

Cities in Transition - Interview

Vacant Property Research Initiative



Frank Ford
Cleveland, Ohio

Profile

Frank Ford is Senior Vice President for Research and Development with the local nonprofit intermediary Neighborhood Progress, Inc. (NPI), a Cleveland-based nonprofit founded in 1988 to support the city's community development organizations and support strategic reinvestment in Cleveland. Since 2007, NPI has worked with numerous public and private partners to identify opportunities to use excess land to advance a comprehensive sustainability agenda for the city.

Leading the Charge on Neighborhood Stabilization in Cleveland

By David Morley, AICP

Since 1950, the City of Cleveland, Ohio, has lost more than half of its population, along with much of the heavy industry that fueled the local economy. In the 1980s, the city began to make headway against sprawl and the outmigration of jobs. By 2002 the city was issuing more new housing permits than all of its suburbs combined. Then the foreclosure crisis hit.

Ford likens the effort to stabilize neighborhoods in the early 2000s to standing in a waist-deep river: "If you just stand still, it is eventually going to just keep pushing you down, but you can, with effort and thought, make some progress upstream." By comparison, the foreclosure crisis was "a tsunami," says Ford. Cuyahoga County had approximately 3,000 foreclosure findings in 1995. By 2007, that number had skyrocketed to 14,000. Like many observers, Ford attributes this huge spike to the irresponsible lending practices of the mortgage industry, and he thinks the damage to the community was compounded by real estate speculators eager to flip properties for a quick profit.

Against this gale-force tide, NPI and its partners are mounting an impressive response, fighting the neighborhood stabilization battle on two levels. At the macro level, NPI researches and reports on countywide trends with the aid of Case Western Reserve's property data system and promotes system reform through a countywide working group named the Vacant and Abandoned Properties Council (VAPAC). At the micro level, NPI is using a team approach to stabilize targeted neighborhoods through foreclosure counseling, code enforcement, nuisance abatement litigation, demolitions, and land banking.

Seeing the Local Crisis through a Broad Lens

Since 2004, NPI has been a funder and partner in Case Western Reserve's Northeast Ohio Community and Neighborhood Data for Organizing system (NEO CAND0). NEO CAND0 provides a centralized location for parcel-level property information, including ownership, code violations, vacancies, foreclosures, and liens.

Access to NEO CAND0 is critical both to VAPAC's system reform efforts and to NPI's on-the-ground stabilization activities. "Cleveland has one of the best, if not the best, data systems in the country in NEO CAND0," says Ford. "With that system we have a way to see the landscape in a way that some other cities maybe don't have."

VAPAC's origins can be traced back to a June 2005 report by the



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National Vacant Properties Campaign titled Cleveland at the Crossroads, which suggested strategies to combat the city's growing abandoned-property problem. One of the recommendations was the formation of a county-wide coordinating council to bring together all of the entities engaged in vacant property issues to discuss challenges and share innovations. In August of 2005 NPI convened the first monthly VAPAC meeting.

The original members of VAPAC included the mayor's office and the city council, the county treasurer and housing department, the local CDC trade association, both major local universities (Case Western Reserve and Cleveland State), Enterprise Foundation, and the inner ring suburbs' consortium. Since the first meeting, VAPAC has grown to include the county executive, sheriff, and foreclosure prevention program as well as the Federal Reserve of Cleveland and the Ohio Attorney General's Office.

"The way we get things done is not so much at the monthly meetings," says Ford. "For any topic we create a working group. There are 20 to 25 people involved in the meetings, and a working group might have six, seven, or eight. The working group would meet maybe over several months and develop a position paper."

VAPAC quickly became instrumental in efforts to spread awareness of the brewing in the private sector. "When it became apparent that banks were dumping properties, a VAPAC working group created an REO code of conduct, which recommended procedures for banks looking to sell their REO properties," says Ford. VAPAC has also aided efforts to hold banks and investors financially accountable for their vacant and abandoned properties. Through the information gained via VAPAC, the city has stepped up demolitions and liens on nuisance properties.

"VAPAC has been the forum where we have surfaced and released a lot of ad hoc research that I've referenced—the counts of who are the flippers, what are the foreclosure trends—all that emerges through VAPAC. "This ability to coordinate and spot trends and repeat of-



Photos courtesy of Neighborhood Progress, Inc. (www.npi-cle.org)

fenders contributes to the ability of the city and inner-ring suburbs to prosecute criminal housing code violations. VAPAC strengthens the zero-tolerance climate for unethical real estate practices in the region and state, supporting the Cleveland Municipal Housing Court's targeting of irresponsible lenders, led by Judge Raymond Pianka; and supporting of enforcement of Ohio's nuisance abatement receivership law, which allows private entities like NPI to bring public nuisance lawsuits against owners of blighted properties and ask for demolition or receivership as a remedy.

In Ford's view, one of the most important system reforms influenced by VAPAC involves the county's approach to tax lien sales. Because many vacant and abandoned properties are tax delinquent, counties routinely sell tax lien certificates to generate revenue as an alternative to lengthy tax foreclosure proceedings. Unfortunately, in Cleveland investors often purchased these certificates in bulk with little intention of rehabbing the properties. As a consequence, vacant properties continued to destabilize neighborhoods, and their title encumbrances made rehabilitation or redevelopment unlikely.

Cuyahoga County had stopped bulk tax lien certificate sales for this reason. In 2011, however, the county's new executive stated an intention to bring the sales back. VAPAC responded with a position paper outlining the harmful effects of these sales and eventually secured a commitment from the county executive to exclude vacant structures from future sales.

Another VAPAC success was improving the city's building and housing department, which had a reputation for being dysfunctional. In part because of pressure from VAPAC, the building and housing department now shares its data with NEO CANDO. Last but not least, VAPAC's advocacy was instrumental in the creation of a

county land bank modeled after the Genesee County (Michigan) Land Bank.

Support for Neighborhoods

Discussions with the National Vacant Properties Campaign also led to a reorientation of NPI's on-the-ground work with CDCs. Starting in 2005, NPI began meeting with six CDCs in different neighborhoods to work on targeted solutions for areas with many vacant and abandoned properties. Partners in this work include Kermit Lind from Cleveland State University's law school, the designer and manager of NEO CANDO, and the local foreclosure prevention agency Empowering and Strengthening Ohio's People (ESOP).

The team's original name was the Land Assembly Team (LAT), but it soon became clear that blight removal, and not land assembly for redevelopment, was the primary goal. When Cleveland submitted its application for the second round of funding for HUD's Neighborhood Stabilization Program (NSP II) in the summer of 2009, the LAT officially changed its name to the Neighborhood Stabilization Team (NST).

After NSP II, the NST expanded its work from six to 20 neighborhoods. Much of the team's work is facilitated by the latest iteration of NEO CANDO, which is commonly referred to as the NST Web Application. The NST Web Application allows each of the 20 neighborhood-based groups to upload property information and access the most up-to-date records from the sources that feed the NEO CANDO system, using any computer with Internet access. As Ford puts it, "this is like going from a Cadillac to a Rolls Royce in terms of what you can get out of the system."

The NST looks at destabilizing influences and assets to be protected in each target neighborhood. The ultimate goal is to match properties with the appropriate stabilization strategy. For privately owned properties this might mean foreclosure prevention counseling or property acquisition. For vacant properties, the solution might be acquisition through tax foreclosure or a foreclosure sale, code enforcement, nuisance abatement and receivership litigation, or demolition. Since 2005, the NST has



Photos courtesy of Neighborhood Progress, Inc. (www.npi-cle.org)

facilitated the acquisition, rehabilitation, or demolition of hundreds of distressed structures.

Barriers and Unintended Consequences

VAPAC's success at applying pressure to banks has had one unintended consequence: Many former REO properties wind up with speculators instead of those interested in rehabilitation or redevelopment. As Ford puts it, "once VAPAC worked on reforming the system—having better data flow on code enforcement to target flippers and banks—the banks started to realize that they needed to unload faster."

Many neighborhood stabilization strategies are contingent on being able to hold owners accountable for the destabilizing effects of vacant properties. When banks litigate a foreclosure case to judgment but don't take title at the sheriff's sale, they can avoid account-

ability for the damage caused by the vacant property.

The problems caused by vacant, bank-owned properties are only the beginning, says Ford. He estimates that only 20 percent of Cleveland's more than 13,000 vacant properties are bank owned. The rest are abandoned well before the sheriff's sale, some as soon as they become subject to a foreclosure filing. Holding banks accountable only for their REO properties, then, is not enough.

Yet banks are still the primary actors to pursue. Ford speculates that poor communication within the lending industry is causing banks to rush into foreclosure even though their chances of recouping a substantial part of their initial investment are low. Lenders need to be convinced to renegotiate mortgages before default. This will not be an easy win. The lending industry in Ohio has already defeated one potential solution: a bill modeled on New Jersey's Credit Responsibility Act, which holds lenders accountable once they exert control over a property, with or without title).

Looking Ahead

As of August 2011, Cleveland had 13,200 vacant properties, and the county had 27,000. That was up from 11,500 and 23,000 respectively in August 2009. "The number one challenge for neighborhood stabilization in general is that we're going to run out of demolition money," says Ford.

On a positive note, countywide foreclosure filings were down 10 percent in 2010 from their 2007 peak. This was primarily due to a 50 percent drop in foreclosure filings on the city's East Side, which was the hardest hit by predatory lending and destabilization. The downside of this trend is that foreclosure filings in the suburbs increased by 30 percent, which Ford sees as evidence of an outmigration of the problem. "Now instead of loan rate adjustments, loss of job seems to be precipi-



Photos courtesy of Neighborhood Progress, Inc. (www.npi-cle.org)

tating foreclosure," says Ford.

Beyond this documented outmigration of foreclosures, there are questions about the "shadow inventory" of delinquent loans that lenders have not yet filed. Ford suspects that future filings will hit Cleveland's suburbs harder than the city's East Side neighborhoods.

Lessons Learned and Advice for Others

The chief advice Ford offers for planners working in Cities in Transition is to develop a real property information system. If the capacity doesn't exist in house, he recommends partnering with a local university.

Ford also recommends forming a coordinating council in the style of VAPAC. "If you can get every department, organization, and institution that touches the problem of vacant properties and foreclosures to the table, that does have benefit," he says.

An effective code enforcement system is important to taking action on the ground, Ford stresses. Ideally, communities would also have a special housing court like Cleveland's, where there is a dedicated judge that understands the issues and has the courage to go after the worst abusers in the system.

Ford's final piece of advice is creating a land bank with a dedicated revenue stream. "Having the land bank connected to the property

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