

February 6, 2008

As Houses Empty, Cities Seek Ways To Fill the Void

 By **MICHAEL CORKERY** and **RUTH SIMON**
February 6, 2008; Page B1

Cities are scrambling to cope with a surge in vacant homes and abandoned properties in the latest fallout from the mortgage-lending crisis.

Nationwide, the homeowner-vacancy rate, which measures the number of vacant homes for sale, rose to 2.8% in the fourth quarter, the Census Bureau recently reported. That matches a record set in the first quarter of 2007 and is the highest since the government began tracking vacant homes in the 1960s.




San Diego wants to keep speculators from converting vacant housing into low-quality rentals.

the empty homes aren't only depressing property values, "they are weighing on the collective psyche of communities. ... It's kind of like playing for a losing team. It's debilitating."

High vacancies in Florida, Nevada and California partly reflect overbuilding during the housing boom along with rising foreclosures. Cities in the Midwest have some of the highest vacancies, due not only to foreclosures but also to weak economies and population declines. In Cleveland, for example, the number of vacant homes has reached as many as 12,000, about 10% of the city's total housing stock, according to the treasurer of Cuyahoga County, which includes Cleveland.

The rising number of unoccupied homes creates myriad problems for city governments. They're spending money cutting overgrown yards, draining swimming pools and securing homes to thwart vandals from ransacking empty houses.

DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

- See a sample reprint in PDF format.
- Order a reprint of this article now.

Start a **FREE** trial of the **Online Journal**



Subscribe to **The Print Journal**



Free US Quotes:

- Symbol
 Name



Get **FREE E-Mail** by topic

Check Out our **Mobile & Wireless Services**

DIGEST OF EARNINGS

Details of the latest corporate earnings reported for FREE.

In markets with strong economies and population growth, many vacant houses will eventually be bought and occupied by the owners as sellers lower their prices and demand rebounds. But some cities are trying to find ways to keep vacant homes out of the hands of speculators and absentee landlords. Among the strategies being considered to deal with the vacant housing are creating so-called land banks, raising private investment and tapping federal grants.

A San Diego city-county task force is considering ways to buy empty homes -- before speculators and investors swoop in -- and reserve them for lower-wage workers, many of whom were shut out of the housing boom when home prices rose out of their reach. (In December 2005, the median home price in San Diego reached \$500,000.)



Jim Bliesner, director of the City-County Reinvestment Task Force in San Diego, is proposing that a nonprofit group or a local housing agency purchase homes priced under \$400,000 that have been on the market for six months or more. "It would be turning lemons into lemonade," he says.

Mr. Bliesner worries that speculators will convert some low-priced, foreclosed houses into low-quality rentals. "A speculator is not going to have much of a margin to rehab these houses or upgrade them," he says. "We want to fix them up and stop neighborhood blight."

Mr. Bliesner says he proposed the idea of a bulk purchase of foreclosed homes to **Washington Mutual Inc.** executives Friday, and "they didn't say no." The Seattle bank said the discussions were "very preliminary" and no details have been discussed.

The task force is examining ways to finance such a purchase by floating a bond or attracting private investment from banks, which might partly satisfy the banks' federal community-reinvestment requirements, Mr. Bliesner says. Some of the houses might be set aside as affordable rentals, says Tony Young, a member of the San Diego City Council and co-chairman of the reinvestment task force.

In Providence, R.I., where roughly 750 properties have been foreclosed on or were the subject of a notice of foreclosure between Jan. 1, 2006, and Aug. 31, 2007, the mayor's office is working to have some properties transferred to local community-development corporations, which will then convert them into affordable housing and commercial space with the city's financial help. The city has set aside about \$3 million to be used for these efforts this year and is looking to secure an additional \$5 million of funding through federal loans.

To aid the cities that want to purchase property, the federal government is offering to help local governments identify sources of funding. The Department of Housing and Urban Development recently set up a working group with community-development organizations to discuss how to apply federal block-grant funding to facilitate the purchase of foreclosed properties. HUD this year will provide more than \$5.5 billion of block-grant funding, which can be used for a variety of community-development and housing activities. Local governments may also be able to tap HUD-backed loan guarantees.

"Local communities have a keen interest in making certain that foreclosed properties don't become a blight in their neighborhoods," says HUD Secretary Alphonso Jackson. "If our funding can help, then we must absolutely encourage communities to explore using federal block grants to

leverage private and other public resources to arrest or reverse the harm we are witnessing."

But with federal funding likely to be limited, local officials may have to devise creative ways to finance their efforts. Genesee County, Mich., which includes economically struggling Flint, uses a "land bank" to control its vacant properties.

To fund the land bank, the county treasurer buys tax liens on foreclosed properties from cities, collects the back taxes and sells some of the properties. That generates about \$2 million to \$2.5 million in revenue for the land bank annually to fund demolition and redevelopment.

The land bank not only generates revenue, it prevents speculators from buying and flipping houses and perpetuating neighborhood blight, says Daniel Kildee, the land bank's chief executive and Genesee County's treasurer. "We sell to people who really want to invest, not to people buying them for five cents on the dollar," he says.

Since its inception in 2002, the Genesee land bank has demolished 800 homes and built 200 single-family homes and loft apartments. This year, the land bank is spending \$30 million, much of it drawn from private investment, for projects that include the renovation of two historic hotels. "If it works in Flint, one of the hardest-hit real-estate markets in the U.S., it clearly can work in stronger market areas," Mr. Kildee says.

Officials in the Cleveland area are proposing a countywide land bank. That could result in the demolition of a "significant majority" of the city's 12,000 vacant homes, says Cuyahoga County Treasurer Jim Rokakis.

"When all the windows are gone, there's very little hope for that house in a declining market," says Mr. Rokakis, who is spearheading the county's effort to deal with the area's vacant homes.

After demolition, the empty lots could be sold to adjoining homeowners to expand their yard space or be used for commercial development or to create new housing or public green space. But some residents are skeptical.

"If you tear all these houses down, all you get are empty lots," says Kenyada Jackson, a 37-year-old single mother living on Cleveland's east side. "And if they build houses, they aren't going to be for people like me. They're gonna push us somewhere we don't want to be."

Two years ago when Ms. Jackson moved into the apartment she rents with her mother and five children, a man was ripping the gutters off a vacant house next door. A sign on a boarded house across the street reads: "No Copper," telling thieves that someone has already stripped out the copper wiring. Ms. Jackson, a janitor who cleans college dormitories for \$8.15 an hour, doesn't mind that the vacant homes are driving down values because it means she'll be able to afford to buy a home one day. "All I want is something nice," she says.

Mr. Rokakis says he understands the skepticism, but renovating many of Cleveland's vacant homes seems unlikely because of the city's shrinking population and rising foreclosures, fueled by subprime-lending woes.

"This is not Boston, this is not San Francisco, or San Diego," says Mr. Rokakis. "This is a shrinking city. If you renovate many of them, who are you going to put in them?"

Write to Michael Corkery at michael.corkery@wsj.com¹ and Ruth Simon at ruth.simon@wsj.com²

URL for this article:

<http://online.wsj.com/article/SB120226298614746353.html>

Hyperlinks in this Article:

(1) <mailto:michael.corkery@wsj.com>

(2) <mailto:ruth.simon@wsj.com>

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

RELATED ARTICLES AND BLOGS

Related Content may require a subscription | [Subscribe Now -- Get 2 Weeks FREE](#)

Blog Posts About This Topic

- [REALTORS, Mayors Recognize Miami-Dade for Virtual Housing Center](#) realtown.com
- [Suburban house split up into 18 bedrooms](#) urbantoronto.ca

[More related content](#) Powered by Sphere 