

**LAYING THE GROUNDWORK FOR CHANGE:  
Demolition, urban strategy, and policy reform**

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**About the Author**

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From 1990 to 1999 he was director of the Department of Housing and Development in Trenton, New Jersey, responsible for the city's housing, redevelopment, and economic development activities. Before taking that position, he was a planning and real estate consultant, engaged both in affordable housing development and in framing creative land use planning efforts on the local and regional level. He put together the first inclusionary housing development in New Jersey following the landmark Mount Laurel II decision, and has been closely identified with innovative strategies for developing affordable housing and mixed-income communities. Other positions he has held include executive director of the Atlantic County Improvement Authority, research director of the New Jersey County and Municipal Government Study Commission, and assistant dean of Livingston College at Rutgers University. From 1967 to 1971 he held various positions in the New Jersey Department of Community Affairs.

## Executive Summary

From 2000 to 2010, the total number of vacant housing units in the United States grew by over 4.5 million, an increase of 44 percent. Empty houses—along with abandoned industrial and commercial properties—are disproportionately concentrated in many older industrial cities, particularly those that have lost much of their population and job base over the past several decades.

Many of these structures will have to be demolished over the coming years. Some may be too far in disrepair to be restored to productive use; in other cases, the demand or the resources for rehabilitation may not exist. Many of these properties are health and safety hazards, blighting their surroundings and devaluing their neighbors' properties. Still others may need to be torn down in order to make way for new redevelopment important to their cities' future vitality. With limited funds available, localities must be strategic about demolishing structures that will most benefit their neighborhoods and residents.

This report describes the vacant property challenges facing many communities, how targeted demolition can help mitigate them, and the role cities, states, and the federal government should play in helping to fund local demolition strategies. It conveys three primary messages:

**1. Large-scale demolition, thoughtfully and responsibly carried out, is a necessary step in the process of rebuilding the nation's distressed older cities.** This need is driven by two factors: the macro issue of supply and demand, which has led to a vast oversupply of buildings in many cities, and the more micro issue of how vacant abandoned structures impact their blocks and neighborhoods.

- ***The supply of buildings exceeds the demand.*** Many of America's older industrial communities have a significant structural imbalance between housing supply and demand. While decades of demolition has significantly reduced these cities' housing inventory, the number of their vacant units has continued to grow: Currently, there are over 11,000 vacant lots in St. Louis, roughly 40,000 in Philadelphia, and nearly 68,000 "unimproved" vacant lots in Detroit. Market demand is not adequate in these cities to keep the supply of houses in productive use, a dynamic that is unlikely to change—certainly in the near term—for several reasons.

First, economic weakness—not only in these cities but in most of their metropolitan areas—sets severe limits on the extent to which demand can be increased, even with the most determined marketing and revitalization efforts. Even if demand does rise, it will be at best a gradual, incremental process; in the meantime, hundreds if not thousands of additional buildings will be abandoned and deteriorate beyond repair. Second, a lack of demand keeps values too low to make rehabilitation economically feasible, with the costs of restoring a structure in many cases exceeding the value at which it can be sold. Most prospective buyers will not take on the difficult task of

restoring a vacant house under those circumstances. Finally, many cities simply have a large mismatch between the nature of their older housing stock and the preferences of the young singles and couples who are driving the greatest demand for city living.

- ***Failure to demolish buildings imposes severe social and economic costs on urban neighborhoods.*** The cost of maintaining vacant and abandoned buildings is high, which, when coupled with the loss of revenues associated with these properties, can lead to a significant fiscal drain on local government. A comprehensive analysis done by Econsult Corporation concluded that the annual cost to the city of Philadelphia to maintain its vacant properties was \$20 million, while the diminution of property values adds up to an aggregate loss of \$3.6 billion. Beyond these quantifiable effects, vacant properties undermine the vitality and quality of life of the city's neighborhoods, acting as a barrier to their revitalization, and as a disincentive for the regeneration of the city as a whole.

On the flip side, demolition—and the resulting empty lots—can significantly ease the impacts of vacancy and abandonment. Vacant lots are much easier and less expensive to maintain than vacant buildings, and pose far fewer dangers in terms of criminal activity and fire risk; moreover, they can be much more easily maintained by neighborhood residents and other volunteers. Vacant lots also lend themselves to inexpensive reuse options that do not exist for vacant buildings: They can be sold to adjacent homeowners for side lots, for example, or used for community gardens, play areas, or storm water management. Under most conditions a vacant lot has less of a blighting influence than a vacant building, is likely to result in less cost to the city and the adjacent owner, and, most importantly, can more readily be turned into an asset—or at least a neutral factor—for a neighborhood in circumstances where resources and market conditions do not permit a structure's reuse.

**2. Demolition is a costly, complicated process.** Demolition is a complex process involving a variety of steps, activities, and regulatory requirements, each of which adds cost to the final outcome. Beyond simply tearing down buildings, the process includes choosing demolition contractors, obtaining needed permits, removing asbestos, taking out foundations, getting rid of materials, and clearing the site, among other activities. The cost to carry out these tasks—all of which are important to ensuring the demolition process is safe and legal—varies widely, however, both because of the character of the building stock and the effects of the provisions of state law. The same single family frame house that is typically demolished for \$7,500 or \$8,000 in Cleveland costs an average of \$19,000 to take down in Buffalo.

Regulations affecting demolition exist at all levels of government, and have usually been put in place for sound reasons. Regulations do impose added costs, however, which may outweigh their benefits. Federal regulations regarding asbestos removal—or rather the EPA's interpretation of those regulations—are estimated to add roughly 25 percent to the price tag of each single family house demolition in Cleveland, for example. In

states such as New York, multiple state regulations, including solid waste regulations, prevailing wage requirements, state-level asbestos laws, and state fees, can add far more to the cost of demolition. The critical question is whether the benefits of these regulations exceed the harm imposed on vulnerable urban communities by significantly reducing the number of properties that can be demolished with available funds.

**3. Strategic, cost-effective demolition is vital to stabilizing and revitalizing cities and their neighborhoods.** Given both the critical need for large-scale demolition in many older communities, the costs associated with it, and the limited resources available, policymakers and practitioners need to be strategic in their decisions about which buildings to demolish, and in what areas—while getting more creative about finding the resources needed to do so. Demolition activities, in short, must be part of a larger strategy to stabilize and revitalize neighborhoods and the city as a whole. **To this end, policy makers and practitioners should undertake the following 10 action steps:**

1. Cities carrying out large-scale demolition activity should adopt transparent and efficient procedures to evaluate which buildings should be targeted for demolition.
2. Cities should establish priority criteria for demolition, directing resources to those areas that contain features or ongoing activities that can leverage the value of targeted building removal.
3. Cities should create a process for making demolition decisions that engages a wide range of interests and viewpoints, both within and outside city government.
4. To the extent permitted by state law, cities should adopt efficient procedures to gain legal approval to demolish privately-owned buildings, and to take title to vacant buildings and vacant lots.
5. Local demolition programs should incorporate specific steps to prevent the resulting vacant lots from becoming blighting elements, and ensure that lots are used in ways that enhance neighborhood stability.
6. Cities should develop integrated neighborhood stabilization programs where demolition, rehabilitation, vacant lot reuse, and other activities are linked strategically into a comprehensive effort.
7. State governments should review state statutes and regulations affecting demolition, and modify or abolish those that impose unreasonable costs without commensurate public benefit.
8. To the extent feasible, cities should aggressively use state legal tools to recover the costs of demolition, and where necessary, advocate for stronger state laws to facilitate cost recovery.
9. States, local governments, and others concerned about the future of the nation's distressed cities and towns, should actively support enactment—appropriately amended—of H.R.4210, the Restore our Neighborhoods Act of 2012.
10. State governments should leverage federal and local funds with state resources to support demolition in conjunction with local stabilization and redevelopment strategies.

## **I. INTRODUCTION**

According to the Census, the total number of vacant housing units in the United States grew by over 4.5 million from 2000 to 2010, an increase of 44 percent. While empty houses are everywhere, they are disproportionately found in many older industrial cities, particularly those that have lost much of their population and job base over the past several decades. Boarded houses, abandoned factories and apartment buildings, and vacant storefronts are a common part of the landscape in large cities like Detroit, Buffalo, and Philadelphia, and a host of smaller cities such as Flint, Gary, and Youngstown.

Many of these vacant buildings will have to be demolished over the coming years. Some may be too far in disrepair to be restored to productive use; in other cases, the demand or the resources for rehabilitation may not exist. Many of these properties are health and safety hazards, blighting their surroundings and devaluing their neighbors' properties. Still others may need to be torn down in order to make way for new redevelopment important to their cities' future vitality.

Not all empty buildings need to be demolished: Many can be productively reused, either for the same purpose as before or in new and different ways. At the same time, tearing down those that can't be reused might not be a high priority, at least in the short term. With limited funds available, localities must be strategic about targeting those demolitions that will most benefit their neighborhoods and residents. Demolition, in short, should not be an end in itself, but rather a step in the process of creating stronger, healthier communities.

The purpose of this paper is to look at demolition in the framework of larger community stabilization and revitalization strategies, and, within that context, to put forth recommendations for how to undertake demolition in the most cost-effective and productive fashion. The paper begins by discussing why demolition needs to be addressed, and provides order-of-magnitude estimates of the potential number of properties that may need to be demolished in some of the nation's most distressed communities. The second section looks at the cost of demolition, and how it is affected by local, state, and federal policies, practices, and regulations. The paper's final section examines both how to make demolition strategic and how to find the resources to pay for it, offering specific recommendations for federal, state, and local policy and action.

## **II. THE CASE FOR DEMOLITION**

Demolishing a building that has stood for decades, perhaps over a hundred years, can be a difficult, even controversial, decision. This is compounded when buildings have historical value, either in themselves or as part of the neighborhood or district where they are located, or contain architectural features or craftsmanship that are rarely seen in new construction. However, large-scale demolition, thoughtfully and responsibly carried out, is a necessary step in the process of rebuilding the nation's distressed older cities.

The need for demolition is driven by two factors: the macro issue of supply and demand, which has led to a vast oversupply of buildings in many cities, and the more micro issue of how vacant and abandoned structures impact their blocks and neighborhoods.

### **A. The supply of buildings exceeds demand in older industrial cities**

A certain amount of demolition is a constant in any physical or economic setting, as buildings deteriorate or become obsolete, or are removed as a result of changes in market conditions or development pressures. In most economically strong areas, however, the volume of demolition is not great, and where it takes place, the cost is most often covered by developers or by homebuyers who tear down houses in order to build larger homes on the same lots. Conditions are very different in many of America's older cities, however, particularly those that have been losing large parts of their population and job base over the past five or six decades. In these communities, demolition is a response to a structural imbalance between supply and demand.

Older cities have been demolishing buildings in substantial numbers for many decades, whether for urban renewal in the 1950s and 1960s, or after a wave of abandonment began to hit in the late 1960s and 1970s. Since redevelopment has added relatively few new units to these cities' housing stock, the result has been to reduce the overall size of the stock. Still, even as houses have been torn down, the number of vacant structures has continued to grow.<sup>1</sup>

Table 1 compares the number of total and vacant housing units in six cities in 1990 and in 2010. Three of these cities (Detroit, Cleveland, and Youngstown) are among the most distressed of American cities, while the other three (Pittsburgh, St. Louis, and Baltimore) are showing some evidence of at least modest economic rebound. While demolition significantly reduced each city's housing inventory during this period, the continued decline in the number of households living in each city exceeded the reduction in the housing inventory. As a result, the number of their vacant units grew both as a percentage of the housing stock and in absolute numbers. At the same time, since the number of units removed through demolition was consistently far larger than the number added through new construction, the number of vacant lots has also increased

in each. Currently, there are over 11,000 vacant lots in St. Louis, roughly 40,000 in Philadelphia, and nearly 68,000 “unimproved” vacant lots in Detroit.<sup>2</sup>

**TABLE 1. Change in Housing Inventory and Utilization in Six Cities, 1990–2010**

City		1990	2000	2010	% Change 1990–2000	% Change 2000–2010
<b>Detroit</b>	Total Units	410,017	375,096	349,170	- 8.5%	- 6.9%
	Vacant Units	36,170	38,668	79,725	+ 6.9%	+106.2%
	% Vacant	8.8%	10.3%	22.8%		
<b>Cleveland</b>	Total Units	224,311	215,856	207,536	- 3.7%	- 3.9%
	Vacant Units	24,524	25,218	40,046	+ 2.8%	+ 58.8%
	% Vacant	10.9%	11.7%	19.3%		
<b>Youngstown</b>	Total Units	40,885	37,159	33,123	- 9.1%	- 10.9%
	Vacant Units	3,763	4,982	6,289	+ 32.4%	+ 26.2%
	% Vacant	9.2%	13.4%	19.0%		
<b>St. Louis</b>	Total Units	194,919	176,354	176,002	- 9.5%	- 0.2%
	Vacant Units	29,988	29,278	33,945	- 2.4%	+ 15.9%
	% Vacant	15.4%	16.6%	19.3%		
<b>Baltimore</b>	Total Units	303,706	300,477	296,685	- 1.1%	- 1.3%
	Vacant Units	27,222	42,481	46,782	+ 56.1%	+ 10.1%
	% Vacant	9.0%	14.1%	15.8%		
<b>Pittsburgh</b>	Total Units	170,159	163,366	156,165	- 4.0%	- 4.4%
	Vacant Units	16,676	19,627	19,948	+ 17.7%	+ 1.6%
	% Vacant	9.8%	12.0%	12.8%		

Source: U.S. Census Bureau

Market demand is not adequate in these cities to keep the supply of houses in productive use: While demolition has reduced the supply, demand has dropped even faster. This is not a new phenomenon, but represents a long-term trend. Between 1960 and 2000 Detroit removed 178,000 dwelling units or 32 percent of its 1960 housing stock, while the number of vacant houses and vacant lots steadily increased. In some cities, particularly Detroit and Cleveland, the increase in vacancies has only accelerated since 2000. This reflects the extent to which the mortgage crisis and the resulting foreclosure tsunami have increased the flow of properties into abandonment over and above that which would have resulted from long-term declines in demand.

Several reasons dictate that it is extremely unlikely—certainly in the near term—that this market dynamic will change to a point where it would be possible to reuse all or most of these abandoned units.

First, economic weakness, not only in these cities but in most of their metropolitan areas, sets severe limits on the extent to which demand can be increased, even with the most determined marketing and revitalization efforts. The size of the pool of prospective buyers has been further reduced, and will be for the near future, by the economic downturn and by credit constraints on home buying.<sup>3</sup>

Second, even if demand could be increased, it would be at best a gradual, incremental process, which would not show results for many years. In the meantime, before the city's supply and demand reached equilibrium, hundreds if not thousands of additional buildings will be abandoned and deteriorate beyond repair. Mothballing properties, or securing them to minimize deterioration and preserve the value of the asset for possible future reuse, is not a viable option for more than a handful of properties for any length of time, given the substantial costs involved, the lack of private market interest, and the severe constraints on public funds.<sup>4</sup> Indeed, although widely discussed, mothballing has rarely been used except for buildings of particular historic or architectural significance.<sup>5</sup>

Third, a lack of demand keeps values too low to make rehabilitation economically feasible. Once a house has sat vacant for any length of time, the cost of bringing it back to use becomes considerable, and can exceed the post-rehabilitation value of the house. A house in Cleveland that may cost \$80,000 or more to restore to sustainable occupancy may be worth only \$40,000 after restoration; the same house in Detroit may be worth only \$25,000. Most prospective buyers, even if they like the house and the area, will not take on the difficult task of restoring a vacant house under those circumstances, while few if any public funds are available to make up the difference.<sup>6</sup>

Finally, many cities have a profound mismatch between the nature of their older housing stock and the preferences of those who make up the largest part of the demand for city living. Most vacant housing in older American cities is single family housing, typically detached homes in Midwestern cities like Cleveland and Detroit, or row houses in Baltimore or Philadelphia.<sup>7</sup> The greatest demand for city living today, however, comes from young singles and couples usually looking for higher density mixed use environments; as a result, areas like Cleveland's Warehouse District and Washington Avenue in St. Louis are thriving, even as many other parts of those two cities continue to see widespread abandonment. In Detroit, demand has grown in downtown and in Midtown near the Detroit Medical Center, while once-stable neighborhoods to their north and west have seen the demand for beautiful 1920s brick houses plummet.<sup>8</sup> While these cities may contain some artists and other "urban pioneers" who may restore a few architecturally or historically distinctive houses, their numbers are minute compared to the scale of the problem.

## How Much Demolition May be Needed: The Ohio Example

An examination of 2010 Census data provides an order-of-magnitude projection of the total volume of demolition that might be appropriate over the course of the next five years in a representative group of eight Ohio cities: Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown.

The most relevant census indicator for units likely to be considered for demolition is 'other vacant'; that is, units that are neither being offered for sale or rent, held pending occupancy by buyers or tenants, or held for seasonal or occasional occupancy. While many of these units may be off the market for various reasons and are adequately maintained, this category includes those units that are legally or *de facto* abandoned. In inner-city areas, they are likely to make up a large part of the category. In addition, in some cities, notably Cleveland and Cincinnati, the number shown as being offered for sale or rent clearly exceeds the number that can potentially be absorbed by the market. A significant share of this 'excess offering' is also likely to be a candidate for demolition.<sup>9</sup> Finally, the number of abandoned houses in these cities is growing: In each city, the number of 'other vacant' units grew significantly between 2000 and 2010.

To be conservative, this analysis assumes that half of each of these three categories—existing 'other vacant' units, excess offerings, and increase in 'other vacant' units based on the 2000-2010 rate of increase—would be candidates for demolition. The results, shown in Table 2A, suggest that these eight cities could potentially remove nearly 50,000 units of housing over the next five years. The figure represents an average of 4.5 percent of the housing stock in these cities, but nearly 7 percent in Cleveland and over 8 percent in Dayton and Youngstown.

Table 2B converts this data into the number of separate buildings that are represented by this number of units, to which is added an adjustment to reflect the likelihood that a modest number of non-residential structures would also be part of the potential demolition pool during the same period.<sup>10</sup>

**Table 2A. Projected Housing Units in Five Year Demolition Pool by City for Ohio's "Big Eight" Cities**

City	A	B	C	D	E	F	G	H
	Other Vacant 2010	Increase In Other Vacant 2000-2010	Excess Offering 2010 (1)	50% Of A	25% Of B (2)	50% Of C	Potential Demolition D+E+F	Percentage Of Total Housing Stock
Akron	5506	4447	0	2753	1113		3866	4.0%
Canton	2320	1894	0	1160	473		1633	4.7
Cincinnati	8615	4860	4156	4308	1215	2448	7971	4.9
Cleveland	18,218	11,478	4896	9109	2870	2078	14,057	6.8
Columbus	12,174	8587	0	6087	2148		8235	2.2
Dayton	8134	5581	1329	4067	1395	665	6127	8.3
Toledo	7682	5162	0	3841	1290		5131	3.7
Youngstown	4067	3441	0	2484	860		2894	8.7
							49,914	4.5%

Source: U.S. Census Bureau

<sup>1</sup> Number of units being offered for sale or rent in excess of 7.5% of total housing stock

<sup>2</sup> One-half of projected five year increase in number of "other vacant" units.

**Table 2B. Projected Five-Year Potential Demolitions by City**

City	Residential Structures Suitable For Demolition	Non-Residential Structures Suitable For Demolition	Total
Akron	3398	170	3568
Canton	1445	72	1517
Cincinnati	6050	303	6353
Cleveland	11,485	574	12,059
Columbus	6753	338	7091
Dayton	5263	263	5526
Toledo	4484	224	4708
Youngstown	2665	133	2798
	41,453	2077	43,620

Note: These are conservative estimates. A recent analysis in Cleveland, using a different methodology and database, arrived at a five-year figure 10 percent higher. <sup>11</sup>

## **B. Failure to demolish buildings imposes severe social and economic costs on urban neighborhoods**

As discussed above, the gross mismatch between housing supply and demand creates an overabundance of vacant, deteriorating structures in many older industrial cities. Left standing, these buildings can trigger a host of negative community impacts that carefully considered demolition can help mitigate.

### ***Abandoned buildings trigger major fiscal and quality of life impacts***

Vacant, abandoned buildings have a devastating effect on their surroundings, and the city as a whole. Their presence imposes both social and economic costs for communities and their residents, providing further justification for strategic demolition.

In the first place, the cost of maintaining vacant and abandoned buildings is high; when coupled with the loss of revenues associated with these properties, this leads to a significant fiscal drain on local government. Apgar and Duda have analyzed the costs to the city of Chicago when a property in foreclosure becomes vacant. Looking at a variety of scenarios and tracking in detail the actions that the city was required to take, they concluded that when such a property became vacant, and was not effectively secured and maintained by the owner or lender, the costs to the city could range from nearly \$5400 to over \$34,000 per property.<sup>12</sup> A comprehensive analysis done by Econsult Corporation concluded that the annual cost to the city of Philadelphia to maintain its vacant properties was \$20 million, including nearly \$6 million in additional police and fire costs.<sup>13</sup> Chicago officials estimated that they spent about \$875,000 alone in 2010 just to board up 627 properties.<sup>14</sup> Buffalo, a much smaller city, spends \$300,000 per year on boarding.<sup>15</sup>

Second, abandoned buildings also result in reduced municipal revenues, although one must be careful in linking all revenue losses to abandonment as such: The loss of property tax revenues from abandoned buildings is not the result of their being abandoned, but a corollary. Both stem from the poor market or other conditions that lead owners to abandon their properties rather than maintain them and pay their taxes. Abandoned buildings can contribute significantly to the loss in tax revenues from the diminution of adjacent property values, however. The Econsult study found that such diminution of property values resulted in a loss of \$3.6 billion in aggregate property value of single family homes alone in the city of Philadelphia. With the property tax rate in Philadelphia currently at 3.127 percent of market value, that translates into a loss of \$112.5 million in property tax revenues to the city and school district, or roughly 10 percent of total property tax collections.<sup>16</sup> Additional research from Columbus, OH; Flint, MI; and elsewhere has found similar outcomes.<sup>17</sup>

The above are for the most part quantifiable effects that can be measured in every city or neighborhood where vacant properties exist. They are transcended, however, by the

intangible effects of the properties. Not only do vacant properties undermine the vitality and quality of life of the city's neighborhoods, but they act as a barrier to the revitalization of neighborhoods where market demand might actually exist were it not for the presence of abandoned properties, and as a disincentive for the regeneration of the city as a whole. In addition, their presence raises a powerful issue of social justice: Is it fair that lower-income households should see their modest wealth diminished, their personal security compromised, and their neighborhoods blighted, as a result of circumstances utterly outside their control? As summarized by the National Vacant Properties Campaign (now the Center for Community Progress), the cumulative effects of abandoned buildings on neighborhoods can be very destructive:

With abandoned buildings comes social fragmentation. Individuals who live in communities with an increasing number of vacant buildings begin to feel isolated, weakening the community as a whole. A large number of vacant buildings in a neighborhood symbolizes that no one cares, increasing the likelihood that property values will continue to decline and that further abandonment will set in. In the case of vacant properties, the problem is out in the open, for all to see.<sup>18</sup>

Not surprisingly, then, abandoned buildings consistently rank at or near the top of neighborhood problems identified by residents of lower-income neighborhoods. As Frank Ford of Cleveland's Neighborhood Progress Inc. puts it, "they want them down or rehabbed, but they don't care which."<sup>19</sup>

***Demolition can significantly ease the impacts of abandonment***

Where an abandoned, dilapidated house is rehabilitated and restored to productive use or demolished and replaced by a new house, the value that has been added is generally recognized and acknowledged. Where the house is torn down and replaced by a vacant lot, the change is not so clear. Before demolition can be justified in circumstances that are unlikely to lead to new development, a case must be made that having a vacant lot is preferable to a vacant structure.

While little or no empirical research exists that directly compares vacant lots and vacant buildings—as distinct from studies of the effect of vacant buildings, and the hypothetical benefits if they did not exist—there appear to be clear differences in favor of vacant lots. Vacant lots are much easier and less expensive to maintain than vacant buildings, and pose far fewer dangers in terms of criminal activity and fire risk. Moreover, vacant lots can be much more easily maintained by neighborhood residents and other volunteers. As the work of the Pennsylvania Horticultural Society in Philadelphia has shown, vacant lot stabilization, which is a modest and inexpensive treatment of a vacant lot with plantings and fencing, can all but eliminate dumping. A study by Susan Wachter of the University of Pennsylvania found that such simple treatments of vacant lots in Philadelphia's Kensington neighborhood increased the value of surrounding houses by as much as 30 percent, or by about \$12 million. She also noted large indirect effects, including additional investment on surrounding properties and in the community at

large.<sup>20</sup>

Another recent study, also from Philadelphia, also found positive relationships between lot greening programs and improved health and safety conditions for the residents of nearby areas.<sup>21</sup>

Figure 1. Vacant lot stabilization in Philadelphia



Source: Pennsylvania Horticultural Society

Vacant lots lend themselves to inexpensive reuse options that do not exist for vacant buildings, which as a rule can only be reused through total rehabilitation. Vacant lots can be sold to adjacent homeowners for side lots, for example—an attractive option in tightly-built urban neighborhoods—or used for community gardens or play areas. The Lots of Green project, a community-based initiative in Youngstown, OH reclaimed 115 vacant lots in the Idora neighborhood, converting them into gardens, side lots, pocket parks, and a stormwater mitigation demonstration site, among other active and passive uses. According to the project managers, this work “dramatically changed” the Idora neighborhood over the course of 12 months.<sup>22</sup>

A strong case can thus be made that under most conditions a vacant lot has less of a blighting influence than a vacant building, is likely to result in less cost to the city and the adjacent owner, and, most importantly, can more readily be turned into an asset—or at least a neutral factor—for a neighborhood in circumstances where resources and market conditions do not permit a structure’s reuse. Ensuring that this is done should be part of every city’s demolition procedure.

Vacant lots are not, however, without their own maintenance requirements. While less demanding than vacant buildings, they need at a minimum periodic cleaning and mowing; in climates like that of New Orleans, far more rigorous maintenance may be needed to keep them from becoming overgrown.<sup>23</sup> The sale of lots as side yards to adjacent home owners or the creation of community gardens can relieve the city of

some of this burden, as can enlisting the help of local nonprofits or other organizations. In Flint, MI, for example, the Genesee County Land Bank's Clean and Green Program engages community groups to maintain vacant lots within their neighborhoods. Some residual maintenance obligation, however, is likely to always remain the responsibility of local government.

In short, large-scale demolition is a necessary element in any comprehensive strategy for the regeneration of cities and neighborhoods where the real estate market and the excess of supply over demand make it impossible to maintain or reuse the existing inventory of houses and other buildings. That said, demolition should not take place haphazardly. With resources so limited, demolition funds should be carefully used in conjunction with other revitalization strategies to maximize the benefit to the neighborhoods and the city as a whole.

### **III. THE COST OF DEMOLITION**

Demolition is more than simply knocking down buildings. It is, instead, a complex process involving a variety of steps, activities, and regulatory requirements, each of which adds cost to the final outcome. All of these steps are necessary, or at least desirable. While regulations affect the cost of demolition, they too exist for reasons that may be compelling. Any decision to change or eliminate a step or a regulation raises important policy issues.

#### **A Demolition is a costly, complicated process**

Demolition, when carried out properly, leads to the removal of a building in a way that protects the health of neighbors and workers, that provides for proper disposition of the waste materials from the building, and that leaves the property ready for the most appropriate future reuse without blighting its surroundings. The elements that go into a demolition contract—and the responsible party for each—are shown in Table 3.

With the possible exception of the requirement for a separate asbestos survey, all of these steps are important. For example, before the late 1980s or mid-1990s, it was common practice to leave building foundations in place, dispose of the demolition debris by dumping it into the basement, and cover the mess with a few inches of fill. That practice—aside from potentially creating health and environmental hazards—led to increases in the subsequent cost of reusing sites far in excess of the initial savings obtained. Foundation removal may not always be necessary, however. Where the debris is carefully screened for environmental contamination and combustible materials, and where the continued presence of the foundation and those materials is compatible with the planned reuse of the site, it may be appropriate to leave foundations in place, with attendant cost savings.<sup>24</sup>

The cost to carry out these tasks in compliance with local, state, and federal law varies widely, largely due to the character of the building stock and the specific provisions of state law. Typical costs for Cleveland, a city which runs an efficient demolition program in a state that does not appear to impose unreasonable burdens on the process, are shown in Table 4. These do not include the considerable soft costs that are incurred when demolishing privately-owned properties, including title research, notice, judicial or administrative hearings, and in some cases, judicial appeals.

**Table 3. Elements of a Demolition Contract**

Element	Responsibility			Description
	City	Consultant	Contractor	
Bidding and contracting	X			Preparation and distribution of bid documents and specifications, selection of firm and execution of contracts
Obtain permits			X	Obtain required demolition permits, cut and fill, street/sidewalk blocking permits, fire hydrant (for wetting debris) permit and other approvals.
Asbestos survey		X		Survey to determine presence and composition of asbestos in building
Set-up			X	On-site preparation for demolition
Removal of asbestos			X	Asbestos removal and disposal (may be done by separate contractor)
Demolition			X	Demolition of structure(s) on the property
Removal of materials			X	Depending on circumstances, materials may be taken to landfill, recycled, or reused through deconstruction
Removal of foundations			X	Removal of below-grade foundations
Restoration of party walls			X	Where building shares a common wall with another building, the wall must be restored after demolition to prevent damage to the adjacent building
Site finishing			X	Filling of below-grade areas with clean fill, grading, seeding and other treatment of the site
Supervision, indemnification and complaint management	X			Monitoring of work and ensuring contractor compliance with all legal and public health requirements

**Table 4. Typical Demolition Costs in Cleveland, OH**

Structure Type	Cost
Two story one to two family wood frame structure with basement	\$7000–\$9000
One story single family structure on slab	\$4000 or less
Large house or small multifamily building (± 4000 square feet) with basement and detached garage	\$11,000–\$13,000

*Source: Personal communication from Ronald O’Leary, Esq, February 28, 2012*

It is possible that some of these costs could be reduced by developing the in-house capacity within city government to demolish properties. The city of Toledo, Ohio has carried out demolitions with its own crews for many years, and during 2011 demolished 285 buildings for an average cost of roughly \$6,000 per building. Assuming that these are typically two story wood frame dwellings, this may represent a savings of 15 percent to 25 percent over the costs in nearby Cleveland.<sup>25</sup> While developing and maintaining the ability to conduct demolition in-house requires training, equipment, and strong management systems, it may be an option worth considering in any city which anticipates a steady volume of demolition activity in the coming years.

In cities like Cleveland, where the great majority of residential structures are detached single family houses, the cost of restoring the common walls of adjacent properties rarely arises. This issue is far more serious in places such as Baltimore or Philadelphia, where most of the residential structures are row houses in continuous rows of 20 or more houses on a block. Typical costs in the city of Baltimore to demolish a two story brick row house at present are approximately \$13,000 for demolition plus \$14,000 for each wall that needs to be restored. Thus, if the city were to demolish a house in the middle of a row, the total cost would be in excess of \$40,000. As a result, Baltimore avoids demolishing such houses wherever possible.<sup>26</sup> Moreover, in row house cities where vacant and occupied properties are often interspersed within a row, creating reusable land through demolition without acquiring and demolished occupied properties is difficult if not impossible. Such acquisition triggers relocation costs, however, which may in turn make any demolition prohibitively expensive.<sup>27</sup>

Demolition in New York state is much more expensive than in Ohio or Maryland, largely arising from the significantly more stringent state regulations covering prevailing wage requirements, asbestos removal, and disposal of materials. The higher costs also reflect the imposition of a state asbestos notification fee of \$2,000 per structure; where a house has a detached garage, not uncommon in Buffalo and other upstate New York cities, the city must pay the state a fee of \$4,000 for a single demolition.<sup>28</sup> As such, the same house that is typically demolished for \$7,500 or \$8,000 in Cleveland costs an average of \$19,000 to take down in Buffalo. Costs in the state of New Jersey, another highly regulated state, are similar; a recent demolition of a three-story frame house in Orange, New Jersey similar to the large house shown in Table 4 cost nearly \$29,000.<sup>29</sup>

In cities with large numbers of vacant structures, these costs add up quickly. According to the GAO, Detroit spent \$20 million to demolish almost 4,000 properties since May 2009.<sup>30</sup> Since 2006, Cleveland has spent over \$43 million on demolition.<sup>31</sup> These cities' costs are incurred almost entirely by demolishing single family houses and small multifamily or commercial buildings. Yet every older industrial city also contains any number of old, abandoned, and usually derelict industrial buildings. Cities have largely avoided tackling these properties, both because of the cost involved—which dwarf the cost of knocking down modest residential frame structures—as well as because of the unresolved environmental issues associated with many of them.<sup>32</sup> Given limited

resources, many of these properties are likely to remain standing for many years to come.

## **B Regulation significantly affects the cost of demolition**

Regulations exist at all levels of government, and while they can be changed, they usually are in place for sound reasons. Regulations do impose added costs, however. As such, any amendment to a regulation must be seen as a trade-off between the harmful impacts of that regulation and the potentially harmful impacts that may arise if the regulation is removed or modified.

### ***Federal regulations***

The most significant federal regulation affecting demolition is that governing asbestos abatement; the problem, however, appears to be not the regulation itself, but the way it is currently being interpreted by the United States Environmental Protection Administration (USEPA). Under the National Emission Standards for Hazardous Air Pollutants (NESHAP) standards for asbestos, USEPA has authority to regulate demolition of any structure defined as a “facility,” defined as

“any institutional, commercial, public, industrial or residential structure, installation of building (including any structure, installation, or building containing condominiums or individual dwelling units operated as a residential cooperative, **but excluding residential buildings having four or fewer dwelling units**....”(emphasis added).”<sup>33</sup>

USEPA, however, has adopted an interpretation of these standards that holds that where a public agency demolishes multiple one to four unit residential properties, the activity is to be considered an “urban renewal project” and is thus subject to the NESHAP standards.<sup>34</sup> This interpretation, which has been adopted in turn by the Ohio Environmental Protection Agency, is arguably “inconsistent with the plain language of the NESHAP and agency intent at the time of its promulgation and in subsequent clarifications.”<sup>35</sup>

Although the demolition specs used in Cleveland before the USEPA interpretation took effect already provided for abating all materials likely to contain asbestos and for use of dust control measures during demolition to prevent particles from becoming airborne,<sup>36</sup> the effect of the changed interpretation was to increase the average cost for asbestos surveys and remediation from \$400/house to \$2362/house, adding roughly 30 percent to the cost of each demolition.<sup>37</sup> Compliance also adds approximately three weeks to the length of time from initial bidding to completion of work.

Where federal funds are used for demolition, including Community Development Block Grant (CDBG) or Neighborhood Stabilization Program (NSP) funds, Davis-Bacon wage standards may also increase the cost of demolition.<sup>38</sup> Further, requirements for historic review of properties in designated historic districts under Section 106 of the National

Historic Preservation Act can also impose additional delays and costs. Still, taken as a whole, these may be reasonable trade-offs for a procedure that can prevent unreasonable actions by local government.

**State regulations**

State regulations affect demolition in far more ways than federal statutes, both directly and indirectly raising costs on localities.

State solid waste laws are one example. While these regulations, such as the standards and fee structures that govern landfills, may not appear to be directly related to demolition, they can have a significant impact on the cost of disposing of demolition materials, both by increasing the direct cost of disposal (generally known as ‘tipping fees’) and by reducing the number of landfills and increasing the distance that material has to be trucked to a landfill.<sup>39</sup> The effect of New York State landfill regulations means that Buffalo contractors must ship some materials, such as friable asbestos, to landfills in Ohio.

**Table 5. Principal State Regulatory Areas Affecting the Cost Of Demolition**

Category	Description
Asbestos regulations	Requirements for asbestos remediation, monitoring or disposal that exceed NESHAP standards
Solid waste regulations	Requirements for landfills and/or material separation and recycling
‘Prevailing wage’ <sup>40</sup> requirements	Requirements that state ‘prevailing wages’ be paid on projects using public (state and/or local) funds
Fees	Imposition of state fees with respect to demolition, asbestos abatement or material disposal

Prevailing wage requirements, asbestos removal, and other state regulations discussed above can also have cumulative impacts, such that the costs of demolishing a building in New York or New Jersey can be more than double the cost of tearing down the same structure in Ohio. The critical question, therefore, is whether the benefits of these regulations exceed the costs that are imposed by significantly reducing the number of properties that can be demolished with available funds. If, as a result of state regulation, Buffalo can only tear down 55 rather than 120 buildings for every \$1 million it can spend on demolition, the neighbors and neighborhoods where the buildings *are not demolished* are likely to incur extensive economic and social damage. The harm to these neighbors may include public health problems that may well be as significant as those that are being mitigated, at least in theory, by the environmental regulations. That damage, moreover, is being imposed for the most part on a city’s less affluent and less mobile residents, who are likely to be disproportionately people of color.

Unfortunately, little or no research has been carried out to determine whether the benefits of any particular regulation or cluster of regulations do or do not outweigh the

costs of allowing abandoned buildings to remain standing. For example, while there are a variety of methods that have been used to measure and compare costs and benefits of environmental regulations, there exists no evidence that they have ever been used to address the effects of environmental regulation on demolition activity.<sup>41</sup> That reflects the reality that, at least until recently, few voices have been raised in the regulatory debate on behalf of the need to maximize demolitions in distressed older communities. In states where regulations are clearly affecting the level of demolition activity, such as New York or New Jersey, this may be an important area for urban political and other leaders to examine.

### **Is Deconstruction an Answer?**

Deconstruction is defined generally as the careful or systematic dismantlement of buildings in such a way that the individual building components are separated and preserved for potential reuse. The benefit of deconstruction is that it both removes materials from the waste stream and makes building materials or artifacts available for reuse that may be difficult or impossible to obtain otherwise.

While deconstruction has significant value, particularly with respect to buildings of distinctive character in areas with strong market demand for historic building materials, it does not appear to offer any real benefit with respect to making demolition more cost-effective and strategic. The process of deconstruction is far more labor-intensive than conventional demolition. While this can potentially create new employment opportunities, it also makes the process significantly more expensive. A deconstruction pilot project in Cleveland involving 45 houses found that the cost per house was roughly \$6,000, or 75 percent higher. Of the additional cost, only one-quarter to one-third was recovered through the sale of materials, primarily dimensional lumber.<sup>42</sup> This reflects both the limited market for deconstruction products in the Cleveland area, as well as the fact that most of the houses demolished lack distinctive artifacts that might carry greater reuse value.<sup>43</sup>

Deconstruction should remain an option, particularly with respect to distinctive buildings with salvage materials of particular value. If it is going to be a realistic option, however, and particularly one which provides meaningful employment opportunities, certain steps need to be taken to systematize it so that it provides a consistent, ongoing flow of work, and creates a market that will enable it to take place without increasing the net cost of demolition. Deconstruction is unlikely, at least in the short run, to account for more than a small part of total potential demolition activity in those cities where a large volume of demolition appears to be needed. In the meantime, there may be other cost-effective ways to foster material separation and recycling. In Baltimore, for example, demolition contractors customarily go beyond local requirements to separate and recycle materials because it is cost-effective for them to do so.<sup>44</sup>

## **IV. MAKING DEMOLITION STRATEGIC—AND PAYING FOR IT**

Two critical issues for policymakers and practitioners emerge from the foregoing discussion:

- How to ensure that demolition is carried out strategically, so that it furthers neighborhood stabilization and the revitalization of the city as a whole; and
- How to find the resources to carry out demolition activity at the scale required to address the magnitude of need.

The following discussion focuses on these two issues, and offers specific recommendations for federal, state, and local action.

### **A. Making demolition part of a larger strategy for revitalizing the city and its neighborhoods**

Demolition should not be an end in itself, but should be a step in the process by which distressed towns and cities can become stronger, healthier communities. Only when demolition is carried out as part of a larger strategy for a community's revitalization is that outcome likely to be realized. Demolition should not be conceived of in simply operational terms: Important as it is, it is not enough to create an efficient, cost-effective process for taking down buildings without having a clear idea of which buildings should be taken down.

If demolition is a means to an end, one must ask what ends it serves. First and foremost, demolition must benefit the public by removing buildings that represent imminent health and safety hazards. Beyond that, demolition in many cases may be aimed at stabilizing a neighborhood at risk of further deterioration by removing blight or by reducing the surplus housing stock to better reflect the demand. In some of those neighborhoods, it may create opportunities for new development, but in many it will lead to the creation of vacant land. That then dictates that both strategies and capacity be in place to ensure that such vacant land is well-maintained, particularly if no specific reuse potential for the land exists in the near-term.

In other cases, demolition may be part of a much more extensive process of change. It may, for example, clear the ground for redevelopment projects that can potentially make the city more competitive, including construction of housing more suited to existing market demand, or of infrastructure and buildings to grow and attract new firms. In other areas, particularly in cities that already have large amounts of vacant land, demolition may be part of a process of re-purposing largely disinvested parts of the city for non-traditional uses such as stormwater management, urban agriculture, or solar energy fields.

Any strategic framework for demolition activity must establish rational criteria for making choices about which buildings should be demolished and which retained, and link demolition targets and priorities with specific stabilization, redevelopment, and reuse goals and strategies. In the course of that process, relevant players need to be engaged to ensure that decisions take the full range of local considerations and perspectives into account.

**Recommendation 1: Cities carrying out large-scale demolition activity should adopt transparent and efficient procedures to evaluate which buildings ought to be considered for demolition.**

Most distressed cities will have far more structures that are potential candidates for demolition than resources with which to demolish properties. Depending on the building itself, its relationship to other buildings around it, the characteristics of the neighborhood in which it is located, and the nature of other activities planned or taking place in the surrounding area, any given building may or may not be a good candidate. Demolishing a building suitable for rehabilitation in an area where there is growing private interest in buying and fixing up old houses may be inappropriate and unnecessary; taking down a similar building in an area experiencing market collapse may be necessary.

In the final analysis, many demolition decisions will not be clear-cut, but will involve a balancing of many different factors, and the level of market demand may tip the balance in one direction or the other. The choice of which buildings to demolish, other than emergency demolitions, should be made through a 'decision screen' or 'decision tree' that enables decision-makers to weigh the various factors for or against demolition of any specific building. This process should be designed to take place expeditiously, and not become a source of undue delay in conducting demolitions and relieving residents and neighborhoods of the problems the abandoned buildings represent. Factors that should be considered are shown in Table 6.

Most of the information noted in the table can be obtained from an exterior survey of the building and its surroundings, while the rest can be assembled from available local sources. Information about neighborhood revitalization activities and social dynamics in most cases will already be maintained by the city community development agency. While some cities may not currently track market conditions, it is not difficult to do so; in any event, cities should track such information for many important reasons, of which making demolition decisions is but one.

**Table 6. Potential Criteria for Demolition**

Category	Criteria	Key Issues/Questions
Market	Citywide/regional demand	Is area-wide demand potentially adequate to absorb housing supply?
	Neighborhood demand	Is neighborhood demand potentially adequate to absorb housing supply?
Neighborhood	Emerging trends	Are there key emerging trends, such as housing rehabilitation, or speculative buying, that may affect neighborhood demand?
	Revitalization activities	Are there other revitalization activities in the area that will be affected by the decision to demolish or not demolish the building?
	Social fabric	Does the neighborhood have a strong social fabric that can be mobilized to help build greater demand?
	Physical texture	Is the physical texture of the area strong, or has it been compromised through abandonment and demolition, or through inappropriate development?
Building	Quality and character	Does the building have architectural or historical value, either in itself or as part of a coherent ensemble?
	Condition	What is the condition of the building, and what is likely to be the cost to rehabilitate it for productive use?
	Hazard/nuisance	Does the building constitute a nuisance, or a hazard or threat to the public health or safety?
	Contribution to texture	Does the presence of the building contribute meaningfully to the existing neighborhood texture, and would it be compromised by the building's removal?
	Blighting effect	Does the building have a blighting effect on the value and livability of surrounding properties, and the quality of life of surrounding residents?

Most of these factors are largely self-explanatory. However the subject of physical texture, as it is called in the table, is worth further discussion. Every neighborhood has a particular texture, made up not only of its buildings, but of their relationship to one another and to the spaces between them. In the best cases, found in many traditional neighborhoods in cities around the country, buildings and spaces form a harmonious whole or ensemble. The buildings are not identical, but they share enough common features to blend into a whole that “fits together” in an observer’s eyes. The balance between buildings and open spaces, which urban designers refer to as the “rhythm” of buildings and spaces (or solids and voids), also contributes to this feeling of appropriateness.

In many areas, however, the harmonious texture that once existed has been impaired or compromised—or in fact may never have truly existed at all. Buildings may have been demolished or destroyed over the years and replaced by incompatible buildings, such as a gas station in the middle of a Victorian-era shopping street, or an aluminum-sided ranch house in the middle of a block of large 1920s brick houses. In many parts of

distressed older cities, so many houses have been abandoned and subsequently demolished that there is no residential texture left. There are many blocks in cities like Detroit or Buffalo where only a handful of houses remain, standing in a sea of vacant land.

Planners, urban designers, and residents must together evaluate how demolishing a particular building will affect the texture of its block or area. In a largely abandoned area, this is not likely to be an issue. In communities that still have a distinctive texture, however, particularly where that texture is widely perceived as contributing significantly to the neighborhood's quality and revitalization potential, it becomes an important consideration. In such cases, despite the cost involved, stabilizing or 'mothballing' vacant buildings for which a use is not currently available may be an appropriate strategy.

**Recommendation 2: Cities should establish priority criteria for demolition, directing resources to those areas that contain features or ongoing activities that can leverage the value of targeted building removal.**

Determining which buildings should be demolished is only a first step: Even under the best of circumstances, it is unlikely that any city where large-scale demolition is appropriate will be able to demolish *all* of the appropriate candidates over the coming years.

If HR 4210 (described below) becomes law *and* key states provide more assistance *and* cities establish effective cost-recovery systems, some cities might come reasonably close. In the unlikely case where these optimal conditions were actually met, though, most of those funds would still be 'one-shot' infusions of resources; as the city is dealing with its existing backlog of derelict properties, more will continue to be abandoned. As a result, cities will have to choose which properties to demolish from a much larger pool. They must also decide how to schedule demolitions over time, determining which properties are to be demolished within the next three to six months, for example, and which must wait two or three years.

Cities should develop priorities to guide their demolition activities. There are different ways of doing so, which serve different purposes. Some cities, for example, prioritize the "100 worst buildings" or follow some similar approach. This has the virtue of simplicity, creates a positive public image for the city's demolition program, and addresses the legitimate concerns of those buildings' neighbors. Depending on those buildings' location, however, demolition of the "worst buildings" may have little or no larger impact on stabilizing neighborhoods or creating reuse opportunities, particularly where there are many other abandoned buildings nearby. While resources need to be set aside for emergencies and particularly high-profile actions, such demolitions should not drive city policy, nor be so numerous that they distract local government and residents from the goals of a larger strategy.<sup>45</sup>

Rather, priority setting should first and foremost be based on market and other neighborhood conditions. While each city must determine its own priorities based on its conditions and goals, this means that in most cases priority should *not* be given to demolition in the most heavily abandoned and disinvested areas, but to areas where removal of buildings is likely to help stabilize neighborhood conditions and property values and create potential reuse opportunities. Even in heavily disinvested areas, priority should focus on locations where there are specific reuse potentials that can be furthered by demolition. Reuse in such areas is unlikely to involve development in the traditional sense, but will flow from any of a number of different green reuse strategies designed to make the land into a community asset even in the absence of development demand.

Once the city has identified those neighborhoods that meet minimum threshold levels of physical and economic condition, it should then develop a plan for strategic demolition in those areas, beginning by identifying other key neighborhood features or ongoing activities:

- A strong social fabric, reflected in strong neighborhood or civic associations or neighborhood-level institutions;
- Active CDC-led stabilization or revitalization activities, preferably but not necessarily grounded in a neighborhood or target area plan;
- Features that suggest greater market potential, such as a distinctive housing stock or location in close proximity to a strong anchor institution;
- A significant planned public investment in an area, such as a new school or transit station.

Demolition plans and priorities should be tied both temporally and spatially to activities that are taking place either in the area as a whole, or targeted to a smaller area within a larger neighborhood. If a new school is being built in the neighborhood, for example, it may be appropriate to prioritize the blocks immediately surrounding the school, or the blocks that represent the principal pathways for children and visitors. Timing is critical. In the above example, the demolition should be completed before the new school opens its doors. Similarly, where a city or CDC is carrying out a neighborhood stabilization program, or where private market construction or rehabilitation is starting to take place, demolition should be targeted to the particular blocks where these activities are occurring. Once such new or rehabilitated housing is being marketed, no vacant, abandoned buildings should still be standing to blight the same block face (two facing rows of houses) or immediate area.

Finally, once the key target area—whether a block face, a larger area of a few city blocks, or a corridor—has been identified, *all* of the buildings that cannot realistically be reused in the area should be demolished. If there are three derelict abandoned buildings on a block face and two are removed, the effect on resident confidence and

property values is limited; the remaining blighting property will continue to do almost as much harm as the three that previously stood there.<sup>46</sup>

**Recommendation 3: Cities should create a process for making demolition decisions that engages a wide range of interests and viewpoints, both within and outside city government.**

Realistically, whatever their skills, commitment, and legal authority, the public officials directly responsible for carrying out demolitions are unlikely to have the full range of knowledge or background with respect to market conditions, neighborhood strategies, and community goals to be able to make those decisions most effectively. The city should therefore seek information and input from representatives of community development corporations and other entities engaged in neighborhood revitalization, as well as representatives of neighborhood associations in areas potentially targeted for demolition, to help both identify priorities and strategies, and to evaluate specific buildings.

To this end, cities should establish either a formal standing committee on demolition, or a less formal working group that nonetheless meets regularly to review proposed demolitions. A procedure to ensure that disagreements within city government are expeditiously resolved should be in place; the building official or other individual responsible for carrying out demolitions should not have the authority simply to override the positions of other city agencies. The process itself should be designed so that prospective demolitions can be reviewed and approved in advance of formal action. By doing so, building officials can maintain a pipeline of approved demolitions with which to go to bid as funds permit.

The process should be designed so that it does not impede timely and cost-effective demolition, or impede the use of demolition as a law enforcement matter, when it is necessary to address urgent health and safety concerns. Those matters may have to be dealt with more expeditiously, and are appropriately the exclusive purview of the responsible public officials.

**Recommendation 4: To the extent permitted by state law, cities should adopt efficient procedures to gain legal approval to demolish privately-owned buildings, and to take title to vacant buildings and vacant lots.**

In many cases, the buildings that a city demolishes, or wants to demolish, are privately-owned. To be able to target demolition and maximize its effect, including the ability to reuse the property beneficially, cities must therefore have access to the legal tools needed to be able to demolish privately-owned buildings, and to take title to vacant buildings and vacant lots. They must also have the technical and managerial capacity to apply the legal tools. While a dedicated land bank entity such as the Cuyahoga County Land Reutilization Corporation can be one effective vehicle for carrying out these

activities, many cities have shown that they can be effectively carried out within the framework of line agencies of city government, particularly where a land bank entity does not exist.

First, cities should adopt efficient “fast track” systems for gaining approval to demolish blighting properties. Getting approval for demolition and taking title are two separate issues. With respect to the former—when the municipality does not wish to take title—the issues are principally those of procedure and notice: how much and what form of notice must be provided the owner before the city can act, whether the city can act on the basis of an administrative process or only through court order, and how long the process takes. Under the Chicago fast-track demolition process, which applies to residential and commercial buildings of one to three stories, the entire process is administrative, except where the owner objects to the demolition, in which case the matter is transferred to the city’s housing court. Where the owner fails to demolish the property and does not object to the city taking action, the process typically takes ninety days or less from the date of the initial notice to the owner.<sup>47</sup>

Second, to the extent permitted under state law, cities should aggressively use tax foreclosure and spot blight taking to gain legal control of blighting properties. Once a building has been demolished, many vacant properties are likely to end up in tax sale or tax foreclosure. While taking properties through tax foreclosure is often slow and problematic in many states, an alternative approach is the spot blight taking process, which exists in the laws of a number of states around the country. This process permits cities to use their eminent domain powers to take title to vacant, blighting properties and subsequently reconvey them to responsible owners without the extensive process of designating urban renewal or redevelopment areas. Newark, for example, has used New Jersey’s law to gain title to dozens of abandoned properties.<sup>48</sup> In states with “quick-take” eminent domain rules title can pass to the city in as little as six months from the date the city initially notifies the owner of its interest in the property.<sup>49</sup>

Finally, where state laws fail to provide cities with the legal tools they need, public officials should advocate for changes to state law to facilitate these actions. Not all states provide the legal tools that cities need to be able to address the problems that arise when privately-owned properties are blighting blocks and neighborhoods, and where the owners have been unresponsive to the city’s efforts to make them comply with health and safety codes. Procedures for gaining legal approval to demolish a privately-owned building may be cumbersome, for example. Further, many states make it difficult for municipalities to take title to abandoned properties, whether buildings in need of demolition or the vacant lots that remain after they have been demolished. The tax foreclosure process is inherently slow—although some states have provided accelerated procedures for abandoned properties—and under most state tax foreclosure laws, properties must be auctioned to all comers, a process that often leaves many properties in the hands of speculators.

In recent years, several states, including Indiana, New Jersey, Ohio, and Pennsylvania, have demonstrated that concerted legislative advocacy can lead to major changes in state laws to empower local governments to more effectively address these issues. City officials in states with weak laws should look at these examples, and advocate for changes in their own states that would allow them the legal approval to demolish privately-owned buildings and/or to take title to vacant buildings and vacant lots. At the same time, cities should make sure that they are aware of the legal tools that are already available, and are using them as effectively as possible.

**Recommendation 5: Demolition programs should incorporate specific steps to prevent the resulting vacant lots from becoming blighting elements, and ensure that lots are used in ways that enhance neighborhood stability.**

While some lots created through demolitions will be used for construction of new housing or non-residential facilities, the logic of limited market demand, particularly in distressed older cities, dictates that many will remain empty. That means, in turn, that demolition in areas where the goal of the program is to further neighborhood stabilization must build in a process for determining appropriate uses, even those that may be temporary.

Table 7 provides a menu of options for the reuse of small or scattered vacant lots. In many cases, it is appropriate to build in the cost of modest stabilization treatments into the demolition contract.

**Table 7. Vacant Lot Reuse Options**

Potential Reuse	Description	Comments
Community gardens	Small gardens maintained by residents of neighborhood	Creating community gardens often needs and can always significantly benefit from support and direction from CDC or citywide greening/conservation organization
Community orchards	Small fruit tree orchards maintained by residents of neighborhood	Similar to community gardens. While they take longer to become productive, they require substantially less ongoing maintenance.
Side lots	Sale of lots to adjacent homeowners to permit expansion of owner's lot	With rare exceptions, lots should only be sold to owner-occupants. In areas with high risk of further abandonment, lots should be sold subject to reversion to city in event buyer's home is abandoned.
Mini-parks	Small playgrounds and passive parks for use by neighbors	In light of municipal fiscal constraints, may require commitment from CDC or neighborhood/block association for maintenance.
Park expansion	Adding parcels of land to existing parks and recreation facilities	Adding land to existing facilities is more cost-effective than creating new ones. This option is only available where the parcel abuts an existing, well-maintained park or recreation facility.
Stabilization/minimal treatment	Basic treatment and maintenance to provide attractive environment and minimize blighting effects	Particularly useful as interim treatment pending final disposition of lot
Pathways	Mid-block or multi-block pedestrian and bicycle paths	Can be attractive neighborhood amenity
Off-street parking	Paving and fencing lot to be used for resident and visitor parking	Can be attractive neighborhood amenity, but requires ongoing maintenance. This option should only be pursued where a shortage of parking is clearly recognized as a problem in the area.

**Recommendation 6: Cities should explore developing integrated neighborhood stabilization programs where demolition, rehabilitation, vacant lot reuse and other activities are linked strategically into a comprehensive effort.**

The most effective neighborhood stabilization efforts will establish and link together defined strategies for addressing different types of problem properties, including occupied buildings, vacant buildings, and vacant lots. These can include everything from providing grants for property improvements to demolition, as shown in Table 8. <sup>50</sup>

**Table 8. Elements Of An Integrated Area Property Strategy**

Property Type	Status		Strategies
Occupied buildings	Owner Occupied		<ul style="list-style-type: none"> <li>▪ Provide grants and loans for property improvement</li> <li>▪ Provide homeownership preservation assistance</li> </ul>
	Absentee Ownership		<ul style="list-style-type: none"> <li>▪ Use regulatory strategies to address irresponsible landlords</li> <li>▪ Provide incentives to motivate responsible landlord behavior</li> <li>▪ Provide financial assistance to responsible landlords to improve properties</li> </ul>
Vacant buildings	Suitable for rehabilitation	Private ownership	<ul style="list-style-type: none"> <li>▪ Encourage owners to restore properties to productive use</li> <li>▪ Where unsuccessful, use receivership and other tools to gain control of properties for rehabilitation</li> </ul>
		Public ownership	<ul style="list-style-type: none"> <li>▪ Convey to qualified entities for rehabilitation and sale</li> </ul>
	Not suitable for rehabilitation	Private ownership	<ul style="list-style-type: none"> <li>▪ Encourage owners to demolish properties</li> <li>▪ Where unsuccessful, demolish properties and seek cost recovery</li> <li>▪ Encourage owners to maintain lots through regulatory strategies and assistance in lot stabilization</li> </ul>
		Public ownership	<ul style="list-style-type: none"> <li>▪ Demolish properties</li> <li>▪ Target vacant lots for short- or long-term reuse or for interim stabilization</li> </ul>
Vacant lots			<ul style="list-style-type: none"> <li>▪ Target for short- or long-term reuse or for interim stabilization</li> </ul>

Carrying out an integrated strategy requires not only ample resources, but the ability to coordinate a variety of different activities, including the legal steps needed to make sure that privately-owned vacant buildings are either rehabilitated or demolished in tandem with buildings in public ownership. That is likely to involve aggressive code enforcement, as well as the use of receivership and, where available, spot blight eminent domain.<sup>51</sup> Since many of the neighborhoods in which such a strategy might be appropriate contain large numbers of absentee-owned houses, occupied property strategies must focus as much on landlords and tenants as on homeowners.<sup>52</sup> That, in turn, is likely to require a combination of targeted regulatory actions coupled with incentives for responsible owners.<sup>53</sup> As vacant lots are created through demolition, they should then quickly be either stabilized, or programmed for reuse.

Finally, a comprehensive neighborhood strategy must be about more than bricks and mortar. Vacant and abandoned properties, however much they exacerbate and

perpetuate neighborhood decline, are not the fundamental cause of a neighborhood's decline. In a climate of weak market demand, the great majority of households can choose to live in a wide variety of different neighborhoods throughout the region. Increased crime and drug activity, deterioration of the public realm, and many other ills will push families out of some communities. Demolition of blighting structures is but one of many steps that may be needed to restore resident and homebuyer confidence, and rebuild a neighborhood.

A strategy along these lines is currently being developed for a section of Cleveland's Slavic Village neighborhood; as part of the strategy, all of the vacant and abandoned properties in the area are being inventoried and evaluated to determine which can or cannot feasibly be rehabilitated.<sup>54</sup>

## **B. Finding the resources to pay for demolition**

The cost of carrying out the number of demolitions that appear to be needed, even after making the most optimistic assumptions about the effect of potential regulatory reform, is far beyond the means currently available to the nation's distressed older cities. With few exceptions, these cities are in a state of severe financial stress. During the past few years, cities like Detroit, Flint, Camden, and others have laid off hundreds of police officers and firefighters, as well as housing inspectors, park maintenance workers, and city planners. These cities' fiscal problems are both short- and long-term: While exacerbated by the effects of the Great Recession and the collapse of the housing bubble, they are grounded in long-term structural imbalances between the cost of providing services and their ability to raise revenues.<sup>55</sup>

While many cities have appropriated money from their general funds or capital budgets for demolition over the years, their ability to continue to do so is severely constrained. To pick one of many possible examples, the city of Syracuse, New York, facing severe budget constraints, reduced its demolition appropriation from a modest \$1 million to an even more modest \$500,000 in their 2011-2012 budget.<sup>56</sup> Cities frequently are forced to make special appropriations during the course of the year to address the need to conduct emergency demolitions for which funds are not available.

Many cities have used their federal Community Development Block Grant allocations to fund demolition. In fiscal year 2011, a total of \$74 million in CDBG funds was spent nationally on demolition, with an additional \$32 million going to the closely-related activities of relocation and site remediation. In fiscal year 2010, the eight Ohio cities listed in Table 2 collectively spent nearly \$3 million in CDBG funds for demolition; two of the cities, Akron and Youngstown, spent over 10 percent of their CDBG funds that year for that purpose.<sup>57</sup> CDBG, however, is not only a severely limited resource that cities tend to divide into many small pieces in order to address a wide range of needs and concerns, but is a shrinking one. Not only have funds been cut 25 percent since 2009,

but changes in funding formulas have spread the funds more thinly across the universe of eligible cities, counties and states.<sup>58</sup>

The message is clear: *Without significant additional sources of funding for demolition, cities will never be able to address this problem.* They will continue to fall behind, with the number of empty, blighting properties continuing to exceed the number that can be removed. The greater part of any additional funding is likely to have to come from the state or federal governments. Meanwhile, states and cities must also examine both how to reform unreasonable regulatory standards so as to reduce demolition costs, as well as how to better recover costs from the owners or lienholders of properties that must be demolished.

**Recommendation 7: State governments should review state statutes and regulations affecting demolition, and modify or abolish those that impose unreasonable costs without commensurate public benefit.**

As discussed earlier, state regulations can have a dramatic effect on the cost of demolition. At least some of these regulations may be unreasonable or excessive, particularly given the harm caused by the fact that higher costs allow fewer properties to be demolished.

States in which large numbers of demolitions are likely to take place over the coming years should carry out a thorough review of the statutes and regulations that affect demolition. The purpose of such a review should be to assess the value of those regulations relative to the harm they cause, either through a formal cost-benefit analysis or other approach. Based on that analysis, states should reform regulations and requirements so as to further more cost-effective use of limited demolition funds within a framework of maximizing the overall benefit to the public health and safety.

One low-hanging opportunity to help localities lower their costs would be for the federal EPA to revisit its interpretation of its asbestos regulations under the National Emission Standards for Hazardous Air Pollutants (NESHAP) standards. Replacing the requirements imposed by EPA's current interpretation—including the need for a formal asbestos survey of each individual house, as discussed earlier—with reasonable standards of care for treatment of materials likely to contain asbestos would largely address this concern and result in significant cost savings. The question is whether it would represent a trivial or a significant trade-off of public health benefits.

**Recommendation 8: Cities should aggressively use state legal tools to recover the costs of demolition, or advocate for stronger state laws to facilitate cost recovery.**

As described above, the buildings that a city demolishes are either privately-owned, or have come to the city involuntarily as a result of tax foreclosure. In other words, *in the great majority of cases, cities are required to demolish properties as a result of the*

*inaction of a private owner*, not because the city deliberately chose to acquire and tear down the property for redevelopment or some other public purpose. In all of those cases, the owner or former owner may bear, or can potentially be made to bear, legal responsibility for the cost of demolition.

In fact, most, perhaps all, states in the United States allow a municipality to bill the owner, and if unpaid, place a lien on a privately-owned property for the costs incurred in abating a nuisance, including but not limited to demolition. The terms governing those liens vary widely however, and they typically result in little actual recovery of municipal costs. Cleveland, for example, has recovered from owners only \$1.8 million of nearly \$26 million spent on demolition since 2008.<sup>59</sup> In order to improve on this record, the city has retained an outside law firm for collections, and sent the first roughly 50 files to that firm in February 2012.<sup>60</sup>

Although even aggressive cost recovery efforts won't eliminate the need for significant public resources for demolition, states and municipalities can take several steps to help ensure that private owners take a far greater share of the responsibility. Many owners of properties that need to be demolished lack money or may be too difficult to find, but other owners and foreclosing entities do have the assets that make cost recovery feasible.<sup>61</sup>

First, state laws should provide that liens on vacant, derelict properties be *super-priority liens* so that they can be either added to any taxes owed, or foreclosed directly, independent of tax foreclosure. The latter is particularly important in states that have long drawn out tax foreclosure procedures, or where tax foreclosures are controlled by a county government that may have different priorities than the city in which the demolition has taken place. The amount of the lien or any subsequent judgment should also include the substantial indirect costs of inspections, legal fees, and notice among other costs, in addition to the cost of the demolition itself.<sup>62</sup> State law should also give the municipality the power to forgive or extinguish the lien through a simple and expeditious process where appropriate to further reuse or redevelopment.

Second, states should design their lien statutes in ways that give municipalities greater opportunities to collect. Many states allow cities to obtain judgments against the owners of properties for the cost of the demolition: With the judgment in hand, the city can then try to identify other assets of the owner on which it can place a lien. Unfortunately, this can be easier said than done, as urban property owners often create LLCs or other vehicles to hold title to the properties in order to protect their individual assets. To help empower their cities to pierce such corporate veils, states might look to New Jersey, which has a statute explicitly providing that its municipalities have recourse with respect to liens against individuals, individual partners in partnerships, or individuals with at least 10 percent interest in a property where the property is owned by a corporation or other business entity.<sup>63</sup> When the state in 2010 subsequently enacted the legislation known as the creditor responsibility law, the legislature explicitly

provided that the statute would also apply to non-title holding entities that were subject to that law.<sup>64</sup>

Third, where properties are in foreclosure, and collection from the title owner is unlikely, states can provide localities with another route to cost recovery. The New Jersey creditor responsibility statute, which remains unique in the United States, imposes the obligation on the entity initiating a foreclosure action on any property to maintain that property if it is abandoned by its owner at any time subsequent to the initial foreclosure filing, as follows:

If the owner of a residential property vacates or abandons any property on which a foreclosure proceeding has been initiated or if a residential property becomes vacant at any point subsequent to the creditor's filing the summons and complaint in an action to foreclose a mortgage against the subject property, but prior to vesting of title in the creditor or any other third party, and the property is found to be a nuisance or in violation of any applicable State or local code, the local public officer [...] shall notify the creditor, which shall have the responsibility to abate the nuisance or correct the violation in the same manner and to the same extent as the title owner of the property, to such standard or specification as may be required by State law or municipal ordinance.<sup>65</sup>

The statute clearly extends to recovery of demolition costs from the creditor where the municipality is obligated to demolish the property. While New Jersey's is the only such statewide statute, cities in California, Florida and a few other states, where permitted to do so by statutory home rule provisions, have enacted local ordinances imposing similar obligations.<sup>66</sup>

Fourth, states and localities should look for other ways to collect from responsible parties. One such approach might be to provide legal recourse against the owner for the cost of demolition of derelict properties the city must take through tax foreclosure when the city finds, at the time it takes title, that the property is vacant and in such condition that demolition is necessary or the only feasible course of action. Somewhat different, but along similar lines, is a recent ordinance amendment in Cleveland, to provide that:

Any and all owners of a building or structure, who appear in the chain of title from the time of receipt of a notice of condemnation until demolition of the building or structure, shall be jointly and severally responsible for all costs and expenses incurred relating to the demolition [...]<sup>67</sup>

This is a valuable addition to the city's legal arsenal, since the backlog of demolitions means that thousands of properties receive a notice of condemnation many years before demolition actually takes place, during which time the property can be flipped, perhaps many times over, to unsuspecting buyers who have no idea that the property is already slated for demolition.<sup>68</sup> Cincinnati has enacted a similar ordinance, which

includes ‘persons in control,’ including mortgagees, as well as owners in the chain of responsibility.<sup>69</sup>

#### **Banks Offer Some (Limited) Assistance**

Independent of legal obligations, a number of financial institutions, in the course of conveying vacant REO properties to non-profit or public entities, have given those entities funds to cover all or part of the cost of demolition. In the spring of 2011, Wells Fargo Bank donated 26 properties to the Cuyahoga County Land Reutilization Corporation along with \$127,000 toward the cost of demolition, while Bank of America agreed to donate up to 100 properties with a similar cost donation.<sup>1</sup> These numbers may increase, since it appears that under the recently approved \$25 billion mortgage foreclosure abuse settlement banks will be able to get credit for donation of properties and demolition funds.<sup>1</sup> Still, while useful, these initiatives represent only a minute share of the total number of blighting properties that municipalities and land banks are struggling to manage.

Finally, in addition to amending their laws, states should help municipalities utilize those laws more effectively. Such help might include, for example, making it easier to pierce corporate veils to identify individual owners, creating dedicated collection units to assist municipal efforts, or offering technical assistance to local governments in setting up and carrying out cost recovery strategies.

Aggressive cost recovery will never yield enough to eliminate the need for significant infusions of public funds for demolition. Still, if as much as a quarter of the public funds used for demolition could be leveraged through cost recovery, that outcome would significantly extend the reach of those resources.

#### **Recommendation 9: States, local governments and others concerned about the future of the nation’s distressed cities and towns should actively support enactment—appropriately amended—of H.R.4210, the Restore our Neighborhoods Act of 2012.**

The only existing federal programs that are used to any significant extent to fund demolition *as such* are the CDBG and NSP programs. As noted, the former has shrunk drastically, while being called upon to fund a wide variety of local needs, and no additional funds are anticipated to flow into the NSP program for the foreseeable future. Additional NSP funds or the reversal of the downward trend of CDBG appropriations, both appear remote.

While NSP funds have already been fully allocated, and in large part spent, it is worth noting that much of this money was allocated subject to a condition that no more than 10 percent of the funds received by a local government or non-profit entity could be used for demolition. While waivers were granted by HUD for some jurisdictions, this threshold clearly slowed down implementation of local neighborhood stabilization

programs in many communities where rational strategies dictated that a substantially larger share of these funds be used for demolition. Since the likelihood of additional NSP appropriations at this point appears remote, there does not appear to be a compelling reason to pursue this further. Still, it points to the importance of tailoring federal regulations to the particular conditions of the cities eligible to receive the funds, rather than following a 'one size fits all' approach.

One promising new federal initiative is H.R.4210, the Restore our Neighborhoods Act of 2012. Introduced on March 19, 2012 by a bipartisan group of representatives led by Stephen LaTourette of Ohio, this bill would authorize \$4 billion in Qualified Urban Demolition Bonds. Following a model established in the American Recovery and Reinvestment Act, the interest on the bonds would be replaced by a federal tax credit to the bond buyers, so that issuers could borrow the funds at zero percent interest. While these bonds are not a grant, they would have that effect in large part, since a city or state could create a sinking fund equal to less than half of their total indebtedness that would earn interest and grow to the point where it would pay off the entire principal after 30 years.

Of the \$4 billion, half would be allocated to those with the highest percentages of vacant housing or 'qualified' states, while the balance would be allocated equally among all of the states (including those receiving a qualified state allocation). States would allocate their share among qualified issuers within the state, which could include the state itself, any political subdivision, and in those states which had enacted land bank legislation, land bank entities created under the provisions of those laws. If any of the non-qualified states failed to use their allocation within two years, those funds would be re-allocated among the qualified states, while all funds would have to be spent in five years. The bill also removes the demolition limitation on the use of any remaining unspent NSP funds for qualified states.

To put all this into perspective, a preliminary analysis by Rep. LaTourette's office indicates that Ohio would receive \$236 million in bonding authority (\$196 million under the formula, and \$40 million from the equal allocation pool), which could potentially cover the cost of demolishing 20,000 to 30,000 buildings. Other states likely to receive \$200 million or more under the legislation include Michigan, California, Florida, Illinois and New York. Even states that do not get a separate allocation will still be granted authority to issue \$40 million in bonds.

H.R.4210, however, contains some problematic provisions.<sup>70</sup> Most questionable is the language in the bill that provides that in any state that has enacted legislation authorizing the creation of land banks "expressly charged under State law with the reclamation, repurposing and redevelopment of vacant and abandoned land," only the state government or land banks created under that legislation are eligible to issue qualified urban demolition bonds in that state.<sup>71</sup> While this may work in Michigan—where the statutory authority to create land banks has been in place for nearly a

decade, nearly 40 county land banks are in place, and a state land bank also exists—it is far more problematic in other states where land bank legislation is of more recent vintage; many jurisdictions with a need for demolition funds do not even have land banks in place.<sup>72</sup> While a statutory land bank entity is a very good way by which cities and counties can address their vacant land problems, it is irresponsible to suggest, as does this bill, that it should be the *only* way.

A second problem is the draconian “use it or lose it” language of the statute, which provides that if any state has not issued the full amount of bonds authorized within two years from the effective date of the legislation, the amount not issued “shall be reallocated among the qualified States in such manner as the Secretary determines appropriate” to ensure that the full authorized \$4 billion issued.<sup>73</sup> While the intent of the provision is reasonable, it could create problems for many states where the need for these funds is significant, but which may not be able to move as quickly to take advantage of the program as Ohio or Michigan.<sup>74</sup>

Finally, the allocation formula under H.R.4210, which currently incorporates four factors: increase in non-seasonal vacancies, unemployment rate, percentage of loans in foreclosure, and lack of population growth, should be revisited. While these are not unreasonable factors, they create some anomalies, such as large amounts of money flowing into states like Florida, Arizona and Nevada, where the housing stock is relatively new and low demand is likely to be more cyclical than structural, and little money for some states with older central cities with substantial aging housing stocks, such as Pennsylvania, Maryland, or Minnesota. It would be worth exploring ways of reflecting this in the formula, perhaps by adding in factors for poverty and age of housing stock, or by creating a discretionary pool with some part of the bond authority created by the bill.

*If the above provisions are changed, H.R.4210 is worthy of strong support.*

**Recommendation 10: State governments should leverage federal and local funds for demolition in conjunction with local stabilization and redevelopment strategies.**

While state governments suffer from some of the same financial constraints as city governments, those constraints are substantially less severe; moreover, in contrast to the local fiscal picture, state revenue trends appear to be positive for the near future. Given the scope of the issue in many distressed areas, states must work with localities to identify innovative mechanisms to support demolition activities.

States have in fact historically provided a variety of funding sources that have been used for demolition. For example, in 1997, the state of New Jersey approved a \$20 million bond issue to create a revolving fund for demolishing unsafe buildings.<sup>75</sup> Funds are made available to designated urban and rural centers as 10 to 20 year loans at an interest rate of four percent, which can be reduced in cases of financial hardship.

While this is the only state program that is exclusively devoted to demolition, other state programs have identified demolition as a permitted or encouraged use. Between 2006 and 2009, the Restore NY program gave \$300 million to towns and cities in New York State to support “projects involving the demolition, deconstruction, rehabilitation and or reconstruction of vacant, abandoned, condemned and surplus properties.”<sup>76</sup> Many states have also provided funding that could be used to demolish buildings in conjunction with brownfields remediation, such as through the Clean Ohio program.

Most recently, Ohio’s state Attorney General Mike DeWine announced in February 2012 that \$75 million of the \$97 million that the state will receive in flexible funds from the mortgage foreclosure settlement will be earmarked for demolition. Although the structure of the program has not been finalized, it appears likely that the funds will be allocated to municipalities through a competitive program, with requirements for local matching funds, and for spending within a relatively short period.<sup>77</sup> Since the announcement, the Michigan Attorney General has announced that \$10 million of that state’s funds would be allocated to pay for demolition in Detroit, while the Maryland Attorney General has allocated a similar amount for demolition in Baltimore.

States should also consider incorporating funds for demolition—particularly where it is taking place in the framework of larger revitalization strategies—in their capital budgets. An infusion of funding into such activities could jump-start local efforts. Public sector borrowing costs are low at present, and it is likely that a significant part of the bond costs could be repaid through a share of the incremental property tax revenues that are likely to result from demolition and revitalization activities.<sup>78</sup>

## V. CONCLUSION

Large-scale demolition is a painful, but necessary reality in America's older cities: The excess of building supply over demand, and the harm done by the continuing presence of vacant, abandoned buildings, admits of no other solution. Demolition activities must be thoughtful and targeted, however, sparing buildings that can and should be saved and reused, and concentrating efforts on both eliminating blight from viable urban neighborhoods and laying the groundwork for redevelopment and revitalization.

Achieving such goals requires many steps. It requires that cities come up with sound, cost-effective procedures for carrying out demolition, and that state and federal regulatory burdens are reduced where appropriate to allow for cost-effective demolition. Even more, it demands that states and localities adopt policies and priorities to ensure that limited funds have the greatest effect in terms of reducing blight and fostering revitalization. Finally, with local government resources in increasingly short supply, additional federal and state financial resources will be made available to allow for the scale of demolition activity many cities need to stabilize their communities, set the stage for future economic growth, and provide a decent quality of life for residents in distressed neighborhoods.

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## Endnotes

<sup>1</sup> While buildings of every type become vacant and are subject to potential demolition, the only data available to measure changes in the stock, and thus the prevalence of demolition, are for residential properties. Anecdotal information, however, suggests that the levels of vacancy and abandonment are likely to be comparable or higher for non-residential buildings, particularly industrial, than for residential buildings in most cities.

<sup>2</sup> Malcolm Gay, "Thieves Cart off St. Louis Bricks", *New York Times*, Sept. 19, 2010; [www.phila.gov/qualityoflife/Vacant\\_Lot\\_Criteria.html](http://www.phila.gov/qualityoflife/Vacant_Lot_Criteria.html), accessed April 7, 2012 and [www.detroitparcelsurvey.org](http://www.detroitparcelsurvey.org) accessed April 7, 2012. The Detroit Parcel Survey identified an additional 23,645 vacant lots that it classified as 'improved', meaning that although they had no structure, they had been improved with a paved lot, accessory structure, fence, or park.

<sup>3</sup> The most important buyers for a neighborhood are those who live in the house themselves. Although under some circumstances an increase in the number of absentee buyers or investors can help stabilize a housing market, their presence, particularly in distressed inner-city areas, is more likely to be destabilizing. For a detailed analysis of the effects of investor buying under different market conditions see Alan Mallach, *Meeting the Challenge of Distressed Property Investors in America's Neighborhoods* (New York, NY: Local Initiatives Support Corporation, 2010).

<sup>4</sup> The cost of keeping a house intact, once mothballed, in Cleveland is \$2000 to \$3000 per year; personal communication from Ron O'Leary, Esq., Assistant Director, Cleveland Department of Buildings and Housing, February 28, 2012

<sup>5</sup> For a description of the process of mothballing buildings, see Sharon C. Park, "Mothballing Historic Buildings" (Washington: National Park Service, 1993), available at [www.nps.gov/hps/tps/briefs/brief31.htm](http://www.nps.gov/hps/tps/briefs/brief31.htm).

<sup>6</sup> Almost all of what few funds are available, moreover, are means-tested; that is, they are only available for buyers whose income is below low- or moderate-income levels. Few such households are in a position to take on the restoration of an abandoned house in need of major repair.

<sup>7</sup> For example, 84 percent of the residential structures in Detroit are single family houses.

<sup>8</sup> The author's recent analysis of three census tracts in historically high-value residential areas in Detroit found that between 2006 and 2010 prices dropped by an average of 81 percent, from \$100,000 to \$19,000, while between 2000 and 2010 vacancy rates roughly tripled, from 5 percent to 15 percent.

<sup>9</sup> For purposes of this analysis, "excess offering" is defined as the number of units being offered for sale or rent in excess of a blended rate of 7.5 percent of the city's total housing stock.

<sup>10</sup> The number of residential structures in each city is based on the distribution of units by range; e.g., single family, two family, 3-19 family, and so forth, assuming that the average number of units in each range was the midpoint of that range. This also assumes that the number of single family units in the demolition pool would be substantially larger than their share of the total number of structures. Based on data on demolition of residential and non-residential buildings from Dayton for the period from 2006 through 2010, the analysis assumes that non-residential demolitions would add 5 percent to the total.

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- <sup>11</sup> Analysis by Frank Ford of Neighborhood Progress Inc., November 2011, based on the distressed property count by the city's Department of Community Development.
- <sup>12</sup> William C. Apgar, Mark Duda and Rochelle Nawrocki Gorey, "The Municipal Cost of Foreclosures: A Chicago Case Study" (Minneapolis: Homeownership Preservation Foundation, 2005).
- <sup>13</sup> Econsult Corporation et al, "Vacant Land Management in Philadelphia: The Cost of the Current System and the Benefits of Reform," prepared for the Redevelopment Authority of the City of Philadelphia and the Philadelphia Association of Community Development Corporations, (2010).
- <sup>14</sup> Government Accountability Office (GAO), "Vacant Properties: Growing Number Increases Communities' Costs and Challenges" (2011).
- <sup>15</sup> Personal communication from James Comerford, Commissioner, Permit and Inspection Services, City of Buffalo, May 30, 2012.
- <sup>16</sup> The official tax rate for 2012 is 9.771 percent of assessed value, with assessed value set at 32 percent of market value.
- <sup>17</sup> These studies are summarized in GAO, "Vacant Properties."
- <sup>18</sup> National Vacant Properties Campaign, "Vacant Properties: The True Cost to Communities" (2005).
- <sup>19</sup> Personal communication from Frank Ford, Senior Vice President, Neighborhood Progress, Inc., February 28, 2012.
- <sup>20</sup> Susan Wachter, "The Determinants of Neighborhood Transformations in Philadelphia: Identification and Analysis: The New Kensington Pilot Study" (2005), available at [http://kabaffiliates.org/uploadedFiles/KAB\\_Affiliates.org/Wharton%20Study%20NK%20final.pdf](http://kabaffiliates.org/uploadedFiles/KAB_Affiliates.org/Wharton%20Study%20NK%20final.pdf)
- <sup>21</sup> Charles C. Branas and others, "A Difference-in-Differences Analysis of Health, Safety, and Greening Vacant Urban Space." *American Journal of Epidemiology* 174 (11) (2011).
- <sup>22</sup> [www.yndc.org/programs/lots-green](http://www.yndc.org/programs/lots-green) accessed March 18, 2012.
- <sup>23</sup> For a graphic description of vacant lot conditions in New Orleans' Lower Ninth Ward, see Nathaniel Rich, "Jungleland" *New York Times Magazine*, March 25, 2012.
- <sup>24</sup> Personal communication from Edward Cunningham, Division Manager, Property Maintenance Code Enforcement Division, City of Cincinnati, May 31, 2012.
- <sup>25</sup> Communication from Edward Cunningham, June 1, 2012.
- <sup>26</sup> Personal communication from Michael Braverman, Deputy Commissioner, Baltimore Department of Housing & Community Development, March 21, 2012. These figures are based on the average of the city's costs over a three year period.
- <sup>27</sup> Relocation costs are substantial in any event, but in Baltimore they are arguably more so, as a result of the precedent set by the massive East Baltimore Redevelopment Project, the city's largest redevelopment initiative. Under this initiative, relocation benefits to displaced homeowners have been between

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\$153,000 and \$175,000 each, as reported by East Baltimore Development, Inc. See [http://www.ebdi.org/ebdi\\_response\\_to\\_the\\_daily\\_record](http://www.ebdi.org/ebdi_response_to_the_daily_record), accessed July 5, 2012. These amounts, which were driven by concerted policies designed to maximize benefits to residents of the community, substantially exceed the amounts required by federal or state law.

<sup>28</sup> Last year these fees cost the city of Buffalo roughly \$1.5 million. Personal communication from James Comerford, March 2, 2012.

<sup>29</sup> Personal communication from Valerie Jackson, Director, Department of Planning & Development, City of Orange Township, March 22, 2012. Orange is an inner-ring suburb of Newark with an older housing stock made up largely of frame two and three family houses. At the opposite end of the price spectrum, the city of Texarkana, Arkansas, demolished nine small frame single-family houses in 2009 for an average of \$4150 per house; five of the houses, however, were demolished for less than \$3400, one for only \$2581. See [http://arkagenda.txkusa.org/2010/02012010/02012010agenda\\_html/item\\_6\\_Presentation%202010%20PW%20\(Liens\).pdf](http://arkagenda.txkusa.org/2010/02012010/02012010agenda_html/item_6_Presentation%202010%20PW%20(Liens).pdf), accessed March 31, 2012.

<sup>30</sup> GAO, “Vacant Properties.”

<sup>31</sup> Personal communication from Ronald O’Leary, May 30, 2012.

<sup>32</sup> In some cases, a city can identify a responsible party in the building’s chain of title, and through legal action compel them to demolish the building and clean up the site. Even when this is possible, it is often time-consuming and expensive; moreover, many sites are ‘orphans’ without a responsible party to hold accountable.

<sup>33</sup> 40 C.F.R. §61.141 (emphasis added).

<sup>34</sup> Legal memorandum prepared for the Cuyahoga County Land Reutilization Corporation (CCLRC) by Douglas Sawyer, Esq., May 25, 2012.

<sup>35</sup> Ibid.

<sup>36</sup> Personal communication from Ronald O’Leary, February 28, 2012

<sup>37</sup> Legal memorandum prepared for the Cuyahoga County Land Reutilization Corporation (CCLRC) by Douglas Sawyer, Esq., May 25, 2012. Prior to the change in interpretation, approximately 20 percent of properties demolished by the CCLRC were subject to the NESHAP standards.

<sup>38</sup> Cleveland appears to have become quite skillful in structuring its demolition bids to enable most of them to fall below the minimum threshold that triggers Davis-Bacon requirements. Personal communication from Ronald O’Leary, February 28, 2012.

<sup>39</sup> The cost of disposal goes beyond the tipping fee—which may run from \$40 to \$100 per ton for non-toxic municipal solid waste—to include the distance to the landfill, the cost of vehicle use, and the number of hours that a driver must devote to each trip. In many landfills, the driver may expect to wait one to three hours before unloading his or her truck. Demolition contractors factor all of these considerations into their bids.

<sup>40</sup> The term ‘prevailing wage’ is something of a misnomer, as any inference that these are the wages that actually prevail within the marketplace is factually incorrect. What states such as New Jersey and New

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York define as ‘prevailing wage’ is actually the schedule of wages and benefits negotiated by construction trade unions on public jobs, notwithstanding the reality that the great majority of construction jobs in those states are not actually subject to that schedule. As a result, imposition of ‘prevailing wage’ requirements represents a significant increase over existing wage scales where these requirements are not imposed, and pushes the cost of construction projects substantially higher.

<sup>41</sup> There is an extensive literature on this subject. See, for example, Ted Gayer, “A Better Approach to Environmental Regulation: Getting the Costs and Benefits Right,” (Washington: Brookings Institution and the Hamilton Project, 2011).

<sup>42</sup> Personal communication from Frank Ford, February 28, 2012

<sup>43</sup> Buffalo ReUse, a nonprofit organization that does deconstruction in the Buffalo NY area, supports its operations by running a retail store stocked largely by material donations from manufacturers, contractors and others in the community, which in effect subsidizes the organization’s deconstruction work.

<sup>44</sup> Personal communication from Michael Braverman, March 21, 2012.

<sup>45</sup> Another practice seen in some cities, which should be discouraged, is the establishment of a demolition ‘queue’ which determines which buildings are demolished based on when the property was initially designated for demolition. While giving the appearance of fairness, such practices are the antithesis of strategic targeting and use of resources.

<sup>46</sup> See Temple University, Center for Public Policy, and Eastern Pennsylvania Organizing Project, *Blight-Free Philadelphia: A Public-Private Strategy to Create and Enhance Neighborhood Value* (2010).

<sup>47</sup> For more information on Chicago’s process, see *Bringing Buildings Back*, pp. 181-182.

<sup>48</sup> Spot blight taking refers to a legal procedure through which municipalities can use their eminent domain powers to take title to blighting or nuisance properties on an individual basis (as distinct from a redevelopment project, which is typically a large area containing many properties) and re-convey it to a user who will use it productively. Such statutes exist in a number of states, including Virginia, Tennessee, Ohio, Pennsylvania and the District of Columbia. Spot blight taking in New Jersey, which appears to be highly effective, is authorized under N.J.S.A.55:19-56(c)(2); New Jersey law also mandates that a specific procedure, which compares the cost of rehabilitation to the post-rehab value of the property, be used to determine fair market value (N.J.S.A.55:19-102). Under this procedure, if the cost to rehabilitate a property exceeds the post-rehab market value, “there shall be a rebuttable presumption [...] that the fair market value of the abandoned property is zero, and that no compensation is due the owner.”

<sup>49</sup> Under “quick-take” eminent domain procedures, the municipality can get title to the property quickly even if a dispute over compensation is still outstanding; the amount of compensation is subsequently resolved, and in the event that a court orders greater compensation than the city had initially tendered, the city must come up with the additional amount. Under a “slow-take” procedure, title does not pass to the city until the amount of compensation has been fully resolved.

<sup>50</sup> In contrast to more conventional neighborhood strategies, such an approach assumes little or no new construction. This reflects the realities of a low demand market environment; in such a setting, building a new house—unless it draws a type of buyer or tenant fundamentally different from that already drawn to the area—can mean one fewer existing house that will remain occupied. In the long run, however, the effective implementation of an integrated set of activities could ideally increase the demand for housing

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in a neighborhood to the point where new construction will be feasible without undermining the existing stock.

<sup>51</sup> Ohio law authorizes use of spot blight eminent domain, although the procedures that municipalities must follow are cumbersome.

<sup>52</sup> This is a major blind spot in many neighborhood revitalization strategies, which direct the greater part (or the entirety) of their attention toward homeowners and prospective homebuyers, ignoring the reality and failing to address the problems of the large and growing number of absentee owned single family properties in the neighborhood.

<sup>53</sup> Alan Mallach, *Meeting the Challenge of Distressed Property Investors in America's Neighborhoods* contains a detailed menu of regulatory strategies and incentives to address these issues.

<sup>54</sup> Personal communication with Robert Klein, Founder and Chairman of the Board, Safeguard Properties, April 5, 2012. Safeguard Properties has been a lead partner in this effort. The expectation of those planning this project is that the combination of low (or no) acquisition costs coupled with tight controls on rehabilitation costs will make it possible to rehabilitate and sell these houses at affordable prices with little or no public money being needed. This may or may not turn out to be realistic.

<sup>55</sup> For an overview of current urban fiscal conditions, see Christopher W. Hoene and Michael A. Pagano, "City Fiscal Conditions in 2011" (Washington: National League of Cities, 2011); for a discussion of the long-term structural fiscal problems facing cities, see Alan Mallach and Eric Scorsone, "Long-Term Stress and Systemic Failure: Taking Seriously the Fiscal Crisis of America's Older Cities" (Washington: Center for Community Progress, 2011).

<sup>56</sup> Message from the Mayor, [www.syracuse.ny.us/uploadedFiles/Departments/Budget/Content/Budget\\_Documents/2011-12%20Budget.pdf](http://www.syracuse.ny.us/uploadedFiles/Departments/Budget/Content/Budget_Documents/2011-12%20Budget.pdf) accessed March 31, 2012.

<sup>57</sup> [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/budget/disbursementreports](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget/disbursementreports) accessed March 31, 2012

<sup>58</sup> Ryan Holeywell, "CDBG Cuts Even Greater Than Expected in Some Places" *Governing Magazine Fed Watch*, January 18, 2012, [available at www.governing.com/blogs/fedwatch/cdbg-cuts-even-greater-than-expected-in-some-communities.html](http://www.governing.com/blogs/fedwatch/cdbg-cuts-even-greater-than-expected-in-some-communities.html)

<sup>59</sup> Thomas Ott, "Cleveland casts wider net to recoup demolition costs" *Cleveland Plain Dealer*, November 18, 2011.

<sup>60</sup> Interview with Ronald O'Leary, February 28, 2012

<sup>61</sup> In urban areas, it's not uncommon for an elderly homeowner to die without leaving a will. In these situations, ownership is potentially divided among multiple heirs, most if not all of whom are either unaware of the property, or uninterested in maintaining it. Sooner or later, such properties typically end up in tax foreclosure.

<sup>62</sup> In the great majority of cases, demolition liens are on vacant lots in areas with little or no market demand; as a result, most are effectively uncollectable. Having the ability to foreclose on those liens, however, is important in that it enables the city to take control of the property and determine its subsequent use, rather than have the property remain indefinitely in limbo.

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<sup>63</sup> New Jersey Statutes Annotated, Chapter 55:19-100.

<sup>64</sup> New Jersey Statutes Annotated, Chapter 46:10B-51

<sup>65</sup> See citation above. This is a particularly important issue in New Jersey, because the state has a protracted judicial foreclosure process which results in properties often taking as many as three years from initial filing to sheriff's sale and conveyance of title.

<sup>66</sup> The pioneering ordinance of this sort is generally held to be Chapter 15.60 Abandoned Residential Property Registration of the city of Chula Vista, California, enacted in 2007.

<sup>67</sup> Codified Ordinances of Cleveland, Section 3103.09 (k)(2), adopted November 14, 2011.

<sup>68</sup> During 2012, the city of Cleveland expects to issue notices of condemnation on 6000 to 8000 properties, while being able to demolish at most 1500 to 2000. Information from Ronald O'Leary, Esq.

<sup>69</sup> Cincinnati Municipal Code §1101-57.7. The 'person in control' addition was made in October, 2010.

<sup>70</sup> Personal communication from Edward Herman, Esq., Law Office of Edward Herman, April 30, 2012.

<sup>71</sup> HR 4210, Sec. 2(g)(1)(B).

<sup>72</sup> Even in Michigan this provision may raise hackles. The relationship between county land banks and the central cities in those counties, as in the case of Detroit and Wayne County, is not always a positive one. Most counties containing urban centers in Ohio have created land banks, but not all; moreover, many of them are small-scale, low-budget, operations that may hesitate to take advantage of this program. The recently enacted New York State law limits the number of land bank entities (at the city or county level) to 10 statewide, thus ensuring that at least some cities in need would not have access to these funds. A land bank statute was enacted in Georgia in March 2012, and enactment of a similar statute in Pennsylvania is likely before the end of 2012. In both cases, assuming that HR 4210 became law in 2012 or 2013, many jurisdictions in need are unlikely to have created land banks in time.

<sup>73</sup> HR 4210, Sec. 2(b)(5)

<sup>74</sup> The bill has clearly been drafted in ways that will indirectly channel a significant part of the bonding authority to those two states, and arguably, to a relatively small number of sub-state jurisdictions within those two states.

<sup>75</sup> Chapter 125, Public Laws of 1997, the Urban and Rural Centers Unsafe Buildings Demolition Bond Act.

<sup>76</sup> <http://esd.ny.gov/BusinessPrograms/RestoreNY.html>, accessed March 31, 2012.

<sup>77</sup> Mark Ferencik, "Razing Plans Must Be in Gear to Receive State Funds" *Columbus Dispatch*, February 14, 2012.

<sup>78</sup> As of July 5, 2012, rates for AAA rated municipal bonds were 0.809 percent for five year bonds, and 2.801 percent for 20 year bonds. See [www.bloomberg.com/markets/rates-bonds/government-bonds/us/](http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/) accessed July 6, 2012.

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