



G A O

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Vacant Properties

**Growing Number Creates
Costs and Challenges for Communities
GAO-12-34**

Background

- As unattended vacant properties deteriorate, they can increase blight in the community and increase costs for local governments, which must expend resources to inspect the properties and mitigate any unsafe conditions.
- Expressing concerns over these developments, Ranking Member Kucinich of the Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending asked GAO to review strategies governments are using to address these issues and the challenges they face.
- Report was issued November 4, 2011.

Objectives and Methodology

Objectives:

- (1) Trends in the number of vacant properties and how they relate to the recent increase in foreclosures;
- (2) Types of costs that vacant properties create and who bears the responsibility for these properties and their costs; and
- (3) State and local government strategies for addressing vacant properties and the federal role in assisting these efforts.

Objectives and Methodology

Methodology:

- Analyzed data on vacant residential housing units from the Census Bureau from 2000 to 2010.
- Analyzed data on property maintenance costs from Fannie Mae, Freddie Mac, and FHA.
- Interviewed academic researchers and representatives of GSEs, relevant federal agencies, and mortgage servicers, among others.

Objectives and Methodology

Methodology:

- Conducted case studies in nine localities, selected based on vacancy and foreclosure rates, geographic location, economic conditions, and foreclosure processes.
 - The localities were: Baltimore, Maryland; Cape Coral, Florida; Chicago, Illinois; Cleveland, Ohio; Detroit, Michigan; Indianapolis, Indiana; Indio, California; Las Vegas, Nevada; and Tucson, Arizona.
 - In each location, we interviewed local government officials and representatives of nonprofit and community development organizations.

Trends in the number of vacant properties

More properties have become vacant in recent years, in step with increased foreclosures and unemployment.

- We estimated that the total number of nonseasonal vacant, residential housing units in the United States increased 51 percent between 2000 and 2010, from nearly 7 million to 10 million.
- Overall, the number of nonseasonal vacant units as a share of the nation's total housing stock increased from 6 percent to 8 percent
- Vacant properties for seasonal and migrant worker use were excluded because these are occupied for temporary periods of time, and we concluded they were likely to be maintained.

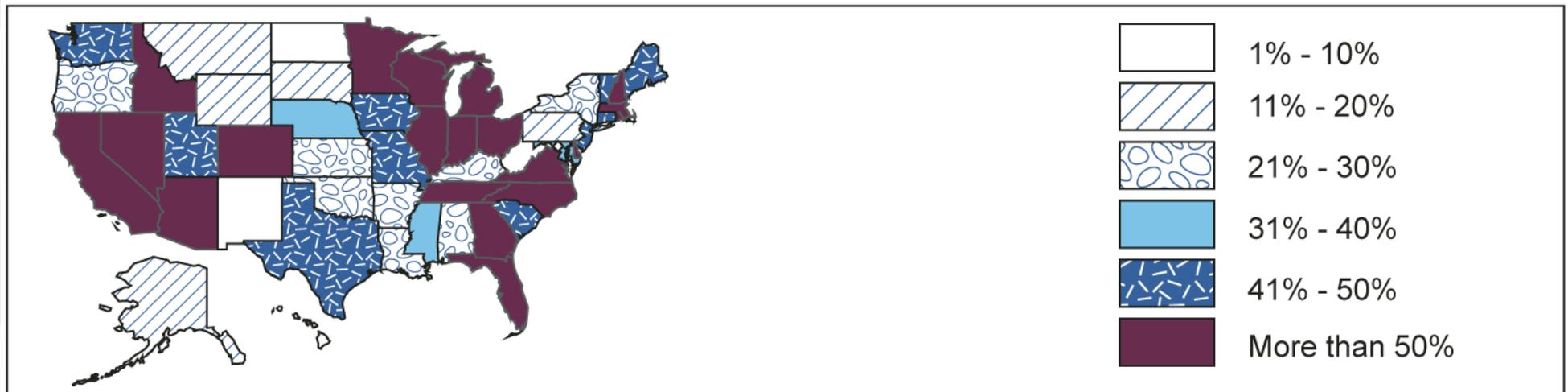
Trends in the number of vacant properties

The increase in the number of nonseasonal vacancies varied among states over the past decade, with some experiencing a larger increase in the number of vacant units than others.

- Ten states experienced increases of 70 percent or more, including Nevada with a 126 percent increase (ranked 1st).
- North Carolina experienced an increase of 52.5 percent (ranked 17th).
- South Carolina experienced an increase of 49.9 percent (ranked 21st).

Trends in the number of vacant properties

Percentage increase in number of nonseasonal vacancies by state between 2000 and 2010



Sources: 2000 and 2010 Census data; map (MapInfo).

Trends in the number of vacant properties

Percent change in number vacant residential units, by Census category, between 2000 and 2010

State	Total vacancies	For rent or sale	For sale only	Rented or sold, not occupied	For seasonal use	For migrant workers	Other vacant
North Carolina	48.6	68.6	62.9	-20.1	42.0	-14.3	52.4
South Carolina	53.1	59.4	66.4	-21.7	60.3	-11.9	54.0

Source: Census 2000 and 2010 data

Between 2000 and 2010, total nonseasonal vacant units' share of housing stock increased 24.2 percent in North Carolina and 22.9 percent in South Carolina.

Trends in the number of vacant properties

A variety of factors are associated with the increase in vacant properties.

- In particular, local officials and representatives of community groups pointed to the recent large number of foreclosures, high unemployment levels, and population declines in some cities.
- Several states with the greatest increases in vacant properties also were among the states with the largest percentage of loans in foreclosures and had unemployment rates that exceeded the national rate.
 - For example, North Carolina ranked 17th in percentage change in nonseasonal vacancies between 2000 and 2010 and 11th in unemployment as of December 2010.

Types of costs that vacant properties create

Improperly maintained vacant properties create costs and other problems for neighborhoods and local governments, including:

- Exterior maintenance costs
- Demolition costs
- Administrative and judicial costs



Types of costs that vacant properties create

Vacant properties also produce other costs that can be difficult to quantify but also impose burdens on local governments and communities. For example:

- Public safety costs
- Cost of reduced values of surrounding properties
- Cost of reduced property tax revenue for local governments

State and local government strategies

State and local government strategies to address vacant properties face resource and other challenges. These strategies include the following:

- *In-depth data-gathering.*
 - Local officials are attempting to address problems associated with vacant properties by engaging in a wide variety of data-gathering efforts in order to understand the scope of vacant properties in their jurisdictions and effectively target resources.
 - Challenges: requires resources and continued updating and typically must be assembled from various county and city offices, each of which may operate a unique data system.

State and local government strategies

- *Property Acquisition and Rehabilitation*
 - City acquires properties either through strategic purchase of foreclosed properties or by default as a result of no-sale at tax foreclosure.
 - Cities reported using “first look” programs and NSP funds for this activity.
 - Challenges: declining home values, ongoing foreclosures, and sluggish economic conditions. In addition, lack of local capacity, poor property conditions, and large volume of foreclosures.
 - NSP Challenges: limited funds compared to scale of problem, difficult to use fund in NSP areas within timeframes, difficult to act quickly and strategically.

State and local government strategies

- *Land banks*
 - Special entities to acquire and hold properties for later development or conversion to other productive uses such as parks.
 - Land banks may accept donated properties or acquire foreclosed properties held by banks, GSEs, or federal and state agencies, such as through tax foreclosure.
 - Cuyahoga County Land Bank has agreements with Fannie Mae and HUD to acquire low-value properties and agreements with two large servicers for low-value property donations with contributions toward demolition.
 - Challenges: takes time to establish, may need authority from state legislature, need stable funding source.



State and local government strategies

- *Local Vacant Property Registration Requirements*

- Some state and local governments are requiring servicers to register vacant properties to provide the city with specific contact information for each vacant property they service.
- Some ordinances also attempt to hold the lender or servicer responsible for maintenance of vacant properties during the foreclosure process.
- Challenges: identifying who is responsible for maintaining vacant properties and lack of adequate code enforcement and inspection staff to enforce fully the registration and maintenance requirements.



State and local government strategies

- *Housing Courts*
 - A few jurisdictions have established special housing courts devoted to building safety and code enforcement cases, with exclusive attention to complex cases involving substandard housing and abandoned buildings brought by the city prosecutor.
 - Challenges: in some cases, establishing such a court may require legislation, as well as substantial resource investment. Judicial proceedings still can be lengthy and costly.

State and local government strategies

- Local governments have called for increased federal funding to help address the costs of vacant properties and pressure from regulators on servicers to modify loans and comply with local property maintenance codes and code violations.
- Oversight of mortgage servicers' activities regarding loans in foreclosure has not always been a major focus among federal banking regulators, although they have recently increased their attention to this area by developing new guidance for examiners and banks that includes requirements and actions related to foreclosed properties, conducting specific reviews of servicers' foreclosure activities, and considering national servicing standards.

GAO on the Web

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