 million in cumulative lost property tax revenues to local governments and school districts
- Weakened neighborhood housing markets with evidence of property flipping
- Limited capacity of cities, on their own, to track and address vacant and abandoned properties

“Vacant property” is defined as a chronically vacant and uninhabitable property for which the owner is taking no active steps to return the property to the market.

—Ohio Vacant and Abandoned Properties Study Research Design

What are the costs of Ohio’s vacant and abandoned properties?

The debilitating effects of vacant and abandoned properties are evident in neighborhoods and communities throughout Ohio and the nation, and the recent foreclosure epidemic has made the issue of vacant properties a top news story and catapulted it to the top of public policy agendas. However, this is a long-standing problem in older and central city housing markets, where the issues of predatory and subprime lending and vacant and abandoned housing have existed for many years.

But how many vacant and abandoned properties are there in Ohio cities? Where are these properties located? What are the costs to local governments and neighborhood residents? What are communities doing to track and address these properties?

These are the questions that ReBuild Ohio, a consortium of local government, nonprofit, and civic organizations, sought to answer when, in 2007, they asked Community Research Partners (CRP) to conduct a groundbreaking study on the incidence and costs of vacant and abandoned properties in eight Ohio cities. The research supports ReBuild Ohio’s mission of promoting reclamation of vacant and abandoned properties for economic vitality and enhanced quality of life throughout the state and CRP’s mission to strengthen Ohio communities through data, information, and knowledge.

About the research

The project began with development of a research design, based on an extensive review of national literature on vacant and abandoned properties and their costs to communities. An advisory committee was formed by ReBuild Ohio to help design and guide the project. During the design phase, using criteria that included size, geographic location, demographics, and local interest in the issue, six cities were selected by ReBuild Ohio in which to conduct a citywide assessment of vacant and abandoned properties: Dayton, Ironton, Lima, Springfield, Toledo, and Zanesville. Columbus and Cleveland were chosen for neighborhood-level research. Local stakeholders selected the Franklinton, Livingston-Driving Park, and North Linden neighborhoods in Columbus and the Detroit Shoreway, Mount Pleasant, and Slavic Village neighborhoods in Cleveland.

Using data from city, county, state, and national sources, the research examines: 1) the incidence of vacant and abandoned properties; 2) their costs to local governments; 3) the relationship of vacancy and neighborhood property values; and 4) the causes of vacancy. As part of conducting the research, CRP also learned about how communities are tracking and addressing vacant and abandoned properties.

25,000 vacant and abandoned properties

Using data provided by city agencies, the research identified an estimate of more than 15,000 vacant and abandoned buildings and nearly 10,000 vacant and abandoned lots across the eight study cities. Some cities—Columbus, Dayton, Cleveland, and Zanesville—provided citywide counts. Other cities—Ironton, Lima, Springfield, and Toledo—provided code enforcement data. The research found that, for the cities without citywide inventories, the actual vacancy incidence may be from 2-6 times the city’s figure.

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Table E-1. Estimates of Vacant and Abandoned Residential Properties, Study Cities (1)

	POPULATION ESTIMATE (2)	VACANT RESIDENTIAL BUILDINGS	% OF ALL RESIDENTIAL BUILDINGS	VACANT AND ABANDONED LOTS	TOTAL VACANT BUILDINGS AND LOTS
Cleveland	444,313	7,014	5.6%	5,367	12,381
<i>Study neighborhoods</i>	68,108	1,541	8.8%	381	1,922
Columbus	733,203	3,875	2.1%	993	4,868
<i>Study neighborhoods</i>	58,484	1,091	6.8%	156	1,247
Dayton	156,771	3,439	6.7%	1,996	5,435
Ironton	11,416	48	1.1%	83	131
Lima	38,219	467	3.7%	263	730
Springfield	62,844	126	0.6%	206	332
Toledo	298,446	413	0.4%	877	1,290
Zanesville	25,361	117	1.3%	123	240
<i>Total for study cities</i>		15,499	--	9,908	25,407

(1) Source of data includes inventories provided by cities and CRP calculations based on data provided by city agencies. May include a small number of mixed-use and commercial buildings. Columbus, Dayton, and Zanesville data based on citywide inventories; Cleveland data from neighborhood surveys conducted by Community Development Corporations; data from other cities based on code enforcement case lists. Toledo count is based on preliminary data.

(2) American Community Survey 2006; Study neighborhood populations, Census 2000

Multiple causes of vacancy and abandonment

Job loss, population loss, housing stock deterioration, tax delinquency, subprime and predatory lending, and mortgage foreclosure—these have been identified in national literature and the Ohio research as factors that lead to, or are indicators of, vacancy and abandonment. They also are signs of a weak housing market, which can be both a cause and a result of vacant and abandoned properties in a community. Despite their differences in size and geographic location, similar patterns are evident across the cities.

- **Job loss.** From 1999 to 2005, Ohio lost 275,814 manufacturing jobs, and 40% of this loss was in the counties where the study cities are located. Only Franklin County and Lawrence County have created enough new jobs in other sectors to compensate for the loss of manufacturing jobs.
- **Population loss.** From 1970 to 2000, all the study cities, with the exception of Columbus, had a population loss ranging from about one-fifth to one-third of their 1970 population. During this time, the Columbus “older city” (within the city’s 1950 boundaries) lost 30% of its population.
- **Older housing stock.** Older structures are more likely to be vacant and abandoned than newer housing. In the study cities, with the exception of Columbus, from one-third to one-half of all housing units were built before 1940, compared to 22.5% for all of Ohio. In older Columbus, nearly three-quarters of the housing is pre-1940.
- **Property tax delinquency.** In 2005, all of the study cities, except Columbus, had at least \$128 in delinquent real property taxes for every \$1,000 of taxes levied in 2005, and these delinquency rates were two to three times that for all Ohio cities.
- **Foreclosure and subprime lending.** In Ohio, there were over 79,072 foreclosure filings in 2006, compared to 15,975 in 1995. The study cities also had big jumps in foreclosures, with the 2006 filings for counties where the cities are located from 4-8

times the number of 1995 foreclosures. In 2006, at least one in five home refinance loans in these counties was through a subprime lender. In six of the counties, nearly one in seven home purchase loans was also subprime.

\$64 million in costs to local jurisdictions

Vacant and abandoned properties impose high costs on local communities. Cities bear the costs of municipal services—code enforcement, boarding, demolition, maintenance, and police and fire—associated with addressing vacant property. Local jurisdictions—in particular school districts—feel the impact of lost tax revenue from these properties. These costs and lost revenue have ripple effects in communities, limiting resources to address the problem of vacancy and to provide essential city services.

The research conservatively identified nearly \$64 million across the eight study cities in costs to local jurisdictions related to vacant and abandoned properties. This included nearly \$15 million in city service costs and over \$49 million lost tax revenues from demolitions and tax delinquencies. Some cities recoup a small portion of these costs through fines, fees, and assessments. However, this represents just the tip of the iceberg. Based on the figures for the Dayton citywide assessment, complete Cleveland, Columbus, and Toledo data would add millions of dollars to these totals.

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Table E-2. Estimated Local Jurisdiction Costs of Vacant and Abandoned Residential Properties, 2006

	CODE ENFORCEMENT STAFF	DEMOLITION AND BOARDING	GRASS AND TRASH	FIRE AND POLICE RUNS (5)	TAX LOSS	RECOUPED COSTS	TOTAL IDENTIFIED COSTS
Cleveland (1, 2)	--	\$1,234,666	\$3,275,000	--	\$30,728,020	--	\$35,542,686
<i>Detroit Shoreway</i>				\$60,000			
<i>Mount Pleasant</i>				\$70,000			
<i>Slavic Village</i>				\$175,000			
Columbus (1)	--	\$196,699	\$515,182	--	\$7,502,424	--	\$8,399,305
<i>Franklinton</i>				\$90,000			
<i>Livingston-Driving Park</i>				\$45,000			
<i>North Linden</i>				\$50,000			
Dayton	\$1,722,879	\$831,677	\$787,100	\$331,998	\$8,763,402	(\$167,000)	\$12,270,056
Ironton	\$10,333	\$22,185	\$6,560	\$30,000	\$203,994	\$0	\$273,072
Lima	\$171,000	\$150,700	\$138,350	\$104,342	\$1,402,828	(\$127,182)	\$1,840,038
Springfield	\$102,027	\$355,163	\$71,784	\$46,875	\$578,864	(\$17,399)	\$1,137,314
Toledo (3)	\$954,000	\$2,390,140	\$723,985	NA	NA	(\$174,438)	\$3,893,687
Zanesville (4)	\$60,000	\$21,879	\$18,046	\$55,699	\$25,032	\$0	\$180,656
Total	\$3,027,310	\$5,203,109	\$5,536,007	\$1,058,914	\$49,204,564	(\$486,019)	\$63,536,814

Sources: See Sections 1 and 2 and individual assessments for detailed descriptions of data sources and methodology

- (1) The Cleveland and Columbus assessments focused on neighborhood financial impacts and data on code enforcement staff costs, police runs and recouped costs were not requested; fire incident was collected for the neighborhoods only, all other cost data is citywide
- (2) Cleveland costs for demolition only
- (3) Toledo cost estimates are based on preliminary data, it was not possible to determine fire incidents or tax loss from available data
- (4) Zanesville provided a range of costs for staff and boarding; the table includes the highest figure
- (5) Police personnel data for Dayton, Lima, Springfield and Zanesville only; Dayton fire data for calendar year 2006; all other cities for January 2006-August 2007

Weakened neighborhood housing markets

The research examined the patterns of vacant and abandoned properties and the values of occupied residences in three neighborhoods in Cleveland and Columbus. County Auditor data was analyzed to determine the assessed property tax values and sales prices of occupied homes based on their proximity to vacant and abandoned properties, and the change in value and price over two points in time. The analysis revealed a number of patterns, some expected and some unexpected:

- Expected pattern of decrease with proximity to vacancy.** Some data showed expected patterns, where assessed values and sales prices increased with distance from vacant properties. In the North Linden neighborhood in Columbus, the increase in median sales price from 1999-2000 to 2005-2006 for properties on a block with three or more vacancies was about half that for properties sold on a block with fewer or no vacant residences (11% increase; +\$6,250 vs. 21-24% increase; +\$15,000). In the Detroit Shoreway neighborhood in Cleveland, the change in assessed value from 2002 to 2006 for residences with three or more vacancies on the same block was less than for properties on blocks with fewer or no vacancies (35% increase; +\$11,314 vs. 46-51% increase; +\$17,000).
- No discernable pattern with widespread vacancy.** In neighborhoods where vacancy is widespread there was sometimes little difference in assessed values and sales prices between groups of homes close to vacancies and properties located farther away. In the Mount Pleasant neighborhood in Cleveland, only about \$500-\$2,000 separated the housing values and sales prices across all groups, with no discernable pattern evident. Mount Pleasant, Detroit-Shoreway, and Livingston-Driving Park exhibited some “flattening” of the market over time, where price differences across the neighborhood housing market evident in the earlier years had diminished.
- Unexpected pattern and evidence of property flipping.** A counterintuitive pattern, where properties closest to vacancies had the greatest increases in value and price, emerged in a number of the neighborhoods. In neighborhoods where the pattern was most striking, as in Slavic Village in Cleveland and Franklinton in Columbus, it appears to be evidence of property flipping, unscrupulous real estate practices, or both. Data on property transfers in Slavic Village found that from 2004-2006 there were 223 properties with more than one title transfer in a year and with sales price increases of 100% or more.

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Table E-3. Cleveland and Columbus Overall Neighborhood Value and Price Patterns

	EXPECTED PATTERN Values and prices generally lower in closer proximity to vacancy	NO DISCERNABLE PATTERN Few differences in value and price based on proximity to vacancy	UNEXPECTED PATTERN Values and prices generally higher in closer proximity to vacancy	MIXED PATTERN Mix of patterns or no predominant pattern
Cleveland		Mount Pleasant	Slavic Village	Detroit Shoreway
Columbus	North Linden		Franklinton	Livingston-Driving Park

Sources: County Auditor databases; CRP calculations

Observations from the research

A number of observations and themes that cut across communities emerged from the research:

1. Tracking properties

Cities face challenges tracking vacant properties. All cities face challenges identifying and tracking vacant and abandoned properties. The research uncovered a range of tracking systems (or lack of systems), including comprehensive, citywide inspections conducted by Dayton, Columbus, and Zanesville, surveys conducted by neighborhood organizations in Cleveland, and limited, complaint-driven code enforcement data in Springfield, Lima, Ironton, and Toledo.

Cities need assistance to implement good tracking systems. The Dayton vacant property survey requires the work of nearly every housing inspector on staff (23 staff in 2006) for about three months. Most cities would need funding for staff and technology, as well as technical assistance, to establish and use an enhanced tracking system and the data it produces.

Characteristics of a model tracking system. A model tracking system should include: 1) a regular citywide inspection “sweep” and inventory; 2) a cross-agency electronic data system that can be easily queried to produce a variety of reports; 3) common and clear definitions for data elements and property status; 4) a uniform system of assigning property identifiers that links with county auditor data; 5) assignment of costs to city activities related to these properties; and 6) regular updates of the status of properties being tracked and longitudinal data.

2. Impact on cities

Fewer resources to address vacancy, provide city services, and fund schools.

The study conservatively identified over \$60 million in costs to local communities to address vacant and abandoned properties. If these costs were spread across every household in these communities, it would range from nearly \$200 per household in Cleveland and Dayton, to about \$20 in Columbus.

City government pays the direct municipal service costs; however, over 75% of the financial impact is the result of lost property tax revenues. These costs to local communities limit the resources to address vacancies, as well as to fund other vital city services. The greatest impact of tax loss is felt by school districts, which receive about two-thirds of real property tax revenue.

A large impact on small cities. The impacts of vacant and abandoned properties are very visible and more widely known in Ohio’s largest cities. What is not so well known is what is happening in Ohio’s smaller cities. Lima, with a 2006 population of 38,219, reported an official count of 467 vacant and abandoned properties and an unofficial estimate as high as 1,400. In comparison, Columbus (population 722,033) reported 3,875 vacancies in 2006. These small cities tend to have weak housing markets and limited staff and financial resources to address vacant and abandoned properties.

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Table E-4. Estimated Per Household Cost of Vacant and Abandoned Properties

CITY	TOTAL COSTS IDENTIFIED (city services and tax loss)	TOTAL HOUSEHOLDS 2000	ESTIMATED PER HOUSEHOLD COST
Cleveland	\$35,542,686	190,638	\$ 186
Columbus	\$5,866,382	301,534	\$ 19
Dayton	\$12,277,127	67,409	\$ 182
Ironton	\$273,072	4,906	\$ 56
Lima	\$1,840,038	15,410	\$ 119
Springfield	\$1,137,314	26,254	\$ 43

Source: Census 2000; CRP calculations

The important role of code enforcement staff in addressing vacancies. The growing numbers of vacant and abandoned properties place a great burden on code enforcement staff, particularly in smaller cities, where the staff wears many hats. They have the challenge of responding to citizen complaints, conducting inspections, working with uncooperative (or missing) property owners, and tracking compliance. These code enforcement staff are essential to implementing programs to track and address vacant and abandoned properties.

3. Impact on neighborhoods

Vacant properties blight neighborhoods. Site visits and conversations with city officials revealed similar perspectives across cities—that the blighting influence of vacant and abandoned properties negatively affects the quality of life in neighborhoods. Evidence of blight includes deteriorating properties that are eyesores, weeds, trash, crime, and fires. Vacancies create a downward spiral for neighborhood housing markets that is difficult to correct, even with large infusions of public dollars.

Financial impact is hard to quantify in neighborhoods with widespread vacancies. In the Columbus and Cleveland neighborhoods analyzed, the more widespread the vacancies, the less likely there were discernable patterns of impact on property values. These mixed or unclear patterns may be a reflection of pre-existing property values, factors not captured in the data analysis (e.g. vacancies in an adjacent neighborhood, location near a highway), an overall weak or dysfunctional neighborhood housing market, or even city policies to address vacancy, such as aggressive demolition.

Hardest hit areas show evidence of flipping or fraudulent mortgage schemes. In the areas of neighborhoods with high concentrations of vacancies, the patterns were sometimes the opposite of what would be expected—properties in closest proximity to vacancies experienced greater increases in assessed value and sales price than those farther away. One explanation for this is flipping by unscrupulous investors. In Cleveland, the study neighborhoods are known to be the target of property flipping and fraudulent mortgage schemes by investors who seek to make a quick profit by buying and reselling these properties within a short period of time. This is also an issue in smaller cities, as was noted by Zanesville officials.

4. Addressing vacant properties

Cities are taking a variety of approaches to addressing vacant properties. Although the research did not focus on creating a comprehensive picture of how cities are addressing vacant properties, discussions with city staff and site visits identified a variety of approaches that the cities are taking to prevent and address vacancies.

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Table E-5. Strategies to Address Vacant and Abandoned Properties

STRATEGY	SELECTED EXAMPLES
Targeted and coordinated code enforcement	<ul style="list-style-type: none"> • Toledo Dirty Dozen and Worst to First programs • Zanesville collaboration between city code enforcement and municipal judge • Lima “board down” ordinance
Overcoming legal hurdles	<ul style="list-style-type: none"> • Dayton national lender contact list of responsible parties for foreclosed homes • Cleveland Housing Court
Aggressive demolition	<ul style="list-style-type: none"> • Cleveland • Springfield • Dayton • Toledo
Land banking	<ul style="list-style-type: none"> • Cleveland Land Bank • Columbus Land Bank • Lima Land Acquisition and Neighborhood Development (LAND) bank
Investment in neighborhood revitalization	<ul style="list-style-type: none"> • Columbus Home Again Program • Cleveland Model Block Program and Strategic Investment Initiative
Partnerships to prevent foreclosure	<ul style="list-style-type: none"> • Ohio NeighborWorks Foreclosure Intervention Initiative and the Ohio Rescue Fund (nonprofit organizations in Columbus, Springfield, Cleveland, Toledo, Dayton, Appalachian region) • Information and intervention initiative of Neighborhood Progress, Inc., the Poverty Center at Case Western Reserve University, Cleveland CDC’s, and other local stakeholders
Impacting public policy	<ul style="list-style-type: none"> • Columbus: United Way of Central Ohio Public Policy Committee • ReBuild Ohio statewide public policy agenda

5. Improved data needed

Throughout the report there are numerous descriptions, explanations, and caveats regarding the data collected for this study. These suggest areas where improved data availability would enhance future research. Specifically, there is a need for: 1) consistent data across cities; 2) improved data on city service costs; 3) data on vacant and abandoned commercial and industrial properties; and 4) longitudinal data on vacancies.



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