ADDRESSING VACANT & ABANDONED BUILDINGS IN OKLAHOMA CITY

PREVALENCE, COSTS + PROGRAM PROPOSAL

Final Draft: June 26, 2013

GSBS Richman CONSULTING

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EXECUTIVE SUMMARY

Vacant and abandoned buildings (VABs) harm a community in many ways. They strain civic resources, lower property values, inhibit community re-investment and public safety, and infringe on neighboring property owner's rights.

Citizens of Oklahoma City have called for action from the City Council to promote thriving neighborhoods through more effective code enforcement, better policing, blight removal, and targeted revitalization programs.

As part of a comprehensive response, City officials hired GSBS Richman Consulting in 2012 to study the financial and social cost of VABs, identify the extent of the problem, and recommend solutions.

STUDY FINDINGS

Over the past decade the number of long-term vacant housing units in Oklahoma City has increased by roughly 25 percent. The primary cause is low property carrying costs, meaning that vacant buildings cost so little to own that owners prefer to keep them vacant rather than putting them into productive use.

While the cost to VAB owners is low, the cost of VABs to the City, affected neighborhoods and owners of occupied properties is substantial. VABs generate little or no revenue from property or sales tax, while they utilize disproportionate public safety and other city services, lower neighboring property values, discourage private investment, and contribute to neighborhood decline.

The Problem Quantified

- An estimated 12,000 buildings in Oklahoma City have been vacant six months or longer.
- More than half of these have been vacant two years or longer.
- The City spends approximately $6.5 million annually for services (police, fire, and animal welfare) attributable to VABs.
- The City loses nearly $20 million in potential revenue every year because of VABs.
- VABs reduce the value of neighboring homes by 12 to 29 percent, depending on proximity, resulting in an estimated $2.7 billion reduction in real estate value city-wide.

The Problem Qualified

- There are few incentives or disincentives to encourage VAB owners to maintain or reinvest in their properties.
- Reinvestment in neighborhoods decreases as the number of VABs increases.
- VABs are undesirable and unwanted neighbors. They decrease the marketability and value of commercial and residential properties. Residents living near VABs feel less safe and less secure.
- The cost to maintain, service, and secure VABs is subsidized by owners of occupied properties.

The Response

A comprehensive program that includes a combination of enforcement measures, penalties, and rewards is recommended to address the problem. The program should be designed to incentivize reuse and rehabilitation of properties and to uphold the property rights of all owners, including restoring the property rights of owners near VABs.

THE PROGRAM

The study recommends a three-phased approach to implementing a fully operational program. Phase one can be initiated immediately with City Council authorization. Additional legal authority is required to implement phases two and three:

1. Vacant Building Registry (VBR): During this phase a database of VABs will be established; data and start-up equipment purchased; and staff hired to identify, inspect and manage VAB cases. The VBR will allow the City to target enforcement by address/owner and to monitor impact on adjacent properties and affected neighborhoods. A per-building fee structure will be implemented to cover administrative costs of the program.

2. Cost recovery fees: The VABs program assesses a cost recovery fee on VABs to offset the cost of City services attributable to VABs. This second phase fee assessment should be further supported by fines for unpaid administrative and cost recovery fees. Additional statutory authority (changes to state law) will be required to institute this phase, as well as to impose liens on VABs for the value of unpaid fees and fines. The phase two fee structure will be based on 100% cost recovery. Revenue will ensure a self-sufficient program; surplus may be invested in phase three revitalization efforts and/or public safety and other related city services.

3. Land Bank: Phase 3 enables the City to fully mitigate VAB issues. This phase also requires changes to state statute, to provide the City with the legal authority to foreclose on VAB liens and establish a process for the acquisition, maintenance, and redevelopment of VABs for private sector use. To make the land bank and overall VABs program more effective, the City should consider utilizing incentives such as tax abatement or fee reductions for VAB owners who reinvest in their properties or transfer ownership of their property to the land bank.

   Once fully operational, the VABs program will provide a long-term solution for reducing and preventing vacancy, increasing property values, and revitalizing Oklahoma City neighborhoods.

At its most basic level, the VABs program should be designed around the following principles:

- Property ownership is a combination of rights and responsibilities;
- Property owners who neglect their properties should be accountable for the costs these properties inflict on the community; and
- Neighborhood residents have a right to be protected from negative impacts of VABs and should be stakeholders in helping influence the long-term success of their neighborhoods.

I. INTRODUCTION

More than 12,000 vacant and abandoned buildings (VABs) are now scattered throughout the City and this problem appears to be worsening. According to the Census Bureau, the number of long-term vacant housing units grew by 25 percent between 2000 and 2010; 12 percent higher than the growth rate for all housing units. These buildings are a costly social and financial problem for Oklahoma City. They drain resources, depress nearby property values and destabilize neighborhoods.

Communities everywhere are wrestling with the problem of vacant homes and commercial buildings. Shrinking urban populations, the move away from heavy industry and recent home foreclosures all contribute to the problem. In Oklahoma City, however, the main culprit is the damage to the overall real estate market caused by the imbalance between the cost of maintaining and carrying an empty building compared to its underlying value. Very simply, VAB owners have no incentive to improve and invest in their buildings. They prefer to hold on to their properties because holding costs are extremely low. In most cases the only holding cost is property taxes, which average less than $10 per month for VABs. The market will remain out of balance until this "equation" is changed.

VABs represent more than just a loss of revenue or increased costs of services. The structures are a menace to neighbors and a threat to the safety of police officers and firefighters who respond to calls in the area. To better define the scope of the problem, the impacts and possible solutions, this study:

- Identifies the VABs in Oklahoma City,
- Estimates the cost of City services for a VAB compared to an occupied building,
- Quantifies lost operating and capital revenues resulting from VABs,
- Estimates the social and financial impact of VABs on neighboring property owners, and
- Recommends a program to reduce the number of VABs and stabilize neighborhoods.

Like many communities, Oklahoma City relies primarily on enforcement to manage the problems related to VABs; however, an enforcement-only approach fails to address the root cause of the problem.

RESIDENT EXPERIENCES

"I have lived in my home for five years. The house directly behind [me] has been vacant the entire time. The yard is horrible and overgrown with poison ivy that I spend hundreds of dollars a year to keep out of my yard. I have seen people camping out back there and when my house was broken in to that yard was the point of entry to my property. The house is unlivable because all the copper plumbing was stolen and the inside was vandalized. It is a blight on the neighborhood."

"I live in the Paseo neighborhood and we have a lot of abandoned homes. It's almost impossible to contact the owners. [The abandoned homes] become a haven for drug activity, not to mention they're unsightly. One house down the street from me has caught fire more than once. I would love to see this problem addressed as I KNOW it would help my neighborhood a lot."

"Our neighbor across the street died over two years ago. His home went to a daughter who has done nothing with this home. Another neighbor has taken care of the yard and trees, which is most appreciated, but the house is falling into disrepair. It is sad to see this happen to a house in a historic neighborhood, and I worry about vandals breaking in."

"My neighborhood has a significant number of properties that are dilapidated and/or vacant. Owners of such properties should be held to appropriate levels of responsibility to ensure that the property is either renovated and put to good use or sold to someone who will put them to use. I encourage the City to do whatever is necessary to make this happen."

"There are several vacant properties in the neighborhoods that we live in and own rentals [in]. We sent letters to owners asking to purchase them but got no response. Instead they just remain vacant and are a real eye sore..."

"...It still seems like there should be some recourse for neighborhoods faced with abandoned properties to be able to return the residence to use or qualify for demolition services so the property could be resold. This entire city is full of abandoned commercial properties and abandoned/dilapidated older houses and they are eyesores, not to mention potential hazards. An attempt at addressing and fixing this problem seems quite needed."

"I have seen a man who had stolen a woman's wallet run and hide in an abandoned home. I have also seen homeless people staying in an abandoned building light a fire for warmth."

"I think the homeowner should be required to do repairs and make sure [vacant] houses are secured from people going in and out. I have seen cats and dogs going in and out of some houses with broken garage windows. They jump through the windows! We have problems with teenage kids in vacant houses."

POLICE OFFICER EXPERIENCES

"There is an abandoned hotel at 4500 North Lincoln which has been empty for I don't know how long. For the short time I was at Springlake, it was the target of constant copper thieves and general vandalism. [The property owners] make no attempt to secure it and it is wide open for anyone to walk through the broken glass, copper, torn down drywall and numerous empty hotel rooms…

I know it used to be quite the hotspot back in the day but now part of the building is some federal or state agency. There is a parking garage underneath which was constantly used for storing or abandoning stolen cars."

"Last summer officers handled an incident in an… abandoned unfinished apartment building at 3814 N Penn. Officers were attempting to locate a subject and stumbled upon a squatter house and found evidence of a mobile meth lab."

"[A building at 1308 SW. 45] has been an issue with not only me and my partners, but our Lieutenant when he was riding the same district. The house was occupied with several transients and drunks. The house has caught fire several times, and was always saved. Recently a fire was start in the property and [the Fire Department] was unable to extinguish it. Now that the house is unlivable the transients and drunks are living in a shed behind the burned down house.

I recently took a burglary report from an older lady that lived just west of this house. As soon as I arrived [she] pointed out this vacant house and that the occupants living in the shed were possible suspects. We ended up finding her stolen property in the shed with 4 subjects. We have worked every type of call from this property and filled out numerous action grams. I have personally spoken to many of the neighbors who are sick of this location and the occupants."

"[The vacant building at 1308 SW 45th] has been a problem since I have been at Santa Fe. It has been a haven for drunken transients that like to fight, steal, and cause problems for their neighbors.

The two instances that I have been personally involved in that generated a case number are 12-6002 and 10-47644. These are unfortunately the only ones that warranted a case number. There have been numerous detox runs and action grams associated with this address. The actual house structure finally burned down but in true nuisance fashion the transients moved into a shed in the back where there are no operational utilities."

Successful programs use a combination of building registration and neighborhood reinvestment strategies to solve the problem. Most establish a vacant building registry (VBR) to identify VABs, require maintenance, and collect fees to recoup costs of the program and the disproportionate impact VABs have on city services. VBRs are intended to increase the carrying costs of vacant and abandoned buildings and provide a disincentive for property owners to hold on to a deteriorating asset. Neighborhood reinvestment strategies usually include a land banking program that allows the City to control the most problematic VABs and return them to productivity. A similar combination is recommended for Oklahoma City; however, implementation will be phased as authority for each phase is realized.

In July, 2012 the City and the Neighborhood Alliance[3] conducted an email survey[4], asking 2,420 individuals on the Alliance's email list about their concerns about VABs. The results confirmed what the City and the community suspected: vacant and abandoned buildings harm surrounding neighborhoods. As seen in Figure 1-1, more than 75 percent of the 155 respondents said that they have a VAB on their block.

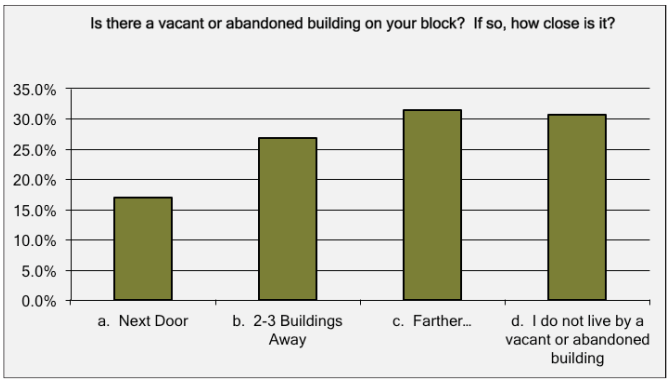


Figure 1-1

The survey asked the respondents to rate the upkeep of buildings in their neighborhood. As seen in Figure 1-2, on a scale of 1 to 5 with 1 being poor and 5 being excellent, unoccupied structures were significantly less well-kept than the rest of the neighborhood.

3 The Neighborhood Alliance of Central Oklahoma is a non-profit organization dedicated to creating safe, attractive and healthy neighborhoods throughout Central Oklahoma by working with neighborhoods and government officials to have a community in which all are proud to live and work.
4. A total of 155 surveys were submitted through Survey Monkey.

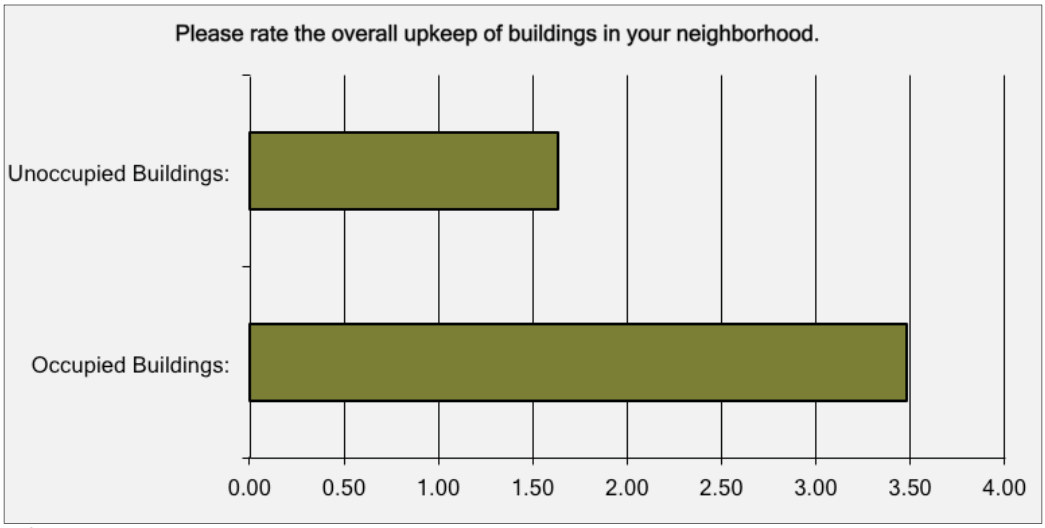


Figure 1-2

The survey also asked if the presence of vacant buildings affected residents' sense of safety and security. As shown in Figure 1-3, almost 60 percent of respondents felt less safe and secure living near vacant and abandoned structures.

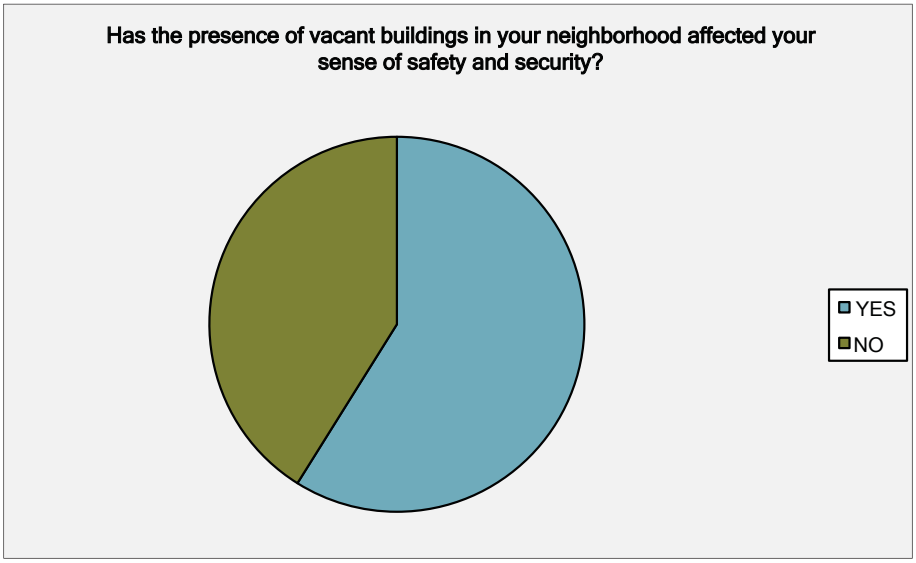


Figure 1-3

The complete results of the survey and citizen comments are included in this report as Appendix C.

Concern about healthy neighborhoods is also reflected in the City's annual community survey. More than one third of the people who responded to the City's 2012 Direction Finder Survey said they were dissatisfied with the City's efforts to enforce cleanup of debris on private property and exterior upkeep of residential property. They said these two areas should be priorities for City Code Enforcement in the coming year. Both surveys confirm that residents want clean, safe neighborhoods. Vacant and abandoned buildings are unwanted and undesirable neighbors. The time is right for the City to tackle the challenge.

II. VACANCY/ABANDONMENT IN OKLAHOMA CITY

DEFINITION

Like many cities, Oklahoma City does not have a single, consistent, statutory definition for a vacant or abandoned building. Instead, the City defines the status of a structure such as "unsecured" or "dilapidated".

To ensure a consistent, reliable analysis and clear program recommendations, this report uses, and the program should adopt, the following criteria to identify VABs:

- Any single family residential or single tenant commercial building that has been listed as vacant in the Valassis/U.S. Postal Service database or had its water, gas or electricity shut off for six months or more; or
- Any multi-family residential, multitenant commercial building that has had 30 percent or greater vacancy as identified in the Valassis/U.S. Postal Service database or had its water, gas or electricity shut off for six months or more.

Vacancy status is identified using the following data sources:

- Vacant address data generated by Valassis Direct Mail, Inc. and verified by the U.S. Postal Service[3] ,
- Oklahoma Gas & Electric shut-offs, and
- Oklahoma City Utilities Department shut-offs.

This analysis identifies properties in Oklahoma City that have been vacant for six months or more. In a down real estate market it may capture properties that are simply in transition; however, after six months the property is more likely to end up vacant and abandoned for the long term.

There are 12,106 buildings in Oklahoma City meeting the VAB definition. Of the total number of properties 3 percent or 336 are commercial, 26 percent or 3,182 are multi-family residential and 71 percent or 8,591 are single-family residential.

The recommended VAB program assumes that a VAB registry will be verified against the three data sources on a monthly basis to ensure that all buildings required to register comply with the requirement.

Very few of the City's 621 square miles are not affected by VABs (see Figure 2-1). Vacant buildings range from newly built "spec" homes that have not sold within six months to historical residential and commercial structures that have been vacant for years and are nuisances[4]. Both types of long-term vacancy have an impact on City services, revenues and adjacent property values.

3 Valassis utilizes the U.S. Postal Service's Computerized Delivery Sequence program, which is an updating service performed on customer-provided address lists.
4 A nuisance property is one that prevents neighbors from "quiet enjoyment" of their own property.

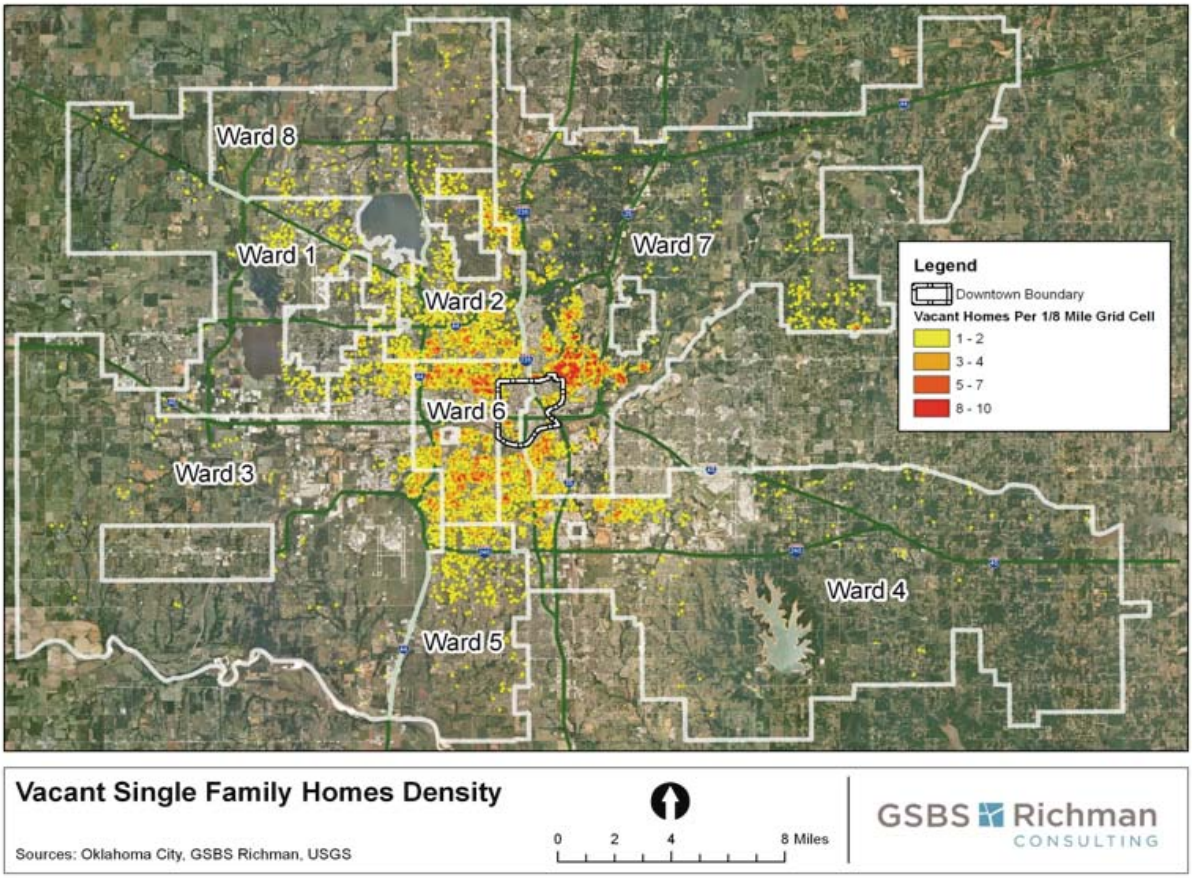


Figure 2-1

THE PROBLEM

According to the Census Bureau, Oklahoma City had almost 27,000 vacant housing units in 2010. This is an increase of almost 3,000 over the ten-year period 2000 – 2010 and represents 10 percent of all housing units in the City[5]. Although the total number of vacant residential units is not growing faster than the total number of housing units in the City, long-term vacancies grew by 25 percent, almost double the City's housing unit growth rate. This signals an expanding problem in the overall housing market.

Single family residential properties make up about half of all parcels and 71 percent of the estimated 12,106 vacant buildings within Oklahoma City. A large number of vacant buildings in an area may signal the potential for the housing market to collapse because of a supply/demand imbalance. Alan Mallach is a nationally recognized expert on the underlying causes of neighborhood destabilization, vacancy and VAB programs. He has identified four characteristics of "neighborhood disinvestment".[6] Neighborhood stability is threatened when the following are present:

- Vacant lots (formerly homes, now demolished),
- Vacant and abandoned houses (often fire damaged and likely to be demolished),
- Absentee-owner occupied homes (usually in poor repair), and
- Deferred maintenance on owner-occupied homes.

5 The database for the analysis in this project includes all building types (i.e. commercial, industrial and residential) and collects information on buildings rather than units (i.e. an apartment building would count as "1" in the database but as four or more in the Census.)
6 Mallach, Alan. "Rebuilding America's Legacy Cities", American Assembly, Columbia University. Chapter 3.

The key indicators of neighborhood stability and potential market imbalance factors identified by Mallach are:

- Level of sales transactions as a ratio of sales to properties,
- Level of home-purchase mortgage originations as a ratio of originations to sales,
- Average sales price per transaction, and
- Percentage of properties vacant or abandoned.

Level of sales transactions as a ratio of sales to total properties – Normal housing turnover is six to seven percent per year. This means that under normal market conditions, the ratio of properties to sales should be fifteen to one or less[7] (i.e. Oklahoma City has 164,390 single-family properties, so sales should be roughly 11,000 per year to ensure that all properties coming into the market are absorbed.)

Ratio of mortgage originations to sales – Owner-occupied housing traditionally requires a mortgage. Investor purchases and absentee landlords can be measured by comparing total sales to total mortgages. Sales without mortgages, in most instances, signal purchase by an absentee owner. The ratio is compared to the City's overall owner-occupancy rate, a high rate signals an increase in absentee landlords.

Average sales price – The average home sales price in a particular neighborhood is compared to the area-wide average sales price. Extremely low prices signal disinvestment. These properties are more likely to attract investor purchasers who may hold the properties rather than invest in them. The average neighborhood price is compared to the city wide and historical averages.

Percentage of vacant/abandoned properties – The number of vacant/abandoned housing units will increase as market demand collapses. In most cases demand will not absorb the supply of new housing, let alone vacant inventory. An increasing percentage or a percentage higher than the city wide percentage signals destabilization.

Low sales prices and a high number of vacant properties usually mean no new market-rate housing construction. It also means home owners and absentee owners are less likely to invest in or maintain their properties.

To better understand the extent and nature of vacancy within Oklahoma City, the neighborhood stability analysis has been completed by ward. Table 2-1 provides the indicators for each of the City's eight wards. Each ward was evaluated for the presence of vacant buildings of all types, market imbalance indicators and the relative prevalence of the four measures of neighborhood stability. The highlighted fields are either above expected values or indicate that the area is not performing as well as Oklahoma City as a whole.

TABLE 2-1: HOUSING MARKET STABILITY INDICATORS - OKLAHOMA CITY, BY WARD, 2010

WARD	RATIO SALES/ PROPERTIES	MORTGAGE ORIGINATIONS/ SALES RATIO	AVERAGE PRICE	% RESIDENTIAL BUILDINGS VACANT 6 MONTHS + OR ABANDONED	% HOUSING UNITS OWNER OCCUPIED	% VACANT LOTS
OKC	17.5	0.62	143,772	4.3%	53%	9.2%
1	20.3	0.84	142,942	1.6%	54%	7.9%
2	19.0	0.64	122,594	4.8%	48%	3.2%
3	16.1	0.71	135,689	2.9%	53%	10.6%
4	20.2	0.63	108,959	5.0%	56%	14.5%
5	19.5	0.69	143,347	1.6%	57%	4.7%
6	22.7	0.35	74,667	9.3%	40%	5.9%
7	22.2	0.51	140,615	9.1%	48%	12.3%
8	10.3	0.59	200,171	0.6%	65%	11.9%

Source: Home Mortgage Disclosure Act Data

7 Mallach, Alan. Depopulation, Market Collapse, and Property Abandonment: Surplus Land and Buildings in Legacy Cities. Rebuilding America's Legacy Cities, Allan Mallach Editor.

HIGHLY IMPACTED AREAS: WARDS SIX AND SEVEN

Citywide, the Oklahoma City housing market is relatively healthy. The ratio of single family sales to single family properties of 17.5 is slightly higher than the "normal" housing turnover rate of 15. A ratio of 17.5 means that 5.7 percent of housing turns over in a given year, just slightly lower than the normal range of 6 – 7 percent. Currently this represents approximately 500 units annually.

Wards Six and Seven suffer the biggest impact from vacant and abandoned buildings in their neighborhoods, and are at the highest risk for market destabilization and disinvestment. They should be the initial focus of neighborhood stabilization programs. Both wards have sales/property ratios exceeding 20 and mortgages written per sale lower than the city-wide average of 64 percent and lower than the city-wide average owner occupancy. Ward Six also has the lowest average price per home sold in the City at $74,667 and the highest rate of housing units vacant six months or longer.

Although Wards One, Three and Five have higher-than-recommended sales/properties ratios of 20.3, 16.1, and 19.5, the remaining indicators are all better than the City-wide indicators.

CAUSES

Vacant and abandoned buildings are not unique to Oklahoma City. However, the causes in Oklahoma City are not related to a poor economy. In fact, the economy of Oklahoma City and the State of Oklahoma was healthier than the country as a whole during the recession. (See employment and foreclosure statistics in Appendix D.)

An imbalance between the costs of holding a vacant building versus the market-based benefit to investing in the unit is the primary cause of the growing VABs problem in Oklahoma City. There is currently a "reverse rewards" situation for property owners – the longer the vacancy the less it costs to keep the building vacant.

The average assessed market value for single family homes vacant for six months or more in Oklahoma City is $63,937. This is 51 percent lower than the overall average assessed market value and 27 percent lower than the median sales price for single family homes.

For owners of single-family rentals, average monthly rental payments for their properties are relatively low ($835/month[8]) and vacancy rates relatively high (9.6 percent[9]). To make the building viable in a tough market requires investment and updating. (The multi-family rental market is much healthier, with lower-than-average vacancy rates and rising rents.) While cities and neighborhoods prefer that owners invest in and update their properties, the cost of simply holding the property for a long time is so low, the owner has no incentive to do otherwise. If an owner does not maintain their property, the only cost is property taxes. The average annual property tax cost for a long-term vacant property is only $112.

The situation is similar for property owners who want to market their buildings for sale. Additional investment is required in a competitive market and current home values for vacant properties are relatively low. One fifth of homes sold in Oklahoma City in the past several months have been bank-owned properties.[10] The median home price for homes sold in Oklahoma City over the past year was $87,672, up more than 6 percent over the last five years.[11] Rather than investing in the property to bring the structure to code and generate approximately $88,000 at sale, many property owners are choosing to simply hold their property and pay less than $10 per month in carrying costs.

8 Rentbits.com, search for house rental rates dated July 25, 2012.
9 U.S. Census Bureau Quarterly Report on Housing, May, 2012.
10 Housing Predictor: Real Estate News and Forecasts in the Public Interest, July 25, 2012.
11 Home Insight, July 25, 2012.

III. COST OF VACANCY/ABANDONMENT IN OKLAHOMA CITY

Vacant and abandoned buildings are costly to governments and to neighborhoods. They demand a higher level of all city services, particularly police, fire and animal welfare activities, while generating little or no revenue to offset the higher service levels. Vacant houses also represent lost opportunity for retail and a corresponding loss of sales tax revenue. The analysis in this study estimated the impact of single family residential, multi-family residential and commercial VABs on City services as well as the differences in demand as a result of long-term vacancy.

The City services impact analysis measured calls on a 100 foot block face rather than parcel-by- parcel to capture the broader impact of vacant and abandoned buildings in a neighborhood. Using a geographic information system ("GIS"), the presence and extent of a disproportionate impact on police, fire, and animal welfare services from VABs was identified.[12] Table 3-1 shows that police calls on block faces with at least one VAB are 190 percent higher; fire calls are 84 percent higher; and animal welfare calls are 115 percent higher than on blocks without VABs. In Table 3-1 the column labeled "Median Calls No Vacancy" is used as the baseline rate for the analysis. The baseline rate represents the median number of calls expected on a block face when all buildings are occupied. The column "Adjusted Median Calls Above Occupied Areas" represents the disproportionately high impact of VABs on City services.

TABLE 3-1: IMPACT PER 100 FOOT BLOCK FACE - FY 2008 - 2011

	MEDIAN CALLS ALL PROPERTY	MEDIAN CALLS NO VACANCY	MEDIAN CALLS VAB PRESENT	FAIR SHARE ADJUSTMENT	ADJUSTED MEDIAN CALLS ABOVE OCCUPIED AREAS •
Police	3.85	3.14	9.10	1.02	6.98
Fire	0.81	0.70	1.29	0.23	0.82
Animal Welfare	0.83	0.68	1.47	0.22	1.01

• The impact is equal to the difference in the number of calls to block faces with VABs and the number of calls without VABs plus the VAB's "fair share" of the baseline rate.

COST OF SERVICES

As shown in Table 3-2 the annual city-wide total for police, fire, and animal welfare service cost attributable to VABs is an estimated $6.5 million. This was calculated using the average cost per call and the median number of calls when a VAB is present.

TABLE 3-2: AVERAGE ANNUAL COST OF SERVICE ATTRIBUTABLE TO VABS

	VAB COST PER BLOCK FACE WITH VABS	BLOCK FACES WITH VABS	CITY-WIDE COST OF IMPACT	ANNUAL CITY-WIDE COST
Police	$2,753	6,238	$17,173,214	$4,293,304
Fire	$1,373	6,238	$8,564,774	$2,141,192
Animal Welfare	$68	6,238	$424,184	$106,046
Total			$26,162,172	$6,540,542

12 Although VABs have a significant impact on code enforcement activities, code enforcement was not included in the cost of services analysis because the complaint-based code enforcement activities have an existing fee structure roughly related to the cost of performing code enforcement activities.

To better understand the impact of VABs on the cost of city services and to create an equitable fee structure, additional analysis was completed to evaluate the impact of commercial, multi-family and single-family vacant buildings. As seen in Figure 3-1 there is significant disproportionate impact from all land uses on all service types. Commercial properties represent approximately 40 percent of police calls to block faces with VABs even though they are only 3 percent of all VABs. Similarly, multi-family properties represent approximately 40 percent of police calls to block faces with VABs and are 26 percent of VABs.

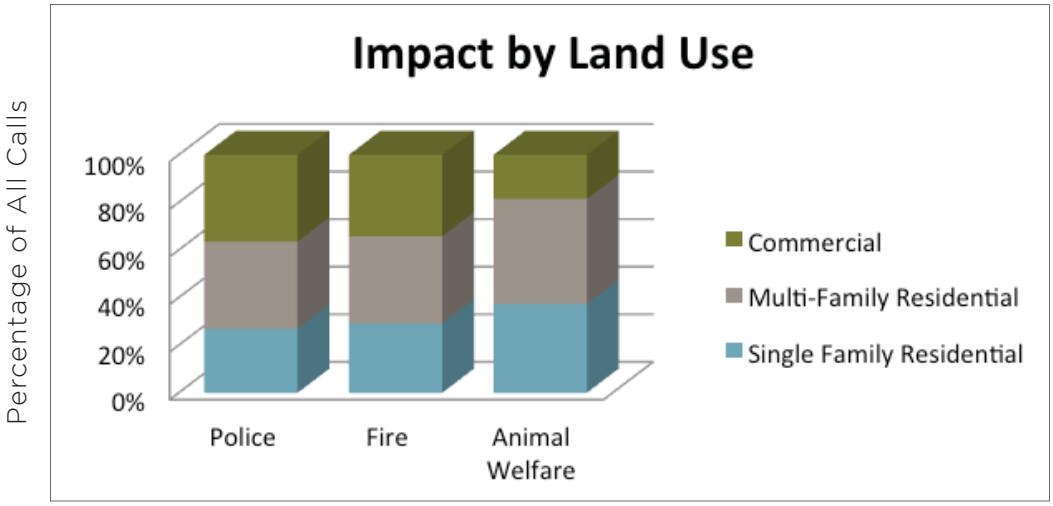


Figure 3-1

The analysis found that a building that has been vacant longer demands more services. Figure 3-2 provides a breakdown of disproportionate impact, by service, based on vacancies of six to 12 months, 13 to 24 months, 25 to 60 months and 61 months or more.

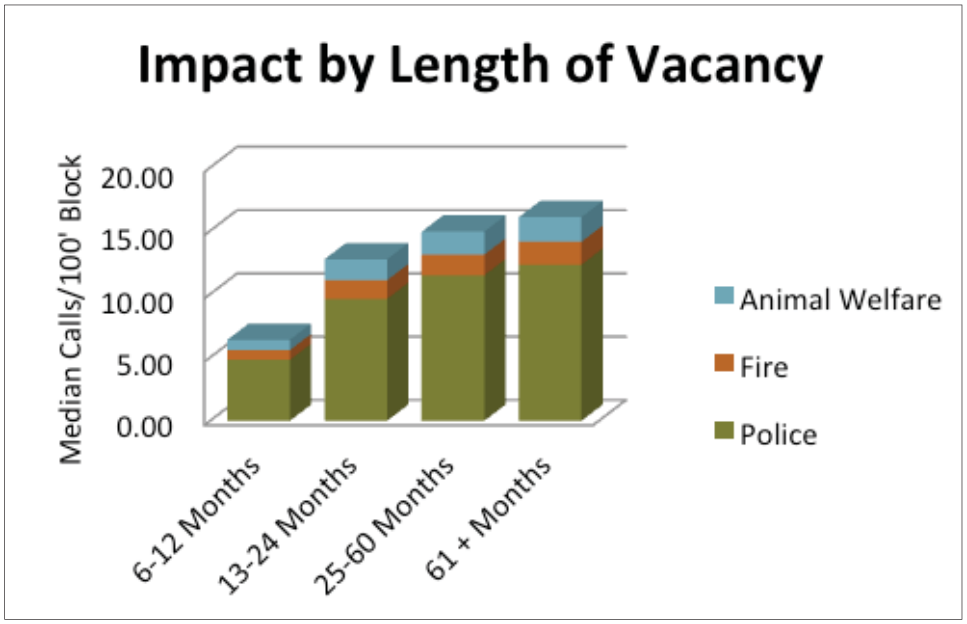


Figure 3-2

Figure 3-3 illustrates the increasing disproportionate impact for each service type for single family residential buildings left vacant for 6 months or more.

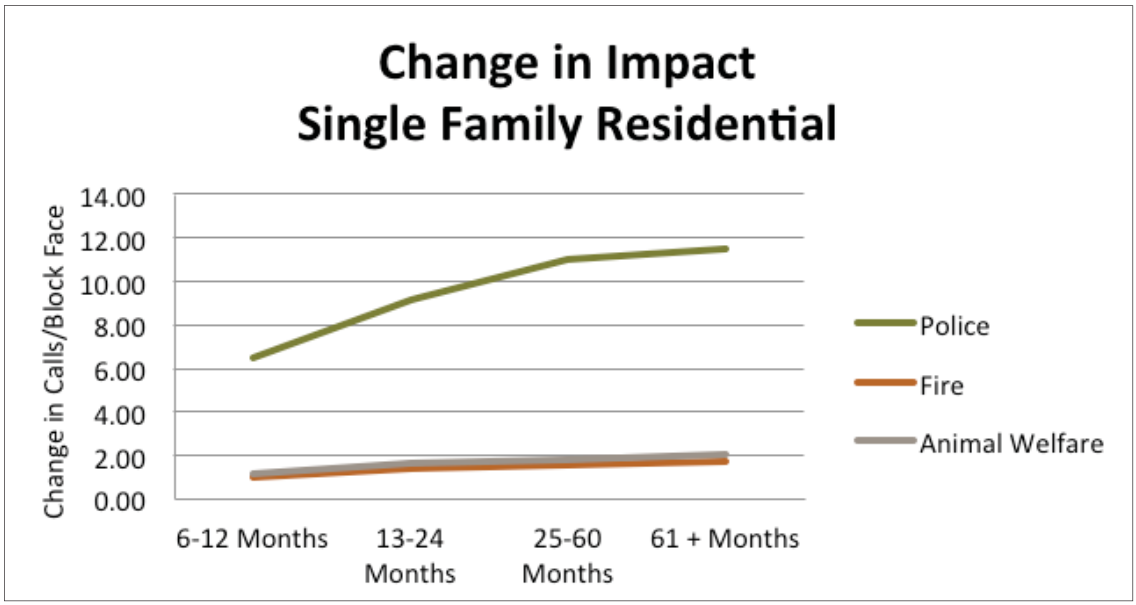


Figure 3-3

A similar increase in impact is seen in Figure 3-4 for multi-family residential buildings.

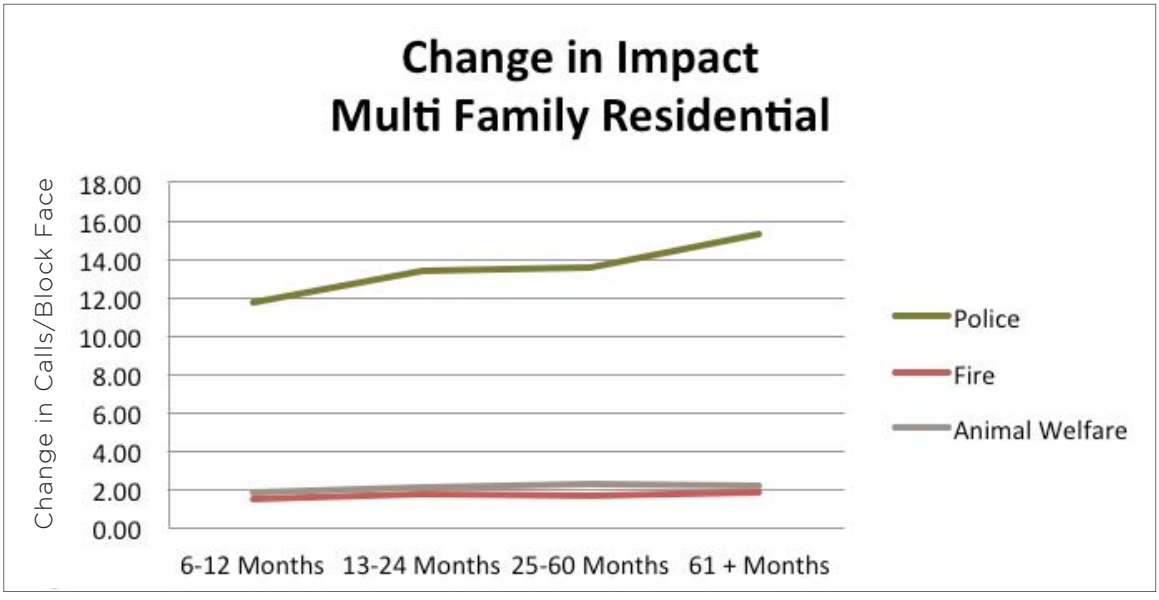


Figure 3-4

Commercial buildings vacant for longer periods of time have an increasing impact on city services, as seen in Figure 3-5. However, in the case of police and fire, impact peaks in the 25-60 month vacant period.

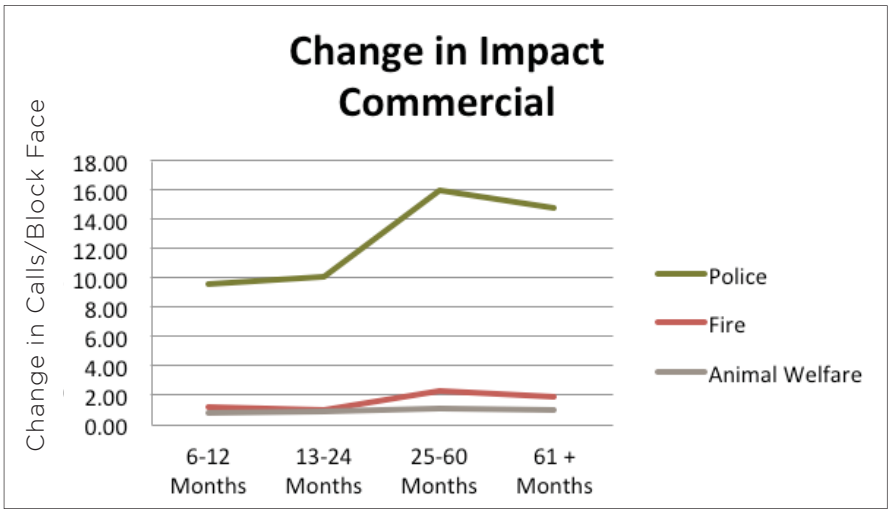


Figure 3-5

Table B-5 in Appendix B provides the average cost impact of vacancy on City police, fire, and animal welfare services[13]. The cost impacts vary based on the type of structure and how long it has been vacant. The impacts are based on the City's total average cost of service. According to the City's Municipal Counselor's Office, the costs identified in Table 3-3 may be subject to statutory authorization and voter approval before they can be combined with the estimated cost to administer the VBR program, discussed in Chapter 5, to form the total recommended fee structure.

TABLE 3-3: COST RECOVERY SCHEDULE

	6-12 MONTHS	13-24 MONTHS	25-60 MONTHS	61 + MONTHS
Single Family Residential	$450	$850	$1,100	$1,250
Multi-Family Residential	$1,100	$1,400	$1,450	$1,700
Commercial	$700	$800	$1,500	$1,600

13 The average cost used for this analysis is $394 per call for police, $1,673 per call for fire, and $67 per call for animal welfare services.

LOST REVENUE

The City loses almost $14 million in revenue every year from vacant and abandoned buildings or 3 percent of the City's debt service and operating budget revenues. As seen in Table 3-4 approximately 90 percent of this is lost to the operating budget. The $14 million in lost revenue represents only the lost value of the vacant buildings themselves, and does not include the value lost by adjacent properties as a result of the negative impact of VABs. The City is paying more to service affected neighborhoods, but gets little or no revenue to help offset the cost. The City also has less money to repay general obligation bonds. In addition to reduced revenue from VABs themselves, the City loses an additional $4 million in property tax, based on the current mill levy, from the lower than average property values of homes in the vicinity of VABs. School districts serving children in Oklahoma City lose an estimated $14.8 million in revenue as a result of the negative impact of VABs on property values.

TABLE 3-4: 2010 ESTIMATED OKC REVENUE LOSS DUE TO LONG-TERM VACANCY

	OCCUPIED	VACANT >6 MONTHS	DIFFERENCE	TOTAL IMPACT
Property Tax	$231.04	$112.39	($118.65)	($1,396,549)
Sales/Use Tax *	$639.57	$0.00	($639.57)	($7,527,733)
Franchise Fees	$164.96	$0.00	($164.96)	($1,941,632)
Licenses & Permits	$45.62	$0.00	($45.62)	($536,947)
Service Charges	$116.27	$0.00	($116.27)	($1,368,457)
Fines	$88.87	$0.00	($88.87)	($1,045,954)
Total	$1,286.33	$112.39	($1,173.94)	($13,817,272)

** Average occupied household contribution to Sales/Use Tax based on 2010 Average Household Spending behavior*

Vacant units represent foregone revenue the City cannot collect through sales taxes, franchise fees, or other fees or taxes. The estimated impact of vacancy on sales and use tax revenues is based on the buying behavior of the average Oklahoma City household, which pays approximately $640 in sales tax annually. These funds are used for City operations, including police and fire services. In addition, a vacant unit doesn't contribute anything to the neighborhood buying power needed to attract and support area stores and yet, costs the city up to $1,700 in police, fire protection and animal welfare services. Unoccupied dwelling units also do not pay franchise fees. (Franchise fees are charged to public utilities such as OG&E, Cox Communications, etc. for the use of the public right-of-way. The fees are passed on to customers on their bill.) The average Oklahoma City household pays approximately $160 annually in franchise fees. The 11,773 vacant residential buildings on the VAB list result in an average annual loss of approximately $1.9 million in franchise fee revenue.

Figure 3-6 identifies the amount contributed by an average housing unit to City bond payments and operations in 2010.

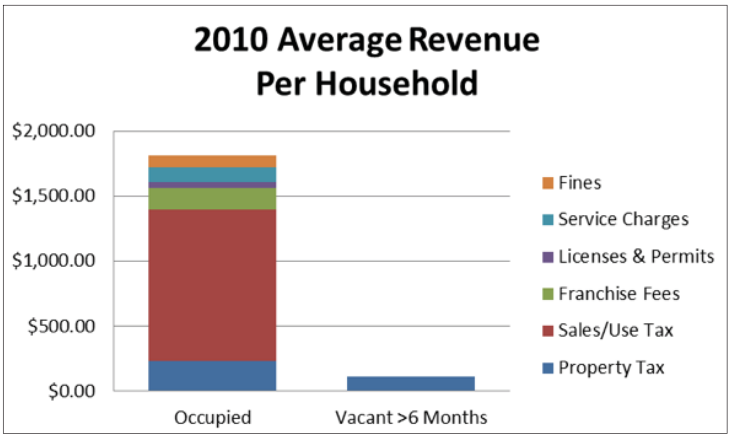


Figure 3-6

INFRASTRUCTURE INVESTMENT IMPACTS

Vacant and abandoned buildings force cities to invest in new, and often redundant infrastructure. To illustrate the financial impact of leaving existing housing unoccupied while serving new population with new infrastructure, a preliminary analysis of the cost of water and sewer infrastructure for "redundant" housing development was completed. The analysis shows that if Oklahoma City's current stock of 11,773 residential VABs is occupied rather than building the same number of new units in currently undeveloped areas, an estimated $57 million in future water and sewer infrastructure capital costs could be avoided. Similar costs could be avoided for roads, power and other public utilities.

Methodology

According to Oklahoma City's 2003 Water System Master Plan $780 million (2012$) in new distribution lines will be required by 2050 to serve Oklahoma City's growing population. This equates to an estimated $4,166 per new housing unit. In addition, the City's 2009 Sewer System Master Plan estimated $39.6 million in new collection lines will be required by 2030 to serve growth. The combined amount is an estimated $677 per housing unit. Table 3-5 identifies the number of new households anticipated and the overall costs for water and sewer services. (The cost of acquiring, treating and transmitting potable water to the City and the cost of treating wastewater were not included in the estimated savings because the volume of water and wastewater would be roughly equivalent.)

TABLE 3-5: ESTIMATED INFRASTRUCTURE COST SAVINGS FROM OCCUPANCY OF VABS

	GROWTH RELATED INFRASTRUCTURE COST (2012$)	NEW HOUSEHOLDS SERVED*	ESTIMATED COST/ NEW HOUSEHOLD	VACANT UNITS	ESTIMATE OF COSTS AVOIDED
Water Distribution	$780,034,994	187,251	$4,166	11,773	$49,046,318
Sewer Collection	$39,633,185	58,504	$677	11,773	$7,970,321
Total	$819,668,179		$4,843		$57,016,639

Source: MWH, Water System Master Plan, 2003; Black & Veatch, 2009 Sewer Master Plan

**New Households Served based on plan projected growth in population divided by 2010 Census OKC average household size.*

PROPERTY VALUES

Data show that vacant and abandoned buildings depress surrounding property values—even in neighborhoods with healthy housing markets. A statistical analysis of the sales prices of all housing in the City showed that the average sales price for homes near VABs was 12 to 29 percent lower (depending on distance from the vacant structure) than homes in neighborhoods without vacant and abandoned buildings. This means a median priced home in Oklahoma City would lose between $18,000 and $43,000 in value if an adjacent or nearby building were abandoned. Based on the current mill levy, this depressive impact on surrounding properties causes Oklahoma City, Oklahoma City School District, and Oklahoma County combined to lose between $1,820 and $4,260 in tax revenue for each VAB every year.

The analysis in this study used a hedonic housing price model. Hedonic housing models treat housing units as a "basket" of goods based on their characteristics. A regression equation was run to compare pricing of comparable units on the basis of distance from a VAB while holding other variables constant. The variables used in the Oklahoma City analysis are identified in Table B-9 in Appendix B.

Table 3-6 provides the results of the hedonic housing analysis for home sales 600, 300 and 150 feet from a VAB.

TABLE 3-6: RESULTS OF HEDONIC HOUSING MODEL ANALYSIS - 2011

DISTANCE FROM VAB	AVERAGE SALES PRICE	DIFFERENCE TO CITYWIDE AVG.	PERCENT DIFFERENCE	VACANT UNITS
600′	$129,624	($18,433)	-12%	11,773
300′	$116,935	($31,122)	-21%	11,773
150′	$104,913	($43,144)	-29%	
Average Sold Price	$148,057			

The analysis reveals that the closer a home is to a VAB, the greater the loss in the home's value. Lower property values mean all entities that levy property taxes, including local school districts, lose revenue. Table 3-7 provides the estimated loss in revenue for Oklahoma City and school districts within Oklahoma City based on current mill levies and average loss in value when a home is located near a VAB.[14] The analysis summarized in Table 3-7 includes only single-family homes and assumes that each house is affected by only one VAB. If multi-family and commercial values as well as the effect of multiple VABs were included in the analysis, the impact would be significantly higher.

TABLE 3-7: TOTAL ESTIMATED ANNUAL IMPACT: LOSS IN HOME VALUE AND PROPERTY TAX REVENUE LOSS

		PROPERTY TAX REVENUE LOSS	
DISTANCE FROM VAB	LOSS IN SINGLE-FAMILY HOUSING MARKET VALUE	OKLAHOMA CITY	SCHOOL DISTRICTS WITHIN OKC
600′	$710,818,624	$1,139,340	$4,221,965
300′	$1,084,672,410	$1,637,039	$6,066,252
150′	$864,031,918	$1,215,563	$4,504,419
Total Annual Loss	$2,659,522,952	$3,991,941	$14,792,636

When the lost revenue from depressed home values is combined with the lost revenue from the VABs themselves, the total impact to Oklahoma City's annual operating and debt service budgets is $17.8 million dollars. Table 3-8 provides the combined estimated impact.

TABLE 3-8: REVENUE AFFECTED BY VABS - ANNUAL LOST REVENUE

FUND	REVENUE SOURCE	ESTIMATED ANNUAL LOSS
Debt Service	Property Tax	$5,388,490
General & Special Funds	Sales/Use Tax *	$7,527,733
	Franchise Fees	$1,941,632
	Licenses & Permits	$536,947
	Service Charges	$1,368,457
	Fines	$1,045,954
Total all funds		$17,809,213

14 The Oklahoma City School District's levy was used to represent all districts in this analysis for illustrative purposes.

IV. VAB BEST PRACTICES

While circumstances vary from city to city, virtually every community in the country struggles with the financial and social consequences of VABs in their neighborhoods. Many state and local land use regulations encourage constructing new buildings on greenfield sites rather than encouraging VAB property owners to reinvest in existing properties. Over the years, many communities have designed and implemented programs to minimize the impact of vacant and abandoned buildings. Appendix A contains an in-depth discussion of best practices and a summary of programs in 25 communities throughout the country.

THERE ARE THREE BASIC ELEMENTS OF ALL SUCCESSFUL PROGRAMS:

- Preempting the problem,
- Gaining control, and
- Fostering reuse.

PREEMPTING THE PROBLEM: A VACANT BUILDING REGISTRY

The first step in preempting the problem is to establish a Vacant Building Registry (VBR) to map the properties and track impacts. At a minimum, a VBR should include the following:

- Identification,
- Maintenance plan, and
- Fee structure

In addition to fees, the programs reviewed included the following funding sources for VAB programs (including registries and land banking programs):

- Federal sources (66% of programs)
- City funds (74% of programs)
- State sources (29% of programs)
- Private sources (14.5% of programs)

The following considerations should guide the creation of a vacant building registry (VBR) program:

- Local government goals,
- Specifics of registration process,
- Affirmative duties of potentially responsible parties, and
- Enforcement mechanisms.

Successful VBR programs incorporate the following best practices:

- Registration of foreclosed properties at the time of notice of default or notice of foreclosure,
- Maintenance plan documentation and submission,
- Purchase of insurance coverage for unoccupied buildings,
- Minimum levels of exterior maintenance,
- Posting of owner contact information on property,
- Frequent inspections,
- Exterior nighttime lighting, and
- Enforcement for non-compliance.

GAINING CONTROL AND FOSTERING REUSE: NEIGHBORHOOD IMPROVEMENT

The next step is a process for the local jurisdiction to acquire problem properties and transition them to new ownership to enhance neighborhoods. Acquisition and resale programs are referred to as land banking programs.

Municipal landbanking programs generally acquire problem properties as a result of unpaid taxes, fees, or fines. Non-profits help rehabilitate and resell the properties. Land banking programs allow local government entities or partner non-governmental organizations (such as community development corporations) to control the tax-foreclosed properties rather than acquisition by investors who may hold the properties without additional investment or rehabilitation. Funding to acquire, renovate and maintain the properties must be sufficient to prevent the property from deteriorating further during the interim period.

Land banking can be complicated. Cities that have implemented land banking programs over the past decade have identified the following barriers to success:

- Lack of awareness of the properties (addressed through the VBR),
- Tax delinquent properties (tax lien policies, tax foreclosure process),
- Title problems,
- Property disposition requirements,
- Inadequacy of code enforcement,
- Unknown or complicated ownership (mortgage foreclosures, trusts, receivership codes), and
- Lack of control.

Still, many cities have chosen to create land banking programs to successfully transform troubled neighborhoods. The programs require ordinances and legislative changes, including:

- Land banking authorizing legislation,
- Property tax foreclosure reform,
- Code enforcement reform,
- Vacant property registration, and
- Mortgage foreclosure reform.

V. PROPOSED PROGRAM

Creating a successful program to decrease vacancy requires prevention and enforcement mechanisms. The program must be comprehensive and market-based, and must combine disincentives to holding vacant buildings long-term with incentives to encourage private investment in the properties. Currently Oklahoma City has limited authority to create a comprehensive program, but the City should act on what it can do now and move to phase-in a sustainable, long-term program.

PROGRAM RECOMMENDATIONS: A PHASED APPROACH

The goal of any VAB program is to reduce and prevent vacancies. An effective program includes incentives for VAB owners who improve their properties, and penalties for those who don't. The approach should:

- CREATE A VACANT BUILDING REGISTRY (VBR) to identify and track the vacancy and maintenance status of VABs and to levy fees to recoup administrative costs for managing the VBR;
- CHANGE THE FINANCIAL "EQUATION" to ensure that owners are responsible for the full cost of vacant structures and to reimburse the City for increased costs generated by these buildings;
- ESTABLISH A "LAND BANK" to acquire problem properties to restore and reoccupy; and
- PROVIDE INCENTIVES TO IMPROVE HOUSING STOCK in highly impacted neighborhoods.

The City should implement the program in three stages:

STAGE 1 – VACANT BUILDING REGISTRY PROGRAM

The City currently has the authority to establish a Vacant Building Registry (VBR) and impose an appropriate fee structure to administer the program. The recommended program and fee structure imposes an annual per vacant building fee ranging between $470 and $925 depending on building type.

A VBR identifies and tracks vacant buildings to ensure they don't deteriorate and become nuisances[15]. It also allows the City to directly inform VAB owners of options and incentives available to improve and occupy, or dispose of VAB properties, thereby avoiding further financial penalty. Oklahoma City's VBR will:

- Create a comprehensive list of vacant properties,
- Reinforce and support the enforcement of building maintenance codes, and
- Generate fees to operate the VBR program.[16]

The recommended VBR program forms the foundation on which subsequent VAB program stages are built. It is an essential first step in the process and provides immediate though limited benefits.

15 A nuisance property is one that prevents neighbors from "quiet enjoyment" of their own property.
16 An additional fee structure to offset the higher-than-average cost of services and property value loss associated with the presence of vacant buildings may require an enabling statute and voter approval.

VBR RECOMMENDED PROCESS

1. Getting on the List

Properties will be listed on the VBR through one of two procedures.

- **Property Owners**

  Property owners will provide:

  1. Completed application form;
  2. Fee (including incentives or fee accommodations for active marketing and accommodations for publicly and NGO-owned properties, as appropriate);
  3. Notarized verification of agreement to comply with City property maintenance and securing ordinances;
  4. Proof of insurance;
  5. Plan for re-occupancy or disposition; and
  6. Local contact information.

- **Third Party Reporting / Listing**

  This procedure relies on two types of enforcement – reporting or listing. City employees (fire, police, code enforcement, etc.) or neighbors can report properties for a possible VBR listing. The listing method uses a multi-database process that identifies vacant properties based on Valassis, Oklahoma Gas & Electric, and Oklahoma City Water Utility data. The databases will be updated on a monthly basis and will flag properties that have not received mail delivery or have not had power or water service for six months or more.

2. Inspection and Notification

Once a property is identified as vacant (with emphasis on a determination of long-term vacancy, i.e. six months or longer), an inspector will assess the property to verify its status, evaluate current condition and determine compliance with City maintenance codes. If the inspector notes any evidence of legal occupancy, the property will be listed for follow-up verification in the following month. If there is no evidence of legal occupancy, a notice will be sent to the property owner of record. The notice will state that the building has been identified as "vacant" as defined in the VBR and that inspectors saw no evidence of legal occupancy.

The property owner will be given a limited period of time, for example, ten (10) business days to contact Oklahoma City, either in person or through an authorized agent. The owner must provide evidence of occupancy or register the vacant property and pay applicable licensing fees. The notice from the City also informs the owner that failure to reply will result in penalty fees. If the property owner fails to contact Oklahoma City within the required period, the owner will receive a second notice indicating that penalties have begun to accrue. When appropriate, the case will be referred to the Municipal Counselor's Office for further action.

3. Appeal and Allowances for Reasonable Vacancy

The purpose of the program should be to target the most problematic properties. Some vacancies, even those of extended length, may be for legitimate reasons. The program should be flexible and compassionate enough to handle mitigating or extenuating circumstances. Property owners should have the right to appeal a finding of vacancy or abandonment as well as the imposition of fees. Program administrators should be empowered to reduce or abate fees in situations where the property owner is determined, for example, to be infirm.

4. Enforcement

If the property owner fails to bring the building into compliance with applicable building maintenance and securing codes within a specified time frame the VAB will be referred to Code Enforcement for further action under property maintenance codes. Penalties and fines will continue to accrue on the property.

5. Periodic Inspections and Posting of Contact Information

As part of the listing process, property owners will be required to post at the property line within view of the public sidewalk or right-of-way local contact information so neighbors can lodge a concern or complaint. Inspectors will visit the property periodically to verify compliance with maintenance statutes and other provisions of the VBR program.

6. Annual Renewal

All VBR listings will be required to be renewed annually.

PROGRAM STAFFING AND COSTS

Full, city-wide implementation of a program addressing current and new VABs will cost approximately $6.7 million at the peak of program implementation. Legal support activities will be referred to the Municipal Counselor's Office and "charged back" to the program. Implementation options for the program are discussed later.

The estimated cost of the program is based on the number of inspectors and related support and administrative activities to implement the program as outline above. Table 5-1 provides the per inspector cost of the program. These costs are "caseload" driven and assume that an inspector can handle 420 single-family cases, 210 multi-family cases, 420 single tenant commercial cases or 210 multi-tenant commercial cases per year. In reality each inspector will handle a mix of VAB types spending an average of 4.5 hours per single-family and single-tenant commercial building and nine hours per multi-family and multi-tenant commercial building annually.

TABLE 5-1: ESTIMATED ONGOING PER INSPECTOR COST - VBR PROGRAM

	NUMBER	PER EMPLOYEE COST	TOTAL COST
Inspector	1.00	$61,626	$61,626
Admin Support	0.53	$56,944	$30,180
Legal Support (charge back from City Attorney)	0.32	$150,092	$48,029
Neighborhood Outreach Coordinator	0.14	$75,452	$10,563
Program Support & Equipment		$8,000	$8,000*
Total Caseload Driven Costs			$158,398

** Includes annual depreciation and operating costs for inspector vehicle and equipment.*

In addition to the per inspector costs there are administrative costs associated with the program that will remain relatively constant regardless of the number of cases on the VBR. Other costs include supervisory and technical staff; the purchase of vacancy data from Valassis; shutoff data from Oklahoma Gas & Electric; use and maintenance of inspector's vehicles; and operational supplies.

Table 5-2 estimates the program administrative costs including indirect charges for Planning Department and City-wide administrative costs.

TABLE 5-2: ESTIMATED ONGOING ADMINISTRATIVE COSTS - VBR PROGRAM

	NUMBER	PER UNIT COST	TOTAL COST
Supervisor	1	$82,064	$82,064
GIS Specialist	1	$75,452	$75,452
Program Support & Equipment		$63,200	$63,200
Indirect Charges		$1,125,632	$1,125,632*
Total Administrative Costs		$1,346,348	$1,346,348

** Indirect charges are the distribution of Planning Department and City-wide administrative costs and are allocated based on formulas provided by the Budget Director.*

Table 5-3 identifies the estimated time required to proactively handle each case by type of building. The time estimates assume that each inspector will take responsibility for the enforcement, inspection and follow up of assigned cases from identification through resolution. The estimates account for all inspector time available including travel and coordination time.

TABLE 5-3: ESTIMATED TIME REQUIREMENTS AND CASELOADS - VBR PROGRAM

BUILDING TYPE	HOURS ANNUALLY PER BUILDING	TOTAL VACANT BUILDINGS	TOTAL TIME REQUIRED	INSPECTOR HOURS AVAILABLE (NET)	INSPECTORS REQUIRED
Single-Family (1-3 du)	4.5	8,906	40,077	1888	21
Multi-Family (4+ du)	9	2,864	25,776	1888	14
Single-Tenant Commercial	4.5	34	153	1888	0
Multi-Tenant Commercial	9	302	2,718	1888	1
Total		12,106	68,724		36

Table 5-4 identifies the recommended administrative fee schedule to implement the initial VBR program as envisioned in this study. Actual program structure and cost will be developed through the recommended implementation process discussed in the Implementation Section.

TABLE 5-4: RECOMMENDED ADMINISTRATIVE FEE STRUCTURE

BUILDING TYPE	TOTAL COST TO SERVICE TYPE	VABS	COST/ VAB	RECOMMENDED FEE
Single-Family (1-3 du)	$4,219,572	8,906	$474	$470
Multi-Family (4+ du)	$2,650,334	2,864	$925	$925
Single-Tenant Commercial	$15,919	34	$468	$465
Multi-Tenant Commercial	$279,859	302	$927	$925

For purposes of planning for implementation, Table 5-5 provides an estimate of the number of VABs that can be processed and proactively monitored during an eight year period including the five-year phase-in period under the proposed program structure. This projection assumes that the four-year historical average of 2,300 new VABs will become eligible for the VBR each year. Under the initial fee structure, the number of VABs in the City would peak in year five and begin to decrease in the sixth program year. The projection assumes that 20%[17] of VABs on the list will be reoccupied or demolished in years one and two with the reoccupation/demolition rate increasing by 5 percent each year as the program becomes more effective.

TABLE 5-5: ESTIMATED FULL PROGRAM/FIVE YEAR IMPLEMENTATION

	YEAR 0	YEAR 1	YEAR 5	YEAR 8
Total caseload to address backlog		2,421	2,421	0
Total new cases caseload		2,300	2,300	2,300
Cases retained from prior year			9,353	5,043
Total Annual Caseload		4,721	14,074	7,343
Number of Inspectors		14	40	21
Total Employees (Program & Legal Support)		29	82	44
Ongoing Program Costs		$2,147,595	$6,401,980	$3,340,140
Ongoing Administrative Costs		$220,716	$220,716	$220,716
One-Time Startup Costs	$211,000			
One-Time Inspector Related Costs		$311,277	$47,003	-$120,389
Estimated Annual Cost	$211,000	$2,679,588	$6,669,699	$3,440,467
Estimated Subsidy	$211,000	$1,875,712	$4,668,790	$2,408,327

17 The assumption of 20 percent "attrition" from the list of VABs is an initial operating assumption. Under the program, attrition levels will be evaluated every five years.

If the VBR program's collection rate is similar to the City's current code enforcement program collection rate, 30 percent of levied fees will be available to support the program. This will limit the effectiveness of the program. In order to effectively manage the program as envisioned, the collection rate should be improved or significant subsidy will be necessary. If the collection rate remains at 30 percent an estimated $4.7 million subsidy will be required when the number of VABs on the VBR peaks. Once the program has reached equilibrium in approximately the eighth year, an estimated 21 inspectors will be needed with a subsidy of $2.4 million.

STAGE 2 – COST RECOVERY PROGRAM:

The key to reducing the number of VABs is to create market-based disincentives for property owners to hold on to their deteriorating assets. This means increasing the cost to hold on to a VAB, as well as encouraging VAB acquisition, rehabilitation, and re-habitation. It is unlikely Oklahoma City will see a significant decrease in the number of VABs until the City has the authority to assess higher fees based on recoupment of police, fire and animal welfare services costs. According to the City's Municipal Counselor's Office, the City may need statutory authorization and voter approval in order to do this.

The proposed fee structure in Table 5-6 is based on the analysis presented in Chapter 3. This fee structure was calculated using the total cost of the police, fire and animal welfare services associated with the presence of VABs.

TABLE 5-6: COST RECOVERY SCHEDULE

	6-12 MONTHS	13-24 MONTHS	25-60 MONTHS	61 + MONTHS
Single Family Residential	$450	$850	$1,100	$1,250
Multi-Family Residential	$1,100	$1,400	$1,450	$1,700
Commercial	$700	$800	$1,500	$1,600

This fee structure can be added to the VBR administrative fee structure recommended in Table 5-4 when appropriate authority is achieved. The total, combined fees are presented in Table 5-7.

TABLE 5-7 COMBINED RECOMMENDED FEE STRUCTURES

	6-12 MONTHS	13-24 MONTHS	25-60 MONTHS	61 + MONTHS
Single-Family (1-3 du)	$920	$1,320	$1,570	$1,720
Multi-Family (4+ du)	$2,025	$2,325	$2,375	$2,625
Single-Tenant Commercial	$1,165	$1,265	$1,965	$2,065
Multi-Tenant Commercial	$1,625	$1,725	$2,425	$2,525

When the full, combined fee structure is implemented holding costs for VABs will increase significantly. Implementation of Stage 2 of the VAB program will result in fewer new vacancies and increased motivation for returning long-term vacant buildings to productive use.

Table 5-8 identifies the anticipated annual revenue from the VAB program when the VBR and cost recovery components are both implemented. This estimate assumes approximately 12,000 VABs on the list and 30 percent compliance with the requirements of the program[18]. No subsidy would be required once the cost recovery component is added. Any additional revenue beyond VBR program administration costs could be used for program incentives, public safety, neighborhood revitalization or other City priorities. Any increase in the compliance rate due to the lien reforms discussed below would increase revenue available for incentives and neighborhood stabilization programs.

TABLE 5-8: ANNUAL REVENUE ESTIMATE - 12,000 VAB/30% COLLECTION RATE

	6-12 MONTHS	13-24 MONTHS	25-60 MONTHS	61 + MONTHS	TOTAL
Single-Family (1-3 du)	$548,136	$593,604	$1,052,214	$540,252	$2,734,206
Multi-Family (4+ du)	$167,708	$190,455	$517,375	$708,874	$1,584,412
Single-Tenant Commercial	$3,721	$2,286	$14,893	$14,035	$34,935
Multi-Tenant Commercial	$20,676	$12,423	$73,346	$68,490	$174,935
Total Estimated Annual Revenue	$740,241	$798,768	$1,657,828	$1,331,651	$4,528,488

STAGE 3 – LAND BANK PROGRAM

To make the greatest impact in reducing the number of VABs, Oklahoma City should create a land bank. A land bank is a tool that allows public entities to acquire land and invest in property that has not redeveloped on its own. A land bank typically acquires properties from tax foreclosure rolls and facilitates productive reuse through sales and transfers to city agencies, community development corporations, private developers, or adjacent property owners with neighborhood involvement in the process. This precludes opportunistic investors from buying foreclosed properties, leaving them vacant and allowing them to decay. As seen in the Best Practices section, Landbanks require funding to acquire, renovate, and maintain the properties until an appropriate buyer or developer is identified. Funding sources for programs around the country include federal sources such as CDBG and other state and local sources. Local sources could include all or a portion of the cost-recovery fee revenue after the City is authorized to impose such a fee.

Two additional steps are required to increase the overall effectiveness of the land bank and VAB program:

LIEN REFORM

Oklahoma City currently has statutory authority to lien properties for the costs, fees and fines for demolishing and securing properties. This will need to be extended to VAB program fees, fines, and costs as well.

In addition, the City needs authority to foreclose on liens placed by the VAB program related to properties on the VBR. The more control the City has over properties that are the worst offenders (in terms of long term vacancy or

18 Oklahoma City's current Code Enforcement program has a collection rate of approximately 30 percent. Code enforcement activities have an existing fee structure roughly related to the cost of performing code enforcement activities.

lack of compliance with maintenance standards), the more successful the VAB program will be.

INCENTIVES

The following incentives may be appropriate during each of the three phases of program implementation:

- Reduced fees for initial voluntary compliance with the VBR program.
- Waived or reduced fees for owners who voluntarily transfer ownership of their property to a City-approved redeveloper or the land bank.
- City or leveraged private/public funds in the form of grants or loans to assist with VAB housing redevelopment and occupancy to address:
  - Title clearance,
  - Façade improvement or emergency repair,
  - Full scale rehabilitation or reconstruction, and
  - Down payment and closing cost assistance for homebuyers of VAB properties.
- Tax incentives or certain economic benefits directly provided to owners or investors of VAB properties in specific City-designated revitalization areas. The examples below may require State statutory authority as well as intergovernmental agreements:
  - Blight removal tax exemption: This option allows formerly blighted property that has been rehabilitated or redeveloped by the owner at the owner's expense to be assessed as vacant property following completion of approved redevelopment.
  - Property improvement tax abatement: Generally this would provide a limited (i.e., 5-10 year) property tax freeze on the increased value of rehabilitated VAB housing in defined target areas.
  - Residential income tax credit: This option would provide a limited-time income tax credit to a property owner at a percentage of the owner's hard cost (materials) investment in housing rehabilitation or redevelopment.
  - Short term capital gain reduction: This would deduct a percentage (i.e. 50%) of certain gains resulting from verifiable improvements on property located in low income census tracts as a portion of overall gains reported on the owner or developer's Oklahoma income tax return.

IMPLEMENTATION

The VBR program should be implemented in accordance with the City's current statutory authority. The following steps are recommended to implement the VBR program:

STAGE	CONSIDERATIONS
Ordinance Development and Adoption	• Program authorization • Property owner responsibilities • Administrative appeals process • Class B Misdemeanor for noncompliance • Fee Schedule
Policy/Procedures Development	• Administrative structure identified • Staffing and support options reviewed • Forms and processes developed • Software and other support determined
Database Development	• Update Valassis/OG&E/OKC public utilities databases • Review and check changes from 2012
VBR Implementation	• Identify strategy for initial implementation - Focus on highly affected neighborhoods - Focus on longest vacancies • Establish initial staffing and budget requirements • Identify funding strategy for start-up

The VBR program structure and costs identified in the program description above represent full program implementation. If collection rates are similar to the rates experienced for the City's Code Enforcement program subsidies would range from $1.9 million in the first year to $4.6 million at peak implementation in year five. The "steady-state" subsidy is estimated at approximately $2.4 million. This investment in the program will be offset by reduced public safety costs resulting from the re-occupancy and return to productivity of VABs. The projected subsidy is equal to approximately $330[19] per VAB and the off-setting public safety services cost savings up to $1,700 per VAB.

Alternative implementation strategies include minimizing the program to reduce the required subsidy, phasing-in the program more gradually, and targeting the program to specific areas and to buildings that have been vacant the longest. These options would require less subsidy, but would also be less effective in reducing vacancy. In addition, as indicated below, some of these options would retain the fee schedule from the full implementation option, but reduce staff in order to reduce the required subsidy.

MINIMAL PROGRAM:

This scenario includes no on-site inspections or proactive follow-up. Existing Oklahoma City planning staff would notify all property owners on the VAB list of the requirements of the new program including their responsibility to register their building and maintain the property. Enforcement of property maintenance codes will continue to be a complaint-based program. Table 5-9 provides the estimated caseloads, costs and revenues for the minimal program. The per-VAB required subsidy for this program is approximately $120.

TABLE 5-9: ESTIMATED MINIMAL PROGRAM

	YEAR 0	YEAR 1	YEAR 5	YEAR 8
Total caseload to address backlog		12,106		0
Total new cases caseload			2,300	2,300
Cases retained from prior year			13,552	15,489
Total Annual Caseload		12,106	15,852	17,789
Number of VAB Coordinators		9	12	14
Total Employees (Program & Legal Support)		20	25	28
Ongoing Program Costs		$1,781,922	$2,333,373	$2,618,485
Ongoing Administrative Costs		$145,264	$145,264	$145,264
One-Time Startup Costs	$208,000			
One-Time VAB Coordinators Related Costs		$213,711	$14,020	$10,220
Estimated Annual Cost	$208,000	$2,140,897	$2,492,657	$2,773,969
Estimated Subsidy	$208,000	$1,498,628	$1,744,860	$1,941,779

Table 5-10 shows the estimated cost and fee recovery structure for this option, which does not include a neighborhood outreach coordinator and reduces the administrative staff required as well. A total of 12 VAB coordinators would be required to implement this minimal program. The minimal program would help the City track vacancy and build a database that would be important for implementation of a more effective program in the future when cost recovery is authorized. However, the minimal program should not be expected to reduce overall vacancy levels. The best the City could expect out of the minimal program is to maintain the current level of vacancy.

19 The estimated average "steady state" subsidy of $2.4 million divided by the estimated "steady state" caseload of 7,343 results in a $330 per-VAB subsidy.

TABLE 5-10 MINIMAL PROGRAM ADMINISTRATIVE FEE STRUCTURE

BUILDING TYPE	TOTAL COST	VABS	RECOMMENDED FEE (COST/VAB)
Single-Family (1-3 du)	$1,918,980	8,906	$215
Multi-Family (4+ du)	$617,050	2,864	$215
Single-Tenant Commercial	$7,310	34	$215
Multi-Tenant Commercial	$65,157	302	$215

PHASED APPROACH

The full program recommendation phases in the VBR program in five years. Under this scenario the fee schedule would remain the same as proposed for the full program under the assumption that the program will be implemented City-wide with the full complement of three inspections per year and complaint-based response in all wards. The phased approach extends the period of implementation from five years to 15 years to reduce the required subsidy. Table 5-11 illustrates a 15-year phase in.

TABLE 5-11: ESTIMATED FULL PROGRAM/FIFTEEN YEAR IMPLEMENTATION

	YEAR 1	YEAR 5	YEAR 8	YEAR 15
Total caseload to address backlog	807	807	807	807
Total new cases caseload	2,300	2,300	2,300	2,300
Cases retained from prior year		7,338	9,822	11,882
Total Annual Caseload	3,107	10,445	12,929	14,989
Number of Inspectors	9	30	37	43
Total Employees (Program & Legal Support)	19	61	75	86
Ongoing Program Costs	$1,398,127	$4,699,945	$5,817,803	$6,744,676
Ongoing Administrative Costs	$220,716	$220,716	$220,716	$220,716
One-Time Startup Costs				
One-Time Inspector Related Costs	$204,320	$83,689	$42,849	$8,986
Estimated Annual Cost	$1,823,163	$5,004,350	$6,081,368	$6,974,378
Estimated Subsidy	$1,276,214	$3,503,045	$4,256,957	$4,882,065

Under this scenario, if the collection rate is not improved above the 30 percent rate experienced by the City's code enforcement program, a subsidy of as much as $4.9 million will be required.

TARGETED APPROACH

Another alternative implementation strategy is to target the City's resources to the VABs that have been vacant the longest and to neighborhoods experiencing significant VAB levels.

Under this scenario the fee schedule would remain the same as proposed for the full program under the assumption that the program will be implemented City-wide with the full complement of three inspections per year and complaint-based response in all wards. Table 5-12 provides estimated caseloads, costs and revenues for the targeted approach. The number of VABs on the list peaks in the third year, requiring 16 inspectors. The estimated subsidy peaks at $2 million in Year 3. When the real estate market has stabilized in the targeted neighborhoods (in this scenario Wards 6 and 7) the program can then target other areas continuing to experience significant impact from VABs.

TABLE 5-12: ESTIMATED TARGETED PROGRAM/THREE-YEAR IMPLEMENTATION

	YEAR 0	YEAR 1	YEAR 5	YEAR 8
Total caseload to address backlog		1,911	1,911	0
Total new cases caseload		423	423	423
Cases retained from prior year			3,362	1,168
Total Annual Caseload		2,334	5,696	1,591
Number of Inspectors		7	16	5
Total Employees (Program & Legal Support)		15	35	11
Ongoing Program Costs		$1,061,926	$2,591,099	$723,868
Ongoing Administrative Costs		$220,716	$220,716	$220,716
One-Time Startup Costs	$211,000			
One-Time Inspector Related Costs		$153,918	$98,507	-$35,115
Estimated Annual Cost	$211,000	$1,436,560	$2,910,322	$909,469
Estimated Subsidy	$211,000	$1,005,592	$2,037,225	$636,629

CONCLUSION

Solving the financial and social problems associated with vacant and abandoned buildings is challenging, but the benefits are clear. For each VAB re-occupied and returned to productivity, up to $1,700 and can be saved in public safety services and the property values of neighbors will increase by 12 to 29 percent. In addition, elimination of VABs will help reduce crime and revitalize Oklahoma City neighborhoods.

Currently, Oklahoma City has limited authority to create a comprehensive VAB program. Until the City has the authority to assess higher fees, it is unlikely Oklahoma City will see a dramatic decrease in the number of VABs. The City can, however, take immediate action to start a sustainable VAB program. First, by establishing a Vacant Building Registry the City can identify and track vacant buildings to ensure they don't deteriorate and become nuisances. Next, the City should pursue a cost recovery fee program. The fees will be based on the cost of providing services resulting from vacant and abandoned buildings.

Ultimately the City should also seek the authority to create a land bank program to promote the purchase, rehabilitation and marketing of formerly vacant homes.

A fully implemented, comprehensive Vacant and Abandoned Building program will reduce and prevent vacancy and avoid the costly impacts of destabilized neighborhoods. Funds collected over and above the administrative costs of the program should be used to create neighborhood stabilization programs for targeted areas. The recommended program will fully address systemic causes of vacancy in Oklahoma City. Most important, an effective sustained VAB program will protect and strengthen Oklahoma City neighborhoods for the long term. This study does not estimate the overall benefits anticipated from improving the viability of real estate markets and, in particular, retail areas in the City. These benefits will result in vibrant neighborhoods and increased revenue for the City.

APPENDICES:

BEST PRACTICES AND 24 CITY PROGRAM SUMMARY

BEST PRACTICE ELEMENTS

Abandonment and disinvestment is a growing problem in many cities. Over the past several years the Conference of Mayors, International City Managers Association and the Center for Community Progress, among others, have gathered information concerning best practices for addressing the negative impacts of VABs and encouraging reinvestment in highly impacted neighborhoods. Effective programs implemented in cities throughout the country generally fall into two categories: vacant building registry/fee (VBR) programs and land banking programs. The two program types are complementary but can be implemented independent of one another depending on the needs of the community and statutory requirements and constraints.

There are several key considerations to devising effective programs to address VABs. Key principles underlying the implementation of VAB programs include acknowledging that the issues are complicated and require complex, multifaceted strategies. One size fits all strategies will not suffice. Successful programs also require a long-term commitment to a systemic approach. The underlying causes, rather than just the symptoms must be addressed for permanent resolution of the problem. The most effective solutions involve the private sector, particularly the real estate and financial industries as well as nonprofit organizations, residents and community-based organizations in attacking the underlying causes. Acknowledging that property ownership is a combination of rights and responsibilities that go together is a key factor.

The presence and negative impacts of vacant and abandoned buildings is not isolated in one part of the country or in older cities. The problem is also not a new one. Communities have been designing and implementing programs for decades with the intent of minimizing impact and encouraging reinvestment and reuse. There is a national organization – the Center for Community Progress – focusing on the problem and working to develop best practices and legislative solutions to the impacts of VABs. However, as with most planning issues, the causes and remedies are inherently local. Developing an understanding of the extent, causes, and impacts of vacant and abandoned buildings within each unique community increases the likelihood that a carefully crafted program will address the underlying causes of vacancy and encourage rehabilitation and reinvestment. In 2010, the Center for Community Progress published a report concerning vacancy and abandonment and identifying best practices for systematically identifying and addressing the problem.

According to the Center for Community Progress, some laws and policies can exacerbate the problem: "State and local land use regulations generally favor building on greenfield sites, building new, publicly-financed infrastructure at the metropolitan periphery and exacerbating the costs of vacancy in the center." [3] The key is to clearly identify the underlying causes of vacancy and design programs that increase the downside for property owners to continue to allow their properties

FEDERAL RESERVE

"However, some neighborhoods likely will not recover without the assistance of government, and in this time of scarce resources, it is critical that the public sector has the information and tools necessary to ensure that any assistance that is provided is effective and efficient. Doubtless there will be costs associated with solving these problems, but it is important to also consider the costs of doing nothing. For example, it costs local taxpayers to let vacant buildings decline, it costs money to tear them down, and it costs money to convert them to a better use. Ultimately, a policy of neglect will be just as--or even more--costly than finding and implementing constructive solutions to the vacancy issue. We must ask ourselves, can we create policies that fairly distribute those costs?"

3 Leonard, Jennifer R., and Allan Mallach, Restoring Properties, Rebuilding Communities: Transforming Vacant Properties in Today's America. Center for Community Progress, 2010. Page 23

to remain vacant and improve the ease of reinvestment and rehabilitation to encourage the owners to return the property to viability.

According to the Center for Community Progress, regardless of the causes of vacancy in a particular community the following principles should guide the implementation of VAB programs.

10 PRINCIPLES TO GUIDE THE VACANT PROPERTY AGENDA:

1. Vacant and abandoned property issues are complicated and require complex, multifaceted strategies. No single tool, program, or "silver bullet" will fix the problem.
2. Communities are different, the forces triggering abandonment are different and the solutions are different. We need to move away from "one size fits all" programs and strategies.
3. These problems have taken years, in many cases decades, to emerge, and often reflect deeply-rooted underlying problems. Addressing the vacant properties problem requires a long-term, sustained commitment.
4. Similarly, a systemic approach is needed to address the forces driving abandonment and reuse of properties, rather than disconnected building-by-building or transactional approaches.
5. All levels of government can and should play a strong role in addressing vacant property issues, and must coordinate their efforts, both among agencies at the same level of government, and among federal, state, and local agencies. While the state and federal governments can provide resources, tools, and supports, local government must be at the center, taking responsibility for their community's future.
6. Taking responsibility for the future of a community means being willing to take responsibility for properties, taking control of properties when necessary to determine their outcomes and being able to plan for the future.
7. Property ownership is a combination of rights and responsibilities that go together. Property owners who neglect their properties and allow them to blight their surroundings and harm other property owners and residents cannot hide behind "property rights" rhetoric. They should be held accountable for their behavior.
8. Government must lead, but cannot solve the problems of vacant and abandoned properties by itself. Solutions require that the private sector, particularly the real estate and financial industries, the nonprofit sector, residents and community-based organizations, all be engaged.
9. Vacant and abandoned properties affect their neighbors most of all. Residents of affected communities must be engaged in framing strategies to deal with the problem, particularly where those strategies (as in older industrial cities) may involve major changes to the direction of public policy.
10. Vacant property strategies should be driven by solid data and information, to make sure that scarce resources are used effectively, that progress can be tracked, and strategies constantly refined to reflect changes in economic and other conditions.

According to the Center for Community Progress, there are roles for the various levels of government and stakeholders in a well-crafted VAB program. These roles include:

LOCAL GOVERNMENT:

- Frame a clear vision of the community's future that includes a strong role for land and building reuse and reconfiguration.
- Engage the community's residents in the process of thinking through vacant property reuse and land reconfiguration strategies, being up front about the challenges ahead.
- Avoid "quick fix" transactions that offer little long-term benefit, and focus instead on systemic change for long-term transformation.
- Build the technical and managerial capacity in city government to frame and implement multi-dimensional plans for revitalization and change.
- Partner with CDCs, community-based organizations, and others to leverage limited public sector resources.
- Encourage redevelopment by modernizing land use, zoning, and building regulations, and creating streamlined "one stop" permitting systems.

STATE GOVERNMENT:

- Enact legislation to enable municipalities to take control over vacant properties in their communities, through tools such as land banking, tax foreclosure reform, and vacant property receivership.
- Change state policies that fuel abandonment; for example by reforming state laws that govern mortgage foreclosure and lender responsibility.
- Facilitate intergovernmental cooperation and regional strategies by providing incentives for cooperative efforts.
- Target state assistance programs to advance local and regional strategies that discourage sprawling greenfield development and incent reuse and redevelopment of vacant and underutilized urban land.

FEDERAL GOVERNMENT:

- Design programs that reflect the differences between communities and markets, including the difference between systemic and transitional abandonment. Federal housing and community development policy should focus on the larger goals of revitalizing communities not transactions for their own sake.
- Focus directly on planning and community regeneration through programs that encourage local innovation and partnerships. Federal incentive programs should include support for reconfiguration of land uses in cities with large amounts of surplus vacant land and buildings.
- Align federal programs to leverage each other such as linking neighborhood stabilization and energy efficiency funds or CDBG and brownfields programs, aligning timetables and funding criteria.
- Help cities and states get the information they need to make good decisions by providing usable data and supporting the creation of real property information systems.
- Establish performance objectives for programs such as neighborhood stabilization. These objectives should be based on sustainable neighborhood change goals rather than on transactions and encourage creative local strategies to reach the goals.
- Use federal discretionary funding programs to leverage system change at the state level, following the model of the Department of Education's "Race to the Top."
- Help build the capacity of local governments and other stakeholders through technical assistance, training, and staffing support.

CDCS AND OTHER COMMUNITY-BASED ORGANIZATIONS:

- Go beyond transactional housing development activities to focus on comprehensive, market-driven, and sustainable neighborhood stabilization and revitalization, building healthier communities with strong social capital.
- Build working partnerships among CDCs and other nonprofit organizations to leverage available nonprofit resources by dividing tasks and responsibilities, sharing information and skills, and coordinating priorities.
- Give vacant and abandoned properties priority in neighborhood strategies, focusing both on prevention of abandonment and reuse of vacant properties.
- Partner with city government agencies and others to plan and execute strategies to prevent abandonment and address vacant properties within the community.

FOUNDATIONS AND OTHER PRIVATE SECTOR FUNDERS:

- Coordinate with other stakeholders to ensure that each foundation's investment in community revitalization complements and leverages public sector and nonprofit efforts, reflecting shared geographic and programmatic priorities.
- Help build capacity in local government and the nonprofit sector to plan and implement effective multi faceted vacant and abandoned property initiatives, integrated into larger revitalization strategies.
- Make a commitment to long-term support for these initiatives, recognizing that these are long-term efforts, and that adequate alternative funding resources are unlikely to become available in the foreseeable future.
- Link funding decisions to grantees' willingness to create effective partnerships and address systemic changes

REAL ESTATE, FINANCE, AND DEVELOPMENT SECTORS:

- Developers partner with local government and nonprofits to develop properties in ways that advance neighborhood stabilization and revitalization efforts.
- Realtors partner with local government and nonprofits to identify potential uses for vacant properties, and develop market-building strategies for communities and target neighborhoods.
- Lenders and servicers work with local governments and nonprofits to ensure that foreclosed properties are maintained during foreclosure, and are conveyed to responsible owners after foreclosure sale.
- Lenders ensure that adequate mortgage capital is available to support creditworthy homebuyers and finance sound community and economic development projects.

SUMMARY OF PROGRAM ELEMENTS BY JURISDICTION

ALBANY, NY

2007 contact: Deputy Chief Robert C. Forezzi, Sr.
Albany Dept. of Fire & Emergency Services
(518)434-8045
rcforezzi@albany-ny.org

PROGRAM ELEMENTS:

- Registry
  - Maintenance plan
  - $200 annually
  - Referrals for purchase/restoration redevelopment (nonprofits & /or developers)
- VAB Committee
  - Proactive enforcement of registry
  - Counteract increasing # of VABs
- Identification/notification activities:
  - Identification includes:
    - Exterior inspection/documentation
    - Rating
      - Cosmetic work
      - Rehabilitation work needed & economically feasible
      - Demolition recommended – restoration not economically feasible
  - Notification
    - Notify building owner of any required compliance measures
    - Notify other agencies (re: utilities for shut off and/or flagging bldg. in fire database)
  - Reinspection
    - Performed 30 days after notification for compliance measures
  - Prosecution for non-compliance

ANCHORAGE, AK: "OPERATION TAKE BACK"

2007 contact: Carma Reed, Director
Department of Neighborhoods
(907)343-4848
reedce@muni.org

PROGRAM ELEMENTS:

- Demolition of derelict bldgs. (not necessarily vacant)
  - Used CBDG $
  - National guard performed demolitions

BALTIMORE, MD: PROJECT 5000

2007 Contact: Michael Bainum, Assistant Commissioner for Land Resources
Baltimore Department of Housing & Community Development
(443)984-1645
Michael.Bainum@BaltimoreCity.gov

PROGRAM ELEMENTS:

- Goal: acquire 5,000 vacant & abandoned properties in 2 years
- VABs represent "dead capital"
  - 2002 vacancy rate = 14.1%
  - 15,000 vacant & abandoned houses
  - 10,000 + problem vacant lots
- Plan:
  - Aggressively pursue tax sale foreclosures, quick takes, & traditional acquisitions
  - Transfer surplus vacant properties owned by the Housing Authority of Baltimore
  - Call on law firms, title companies & related businesses to help clear titles
- 4-step implementation
  - Strategic identification – all vacant buildings & lots reviewed and selected based on areas where development opportunities already existed
  - Strategic partnerships – donated legal services
  - Building new infrastructure – legal foreclosure processes & guides to create timely process
  - Moving beyond acquisition, disposition process:
    - SCOPE = Selling City Owned Property Efficiently – public/private partnership with brokerage community to sell high value properties
    - Rolling bids – managing unsolicited offers on less valuable properties
    - RFPs & RFQs for unique properties for which City wants development control
- Stepped up code enforcement on 6,000 additional properties on viable blocks
- Cost = $22 MM ($7.4 MM in sales revenue & $1.8 MM in taxes & fees into program)

BOSTON, MA

2007 Contact: Tim Davis, Senior Research & Development Analyst
Department of Neighborhood Development
(617)635-0269
t.davis.dnd@cityofboston.gov

PROGRAM ELEMENTS:

- 1997 – 2005 decreased abandoned buildings from 1,044 to 350
- Target for July 2007 = 188 to 130
- Abandoned building survey posted to allow potential new owners to identify and contact current owners
- City boarding cost passed to property owner through property tax bill
- Tax foreclosed properties sold through RFP (City owned inventory reduced by 84%)
- Technical and financing support for redevelopment of commercial abandoned buildings
- Addressing issues in State statute i.e. receivership statutes and eliminate preferential tax rates on abandoned residential structures

BUFFALO, NY: NEIGHBORHOOD BEAUTIFICATION COLLABORATION W/REVITALIZING URBAN NEIGHBORHOODS, INC. "RUN BUFFALO"

2007 Contact: Timothy E. Wanamaker, Executive Director
Office of Strategic Planning
(716)851-5035
twanamaker@city-buffalo.com

PROGRAM ELEMENTS:

- Acquire VABs
- Remove uninhabitable buildings
- Replace with green space
- Demolition & removal of blighted buildings
- Transfer ownership to RUN Buffalo
- Funded in part by CDBG

BURLINGTON, VT: VACANT BUILDINGS & DANGEROUS STRUCTURES ORD. (BASED ON ORD. IN SAN DIEGO & CINCINNATI)

2007 contacts: Gene Bergman, Assistant City Attorney
(802)865-7121
Gregory B. McKnight II, Director of Code Enforcement (802)863-0442
Brian Pine, Assistant Director for Housing
(802)865-7232
bpine@ci.burlington.vt.us

PROGRAM ELEMENTS:

- Maintenance & plan for return of properties to productive use
- Defined as unoccupied or occupied by unauthorized persons for 90 consecutive days
- Permit issued to property owner:
  - Statement of Intent:
    - Period of expected vacancy
    - Regular maintenance plan
    - Plan & timeline for lawful occupancy, rehabilitation or demolition
  - Arrange inspections to ensure safe for emergency entrance & public safety
  - Permit issued which in compliance with maintenance standards
  - Quarterly fee = $500 to cover costs
    - Fee waived if actively marketed for sale & maintained
    - Fee waived if building sold & new owner has developed state of intent, scope of work, etc. to rehab with rehab funding
- Discourages “demolition by neglect” through “standards of care”
- Separate ordinance designed to prevent demolition and conversion of residential to non residential requires replacement du

BURNSVILLE, MN: REDEVELOPMENT OF AGING RETAIL STRIP CENTERS

2007 Contact: Tammy Omdahl, Deputy City Manager
(952)895-4535
Tammy.omdahl@ci.burnsville.mn.us

PROGRAM ELEMENTS:

- Semi vacant and vacant
- Study
  - Land use identification
  - Market analysis
  - Economic analysis
- Financial considerations
  - Acquisition costs
  - Demolition costs
- Environmental considerations
- Relocation issues
- Site considerations
- A redevelopment project must exceed its original value by 8 to 10 times to be viable in the open market

- Program intent:
  - Adjust land use
  - Offer financial assistance
  - NO TAKERS

CHARLESTON, SC: HOME OWNERSHIP INITIATIVE

2007 Contact: Geona Shaw Johnson, Interim Director
Department of Housing & Community Development
(843)724-3766
johnsong@ci.charleston.sc.us

PROGRAM ELEMENTS:

- Acquisition of abandoned properties & vacant lots
- Transferred to local nonprofits for redevelopment as affordable housing
- Sold to 1st time low- mod-buyers
- Used CDBG & general revenue
  - Section 108
  - Special economic development initiative $
- Significant # of historic homes rehabilitated
- Challenge – maintenance post-acquisition
- Fire department inspections included
- High carrying costs because acquisition wasn't phased.

CHICAGO, IL: COMPREHENSIVE ATTACK ON TROUBLED & VACANT BUILDINGS

2007 Contact: Jeff Ahmadian, Chief Assistant Corporation Counsel
Department of Law
(312)744-3823
jahmadian@cityofchicago.org

Stacie Young
Assistant to the Mayor
(312)744-2818
syoung@cityofchicago.org

PROGRAM ELEMENTS:

- "Despite aggressive prosecution and fines against owners of trouble multi-family buildings, many owners continually failed to make court-ordered repairs."
- Comprehensively address the causes and effects of troubled buildings
- Troubled buildings initiative
  - Focused on multi-family
  - Identify & resolve code violations

  - Vacant buildings program
    - Secure vacant, "open" buildings
    - Identification of viable owners (including CDCs) to "take over" vacant properties
- Home Ownership Preservation Initiative (HOPI)
  - Foreclosed properties (single-family) cost city up to $30,000 (Neighborworks America stat)
  - Homeowner counseling & assistance (credit counseling)

COLUMBUS, OH: HOME AGAIN INITIATIVE

2007 Contact: Greg Davies, Deputy Director
Development Department
(614)645-5630
gjdavies@columbus.gov

PROGRAM ELEMENTS:

- $25 MM initiative
- Goal = fix up or replace 3,200 listed vacant homes
- 6 year plan focusing on 1,000 properties
  - Enforcement – expedite nuisance declaration
  - Prevention - $5 MM for emergency repairs to keep people in their homes
  - Acquisition & rehabilitation – nonprofit partner
    - Acquire & rehabilitate property
    - Committee identifies targets
    - Demolition when necessary

DALLAS, TX: URBAN LAND BANK PROGRAM

2007 Contact: Mayor Laura Miller
(214)670-4054

Meranda Cohn, Press Secretary
Office of the Mayor
(214)670-0656
Meranda.cohn@dallascityhall.com

Mary K. Suhn, City Manager
(214)670-3297
Mary.suhn@dallascityhall.com

PROGRAM ELEMENTS:

- Goal – develop affordable, singe-family homes on vacant, tax-delinquent properties
  - Expand supply of affordable housing
  - Stabilize & revitalize city:
    - Neighborhoods
    - Neighborhood commercial areas
    - Neighborhood schools
- Statutory authority to run a demonstration program
  - Streamline process for foreclosure & sale of tax delinquent properties
  - Authorize assembly of tax foreclosed properties & sale below market to nonprofits and for-profit affordable home developers
- $3 MM bond for purchase
- $250,000 grant for operations
- Pro bono legal & title services

DEARBORN, MI: PROPERTY RESCUE

2007 Contacts: John Cascardo, Deputy Director
Building and Safety Department
(313)943-2216
jcascardo@ci.dearborn.mi.us

Keith Woodcock, Existing Structures Manager
Building and Safety Department
(313)943-2196
kwoodcock@ci.dearborn.mi.us

PROGRAM ELEMENTS:

- Challenges:
  - High foreclosure rates
  - Typically-limited government involvement
- Alliances:
  - Neighborhood Associations
  - Board of Realtors
  - Downtown Business District
  - Chamber of Commerce
  - HUD
  - Mortgage industry

- Property Rescue Programs
  - Operation eye-sore
    - Identifies sub-standard buildings
    - Purchases
    - Demolishes
    - Landbanks
    - General fund $
  - Existing property sales & rental re-occupy programs
    - Minimum standards ~3,500 a & 2 unit properties
    - Evaluated annually
  - Property assessment division – evaluate for demolition
  - Neighborhood services division – identify rehabilitation opportunities & partners
- Federal partnership programs:
  - HUD's Good Neighbor Program
    - Unsold HUD inventory sold to City for $1 + costs
    - City ECD Dept. rehabs and sales
    - Proceeds to CDBG funds
  - Fannie Mae's "First Suburbs Program"
    - Work with City
    - Rehab interiors for older buildings to upgrade and modernize
    - Preserve exteriors for neighborhood cohesiveness
    - Appeal to broader base of buyers
  - National code enforcement initiatives
    - National clearing house
    - Best practices for property abatement
- Upcoming initiatives
  - Financing Task Force
    - Private/local lending institutions
    - FHA
    - Fannie
    - Develop creative programs to address vacant building problem

DURHAM, NC: SOUTHWEST CENTRAL DURHAM INITIATIVE

2007 Contact: Mike Barros, Director
Housing and Community Development
(911)560-4570
Mike.barros@durhamnc.gov

PROGRAM ELEMENTS:

- Goal:
  - Stabilization and rejuvenation of select neighborhoods
- Southwest Central Neighborhood
  - Targeted since the 1980s
  - Nonprofit partners included
    - Habitat for Humanity
    - Durham Community Land Trustees
    - Expanded in 2004
- Strategy
  - Identify areas for clustering of rehabilitated or demolished and replaced housing
  - Create new neighborhoods
    - Confidence of preservation of individual investment
    - Neighbors with "shared values"
  - Strategic redevelopment in otherwise stable blocks
    - Removal of worst offender housing
    - Restructuring of ownership of problem housing

HOUSTON, TX: PROJECT HOUSTON HOPE

2007 Contact: Stephen Timmerman\
Mayor's Office
(713)247-1037

PROGRAM ELEMENTS:

- Goal:
  - Revitalize targeted neighborhoods with high concentrations of VABs
  - Preserve historic character
  - Make areas attractive to young homebuyers with ties to the area
  - Provide new Houston residents with vibrant, safe communities
- Characteristics of areas
  - Close to employment centers
  - Poor infrastructure
  - Inadequate housing
  - Scarcity of retail outlets

- Land Assembly Authority
  - Tax foreclosure on delinquent vacant lots
  - Improve infrastructure to serve new housing
  - Land banks lots until sufficient adjacent acreage available for housing development
  - Interlocal agreements with other taxing authorities re: delinquent properties
- Funding
  - City CIP
  - CDBG
  - Affordable housing set asides from TIF areas
- Implementation process
  - 250 lot pilot project (now expanded to 1,500)
  - State Statutory changes to allow foreclosure lawsuits to move forward expeditiously
  - Overcoming community concerns re: displacing long-term residents
- Outcomes
  - Improved infrastructure
  - First RFP to develop 175 infill homes to be issued (2007)
  - Anticipate quarterly issuance
- Lessons Learned
  - Engage all taxing authorities early
  - Conduct extensive due diligence re: foreclosure laws and process
  - Engage community stakeholders early

INDIANAPOLIS, IN: ABANDONED HOUSING INITIATIVE

2007 Contact: Jeff Bennett, Assistant Administrator
Community Economic Development
(317)327-5617
jbennett@indy.gov.org

PROGRAM ELEMENTS:

- Inventory of abandoned houses
  - Ball State University Students
  - Handheld ARCpad GIS software
  - Likely vacancies identified through:
    - Boarding/repair/demolition orders
    - Property tax delinquencies
    - Mortgage foreclosure and Sheriff sale records
    - Power company records (no power for 6 months)

- Collected:
    - # of dwelling units
        - In the structure
        - Vacant
        - Occupied
    - Status of vacancy
        - Vacant
        - Vacant for sale
        - Vacant/boarded
    - Condition rating (A-E)
        - A = excellent
        - C = minor rehabilitation required
        - E = severely dilapidated
    - Site Condition (good/fair/poor)
        - Good = well-maintained
        - Poor = overgrown, trash & debris
    - Digital photograph of façade
- Results:
    - 7,913 properties identified
    - Mayor's Abandoned House Work Group formed
    - Code enforcement and housing rehab programs developed

KALAMAZOO, MI: ANTI-BLIGHT TEAM

2007 Contact: Jeff Chamberlain, Director
Community Planning and Development
(269)337-8039
chamberlainj@kalamazoocity.org

PROGRAM ELEMENTS:

- Goal
    - Gain control over problem properties
    - Provide affordable housing
- Issues:
    - Visual impact
    - Vandalism
    - Drug dealers
    - Prostitutes
    - Transient/unsavory uses

- Cost of weed, junk vehicle and trash enforcement
- Low value
- Limited tax collection

- Program
  - Abandoned Residential Structures Ordinance (2003)
    - Covers:
      - Residential structures
      - Vacant 30 or more days
      - Significant exterior violations
    - Registry
    - Monthly administrative fee
    - Resolution plan:
      - Rehabilitation and reoccupancy
      - Demolition
  - Anti-Blight Team
    - Coordinator
    - Inspector
    - Building Inspector/Rehabilitation Specialist
    - 2 clerical positions
  - Process
    - Identification & intake
      - By team
      - Referrals from other departments
    - List posted on city website
      - Owner name
      - Owner address
    - Enforcement and City initiated activities
    - Resolution through
      - Owner cooperation
      - Purchase by housing investors
      - Ordered boarding or demolition
- Challenges
  - Tracking and coordinating changing ownership
  - Cultivate and maintain relationships with
    - Title agencies
    - Lending institutions

LOUISVILLE METRO, KY: BLIGHT BUSTERS INITIATIVE

2007 Contact: Melissa B. Barry, Director
Louisville Metro Community & Housing Development
(502)574-3107
Melissa.barry@louisvilleky.gov

PROGRAM ELEMENTS:

- 1980s programs
  - Louisville Vacant Property Review Commission
    - Abandoned urban property tax
      - Vacant nuisance properties
      - Vacant/boarded structures
      - 3X regular property tax
  - Louisville Land Bank
    - Acquire and rehab vacant and tax delinquent properties
- Blight Busters Initiative
  - Expanded beyond urban core
  - Blight busters action team
    - Director of Community & Housing Development (chair)
    - Several METRO departments involved
    - Tools:
      - Planning & Zoning regulations
      - Development Codes
      - Neighborhood Plans
      - HUD Federal Entitlement Action Plan
      - Historical Guidelines
    - Spot basis condemnation
    - Vacant property registration
    - Proactive involvement with neighbors, interested parties
    - "Owners in Stocks" on-site identification of responsible parties
    - High design, rehabilitation and maintenance standards

WILMINGTON, DE: VACANT PROPERTY REGISTRATION PROGRAM

2007 Contact: Jeffrey Starkey, Commissioner
License & Inspection
(302)576-3059
jstarkey@ci.wilmington.ed

Cynthia Ferguson, Administrator
Vacant Property Registration Fee Program
(302)576-3096

PROGRAM ELEMENTS:

- Fee Structure
  - Originally $25
  - Implemented graduated fee structure based length of vacancy
    - Escalations occur regardless of ownership changes (i.e. bank take over, etc.)
    - Year 1 = $500
    - Year 2 = $1,000
    - Years 3 & 4 = $2,000
    - Years 5-9 = $3,500
    - Year 10 = $5,000
    - Years 11 + = Year 10 fee + $500 for each additional year
  - Bills mailed November, fees due January.
  - August notices are mailed informing property owners of years of vacancy and magnitude of fee to be billed in November
  - One year fee waivers available for property owners intending to rehab and reoccupy or sale or demolish the property
- Results
  - 265 fee waivers granted
  - 1,528 vacant properties at beginning of program
    - 380 reoccupied
    - 217 sold to new owners
    - 16 demolished

CHULA VISTA, CA: RESIDENTIAL ABANDONED PROPERTIES PROGRAM

PROGRAM ELEMENTS:

- Addresses unique issues related to REOs
- Property maintenance ordinances should allow enforcement against owners and lenders
- Requires maintenance programs and maintenance contractors
- Must post bank name and contact info on the property
- Biggest challenges
  - Notifying multinational lending/foreclosure industry
  - Locating current beneficiaries of the mortgages on vacant properties
  - Adequate staffing

MINNEAPOLIS, MN: NORTH MINNEAPOLIS PROPERTY INITIATIVES

PROGRAM ELEMENTS:

- Cluster approach
  - Community-identified priority areas
  - Clusters of boarded/vacant/problem properties
  - Likelihood of catalytic impact

ALBUQUERQUE, NM: SAFE CITY STRIKE FORCE

PROGRAM ELEMENTS:

- Two major ordinances targeting VABs
  - Vacant Building Maintenance Ordinance (2004)
    - Vacant Building Maintenance License
    - Apply for 15 days prior to vacating premises
    - Annual renewal
    - Declaration of measures to
      - Keep weather tight
      - Prevent trespassers
      - Prevent damage
    - Inspection at time of application to identify required measures to protect structure
  - Substandard Building Ordinance (2007)
    - All substandard residential buildings declared a nuisance
    - Nuisance must be abated within 12 months by
      - Repair
      - Rehabilitation
      - Removal
      - Demolition
    - Failure to abate is Prima Facie evidence that the building is a menace to:
      - Public comfort
      - Health
      - Safety
      - Peace
    - Condemnation proceedings automatically initiated

CINCINNATI, OH: VACATED BUILDING MAINTENANCE PROGRAM

PROGRAM ELEMENTS:

- Reimburses the City for municipal costs associated with VABs
  - Property maintenance inspection costs
  - Barricading & demolition costs
  - Increased police & fire run costs
- Increases holding costs
- Requires compliance w/a 13-point maintenance standard
- Fee structure
  - $900 <1 year
  - $1,800 1 – 2 years
  - $2,700 2 – 5 years
  - $3,500 5+ years
  - Fee rises regardless of ownership
  - Debt to City – property liened if fees unpaid
- Applies only to buildings with vacate orders after being declared
  - Uninhabitable
  - Dilapidated
  - Owners must apply w/in 30 days of orders
  - Requires general liability insurance on building
  - 60 days to comply with 13 point maintenance standard
- Buildings w/out code violations not required to obtain license
- Fees refunded if building reoccupied w/in year of payment of fees
- Fee waiver for development plan

METHODOLOGY

The Oklahoma City Vacant and Abandoned Building Study is a multi-faceted analysis of the presence and impact of vacant and abandoned buildings of all types in the city's neighborhoods. There were six distinct but interrelated elements to the analysis:

1. Prevalence and location of vacant and abandoned buildings ("VABs"),
2. Presence of disproportionate level of service,
3. Cost of services to areas disproportionately impacted by VABs,
4. Revenue impacts of VABs,
5. Excess infrastructure investments resulting from VABs, and
6. Hedonic analysis of the impact of VABs on adjacent property values.

1. METHODOLOGY TO DETERMINE PRESENCE AND PREVALENCE OF VABS.

The analysis requires the identification and mapping of VABs in the city. There is not, at present, a comprehensive single source of currently vacant buildings of all types in Oklahoma City. A key component of this project was the development of a comprehensive list of VABs. Three primary data sources were used to create the VAB list used in this analysis:

- Valassis vacant address data,
- Oklahoma Gas & Electric shut-off data, and
- Oklahoma City Public Utilities shut-off data.

The addresses identified through each of the three primary data sources were cross-checked against Oklahoma City's code enforcement data base (Hansen).

SOURCES OF DATA AND THEIR CHARACTERISTICS

VALASSIS

Valassis Direct Mail, Inc. generates address data, which is verified by the U.S. Postal Service. Valassis utilizes the U.S. Postal Service's Computerized Delivery Sequence program, which is an updating service performed on customer-provided address lists. The Valassis database includes information on whether individual units with a mailing address are occupied. Since the information is collected over time, Valassis provides the length of time that individual addresses remain vacant. Valassis provides this information on an address by address basis as well as the approximate location of either the address on the street centerline or appended to the nearest zip code centroid.

OKLAHOMA GAS & ELECTRIC

Oklahoma Gas & Electric ("OG&E") provided a database of addresses meeting the following criteria:

- Voluntary or involuntary shut-off,
- Water shut off for 6 or more months, and
- Length of shut-off to date.

OKLAHOMA CITY WATER DEPARTMENT

The Oklahoma City Utilities Department provided a database of addresses that had not had water service (for whatever reason) for six or more months. The water shutoff database did not provide the duration of the shutoff.

The addresses of VABs included in each of the three databases were geocoded, mapped and cross-referenced to create a comprehensive list of addresses with buildings meeting the recommended vacant building definition. The Assessor's databases from Oklahoma, Cleveland and Canadian counties were used to refine land use type for all addresses. The Assessor's data is also the source of property owner and contact information for implementation of the recommended Vacant Building Registry program. The recommended VAB program structure will result in an update of the list from all three primary data sources on a monthly basis.

2. CALCULATION OF LEVEL OF SERVICE TO VABS AND OCCUPIED PARCELS.

The calls in the City's E911 database for the period July 2007 through June 2011 were mapped using the same tools used to map VABs. The E911 calls were mapped to the centerline of each road in the City using the address provided through the emergency response system. Calls for service on blocks with VABs were compared to calls for service on blocks without VABs. Block-based analysis was used as opposed to parcel-specific analysis because the effect of VABs is more diffuse (i.e. neighbors may call and give their own address or the impact may actually be occurring on their property but it is related to the VAB.) For purposes of this analysis a "block" was defined as both sides of the street for 100 feet. This method "regularizes" the size of the unit of analysis.

The median number of calls for service per 100 foot block face for all calls relating to police, fire and animal welfare

TABLE B-1: POLICE DEPARTMENT "PROBLEM TYPE" CODES NOT INCLUDED IN VAB ANALYSIS

PROBLEM CODE
Fatal Vehicle Accident <30
Case Number <999
Delete #1 <911Pim
Delete #6 <120Im
Delete #8 <8Cim
Deliver Emergency Message <75
Drunk Driver <88
Drunk Driver <88Im
Hospital Guard <71
Non-Injury Accident <76
Non-Injury Accident <76Im
Non-Injury Acc School Bus<76S
Severe Weather <Nws
Test Cad Call <Test
Traffic Arrest <205
Traffic Stop
Traffic Trouble <175
Traffic Trouble <175Im
Traffic Trouble <175Ip
Transport Prisoner <70

services were mapped. The E911 database identifies the "problem type" and "disposition type" for each call. Traffic related "problem types" and information only "disposition types" were eliminated from the analysis. Table B-1 is a list of the Police Department "problem type" codes eliminated from the analysis. Other than information only calls all fire department and animal welfare problem types were used.

Elimination of these call-types ensures that the calls used for the calculation of disproportionate impact are associated with a specific address and not simply opportunistic based on routine traffic and community service activities.

The adjusted E911 calls and the VABs were mapped jointly to determine the volume of calls to each 100 foot block face in the City.

The total number of calls to 100 foot block faces with VABs was summed separately from the total number of calls to 100 foot block faces without VABs. The total number of calls to 100 foot block faces with VABs was divided by the total number of 100 foot block faces with VABs to calculate the median number of calls to areas with VABs. The total number of calls to 100 foot block faces without VABs was divided by the total number of 100 foot block faces without VABs to calculate the median number of calls to areas without VABs.

If the median number of calls per 100 foot block face with VABs is higher than the median number of calls per 100 foot block face without VABs, there is a disproportionate impact on City services from the presence of VABs. The initial disproportionate impact analysis is refined to identify the presence and volume of impact by land use type and by length of vacancy. In all cases the median number of calls per 100 foot block face when a VAB is present is compared to the median number of calls by 100 foot block face when there is not a VAB present.

A multi-year period was used to calculate the median number of calls. A multi-year period prevents an anomalous year from impacting the overall analysis and allows broader-based observations and conclusions.

3. COST OF SERVICES TO AREAS DISPROPORTIONATELY IMPACTED BY VABS.

The cost of services to vacant and abandoned buildings is calculated using a standardized process. The services evaluated include: police, fire, and animal welfare. The following steps were used to calculate the total cost of disproportionate impact on city services from VABS for each of the service types analyzed.

STEP 1: CALCULATE AVERAGE COST PER CALL. The actual cost of services for police, fire, and animal welfare for the three-year period July 1, 2007 through June 30, 2011 were used. Using a multi-year period provides a more accurate, longer term calculation of the cost of services. The data includes both operating and capital expenditure costs to capture the actual direct cost of services. Department-wide administrative and support costs (such as IT) were allocated based on percent of total budget. An allocation of city-wide administrative costs, such as Finance, City Council and City Manager costs was not made.

- Police
  - Operations and investigations
  - Weed & Seed
  - Other operations
- Fire
  - Operations and investigations
  - Emergency Management Services
  - Inspections and code enforcement
- Animal Welfare
  - Animal Control
  - Animal Shelter

In the Police Department budget, the following expenditure categories were not used:

TABLE B-2: POLICE BUDGET CATEGORIES NOT INCLUDED IN ANALYSIS

BUDGET CODE NUMBER	REASON FOR EXCLUSION	BUDGET CODE NUMBER	REASON FOR EXCLUSION
4200623	Traffic -related	4209105	Non-call related operations (i.e. school resource, community event)
4209004	Traffic -related	4209155	Non-call related operations (i.e. school resource, community event)
4209015	Traffic -related	4209200	Non-call related operations (i.e. school resource, community event)
4209016	Traffic -related	4209626	Non-call related operations (i.e. school resource, community event)
4200312	Non-call related operations (i.e. school resource, community event)	4209627	Non-call related operations (i.e. school resource, community event)
4200625	Non-call related operations (i.e. school resource, community event)	4209772	Non-call related operations (i.e. school resource, community event)
4200626	Non-call related operations (i.e. school resource, community event)	4209010	Codes for "pass-through funding"
4200844	Non-call related operations (i.e. school resource, community event)	4209011	Codes for "pass-through funding"
4200845	Non-call related operations (i.e. school resource, community event)	4209012	Codes for "pass-through funding"
4200846	Non-call related operations (i.e. school resource, community event)	4209013	Codes for "pass-through funding"
4209005	Non-call related operations (i.e. school resource, community event)	4209017	Codes for "pass-through funding"
4209006	Non-call related operations (i.e. school resource, community event)	4209018	Codes for "pass-through funding"
4209009	Non-call related operations (i.e. school resource, community event)	4209019	Codes for "pass-through funding"
4209099	Non-call related operations (i.e. school resource, community event)	4209020	Codes for "pass-through funding"
4209100	Non-call related operations (i.e. school resource, community event)		

Traffic and other non-complaint based services such as school resource officers were not included for the purposes of calculating average cost per call, but they did receive an allocation of department-wide administrative costs. Veterinary Services costs are not included in the Animal Welfare cost analysis (but did receive an allocation of department-wide costs) because a direct link between citizen generated calls and the service cannot be firmly established. The combined costs for animal control and shelter services represent the total cost of providing animal welfare services for the purposes of this analysis.

The total cost of services is divided by the total number of calls for service in the E911 data for the comparable period July 1, 2007 through June 30, 2011 by service type (i.e. police, fire, or animal services calls). For the purposes of calculating the average total cost per call no differentiation was made based on priority level or call type. The total cost of direct police services (less traffic) was divided by the total number of police calls (less traffic) to calculate the overall average cost per call for the period July 1, 2007 through June 30, 2011. A similar calculation was completed for fire costs and calls and animal control and shelter costs and calls to generate the average cost per fire call and animal services call.

STEP 2. DETERMINE DISPROPORTIONATE NUMBER OF CALLS. The median number of calls to each building type by length of vacancy is compared to the baseline number of calls for occupied buildings. Table B-3 provides the disproportionate impact of single-family VABs by length of vacancy.

TABLE B-3: DISPROPORTIONATE NUMBER OF CALLS BY LENGTH OF VACANCY - SINGLE FAMILY RESIDENTIAL

	6-12 Months	13-24 Months	25-60 Months	61 + Months
Police	3.31	5.98	7.88	8.35
Fire	0.28	0.67	0.80	0.99
Animal Welfare	0.48	0.95	1.16	1.39

Table B-4 identifies the number of calls above baseline for vacant and abandoned multi-family residential buildings.

TABLE B-4: DISPROPORTIONATE NUMBER OF CALLS BY LENGTH OF VACANCY - MULTI FAMILY RESIDENTIAL

	6-12 Months	13-24 Months	25-60 Months	61 + Months
Police	8.56	10.30	10.47	12.18
Fire	0.79	1.03	1.02	1.16
Animal Welfare	1.15	1.40	1.57	1.45

Table B-5 identifies the number of calls above baseline for vacant and abandoned commercial buildings.

TABLE B-5: DISPROPORTIONATE NUMBER OF CALLS BY LENGTH OF VACANCY - COMMERCIAL

	6-12 Months	13-24 Months	25-60 Months	61 + Months
Police	6.44	6.97	12.84	11.64
Fire	0.49	0.29	1.55	1.16
Animal Welfare	0.02	0.14	0.35	0.21

STEP 3: THE NUMBER OF DISPROPORTIONATE CALLS ABOVE BASELINE IS MULTIPLIED BY THE AVERAGE COST PER CALL TO DETERMINE THE COST OF IDENTIFIED DISPROPORTIONATE IMPACT.

Table B-6 identifies the disproportionate cost by type and length of vacancy for single family residential buildings. The total, combined cost represents the maximum recommended cost recovery fee by length of vacancy.

TABLE B-6: COST OF DISPROPORTIONATE IMPACT - SINGLE FAMILY RESIDENTIAL

	6-12 Months	13-24 Months	25-60 Months	61 + Months
Police	$635	$898	$1,086	$1,132
Fire	$409	$574	$629	$708
Animal Welfare	$20	$28	$31	$35
Total	$1,064	$1,500	$1,746	$1,875

Table B-7 is the disproportionate cost for multi-family residential buildings. This is a per building cost.

TABLE B-7: COST OF DISPROPORTIONATE IMPACT - MULTI FAMILY RESIDENTIAL

	6-12 Months	13-24 Months	25-60 Months	61 + Months
Police	$1,153	$1,324	$1,341	$1,510
Fire	$625	$725	$720	$779
Animal Welfare	$31	$35	$38	$36
Total	$1,808	$2,084	$2,099	$2,324

Table B-8 is the disproportionate cost for commercial buildings.

TABLE B-8: COST OF DISPROPORTIONATE IMPACT - COMMERCIAL

	6-12 Months	13-24 Months	25-60 Months	61 + Months
Police	$943	$996	$1,574	$1,456
Fire	$500	$414	$942	$777
Animal Welfare	$12	$14	$17	$15
Total	$1,456	$1,423	$2,533	$2,248

The maximum amount for both multi-family residential and commercial for buildings vacant 61 months or longer is lower than for buildings vacant for 25-60 months. This is a based on the results of the disproportionate calls data. The recommended fee structure included in Chapter 3 of the report "smooths" the cost recovery fee and makes the fee consistently increase between time periods. This was done by lowering the fee below the maximum cost for the 25-60 month period.

STEP 4. CALCULATE DIFFERENTIAL IMPACT BASED ON LENGTH OF VACANCY. Using GIS, the median number of calls on block faces with at least one building that has been vacant for six to twelve, 12 to 24, 24 to 60, or more than 60 months is calculated. The time periods were selected as the most logical method of differentiation and represent an escalating impact on services as length of vacancy increases.

The longest period of vacancy on any 100 foot block face governs. The median number of calls in each category is compared to determine the impact (if any) from length of vacancy. The comparative averages are the ratios of impact for the purposes of creating the recommended fee structure.

4. REVENUE IMPACTS OF VABS.

Oklahoma City's revenue structure includes property tax, sales and other taxes, franchise and other fees, and various miscellaneous revenues. All revenue sources listed contribute to general fund operating costs (including police, fire, animal control, and code enforcement services) except property taxes. Property tax is restricted by State Statute to debt service on voter approved bonds.

The following steps are used to estimate uncollected revenue as a result of VABs. The methodology for sales & use tax is based on household spending estimates developed during the citys recent resident study. Franchise fee estimates are based on average occupied household spending. The methodology for property tax is based on the difference in the average assessed value of occupied single-family residential units versus single-family residential units that have been vacant for six or more months.

Sales & Use Tax. Oklahoma City recently commissioned a retail study. The study estimated the average retail expenditure and sales tax by household within the boundaries of Oklahoma City. This per household estimate was multiplied by the number of vacant residential units identified in the analysis.

Franchise Fees. The total actual franchise fees collected for the period July 1, 2007 through June 30, 2011 is divided by the 2010 Census number of occupied housing units in Oklahoma City. This number is then divided by four to arrive at an average annual estimate of franchise fees collected for each occupied housing unit in the city.

Property Tax. The average assessed value of all occupied single-family housing units is calculated based on the 2011 assessor's data base. The average assessed value of all identified single-family housing units vacant for six or

more months is calculated separately based on the 2011 assessor's data base. The average values are then used to calculate the property tax assessment for each of the counties in which Oklahoma City is located (((Assessed Market Value * Assessment Ratio)/1000)*Oklahoma City Tax Rate). The difference in estimated property tax for the occupied and unoccupied units is then multiplied by the estimated number of vacant units in the database to calculate lost property tax for 2011. The quotient of lost property tax and total actual property tax collected is the estimated percentage of lost collections resulting from VABs.

Total actual property tax collections for the period July 1, 2007 through June 30, 2011 is multiplied by the percent of lost property taxes from the 2011-based analysis to estimate the lost tax collections for the study period.

The results of this analysis were not included in and did not affect the recommended fee structure.

5. EXCESS INFRASTRUCTURE INVESTMENTS RESULTING FROM VABS.

Infrastructure investments for water and sewer and similar services are made based on service demands. By utilizing existing infrastructure and reducing the amount of new pipe required to serve the population, capital costs are reduced. The additional cost of servicing a more dispersed population base is estimated by calculating the additional pipe needed to serve a population comparable to the vacant stock of homes and businesses in Oklahoma City.

The analysis used the 2003 Water and 2009 Sewer Master Plans to calculate the average cost per new household served by growth-related water distribution and sewer collection planned infrastructure. This average cost per household was then multiplied by the number of vacant housing units to estimate the cost savings if existing, vacant units were re-occupied rather than building new units.

6. HEDONIC ANALYSIS OF THE IMPACT OF VABS ON SINGLE-FAMILY PROPERTY VALUES.

PURPOSE:

In an effort to identify the price impacts of vacant housing units on neighboring properties, a hedonic housing price model was developed. Hedonic housing models conceptualize housing units as a "basket" of goods providing households with a number of discrete characteristics. The hedonic model is a regression equation that attempts to determine the price or "rent" of these characteristics. This provides a basis to compare different dwellings on the basis of one or more characteristics while all others are held constant. These characteristics are measured in variables such as square footage, number of bedrooms and baths, age of unit, lot size, distance from the city center and others. Neighborhood factors can also be taken into account, such as the presence of vacant or abandoned properties. Other important characteristics may include socioeconomic conditions of the neighborhood, freeway access and access to goods and services.

DATA:

All single family residential sales between October 1, 2010 and September 30, 2011 were used in developing the citywide sales database. Sales are the dependent variable of this analysis. The data were assembled from the assessor databases of Canadian, Cleveland and Oklahoma Counties. Using GIS, the presence of vacant and abandoned single family residential units was determined for radii of 600, 300 and 150 feet from sales. Distance from the CBD was also determined for each sale using GIS. All other independent variables were derived from the assessor databases of the three counties.

ASSUMPTIONS AND VARIABLES:

Specification (selection of the independent characteristics affecting sale price) of the hedonic model relies on locational, neighborhood and structural characteristics of the units. In this study, access to sales from the assessors of the three counties that make up Oklahoma City allows accuracy in describing the for-sale market. Caution should be exercised in generalizing the results to the whole city in order to avoid self-selection bias. However, it provides a point of comparison between units within close proximity to vacant units and those that are not. Also, because of the differences in data management policies between the three counties, only general characteristics of the housing itself are used in the model. This precludes the use of such typically included characteristics as presence of garage, number of floors, or presence of architectural features such as a fireplace or front porch. On the one hand, this provides for a simpler model, however it does run the risk of missing potentially important characteristics to the pricing of homes. Nonetheless, structural characteristics such as the presence of air conditioning, the number of rooms and baths, whether the unit has been recently remodeled, exterior treatments, age of stock, and lot size are included. The assumption is that enough structural characteristics are present in this analysis so as not to be underspecified and this model compares favorably with other studies of this nature in terms of its specification and results[3]. The neighborhood factor of distance to downtown captures location characteristics that may benefit individual property values. The season of sale was included to control for seasonality of the real estate market. The inclusion of the presence of vacant single family residential properties in close proximity is a neighborhood characteristic of particular interest for this study. The basic assumption is that vacant units of any type within 600 feet (a short walk of approximately 1/8th of a mile) of a sold unit will negatively impact price when all other factors are held constant. The model was run three additional times swapping this variable with one that indicates the presence of vacant units within 300 feet and another indicating the presence of vacant units within 150 feet. Below is a table outlining variables used for this study.

3 Malpezzi, Stephen. 2002. "Hedonic Pricing Models: A Selective and Applied Review". Prepared for: Housing Economics: Essays in Honor of Duncan Maclennan. Edited by Kenneth Gibb and Anthony O'Sullivan, 2001.

The results of this analysis were not included in the recommended fee structure.

TABLE B-9: DEFINITIONS OF VARIABLES USED IN HEDONIC ANALYSIS

VARIABLE	VARIABLE DEFINITION	MEAN	STANDARD DEVIATION
sold price	Sale price of unit (Dependent variable, logged in model)	$148,057	$135,996
age_of_stock	Age of unit in years	34.74	27.85
air	Presence of air conditioning (1 = air present)	0.85	0.36
canadian	Located in Canadian County (1 = Yes)	0.1	0.31
cleveland	Located in Cleveland County (1 = Yes)	0.12	0.33
combinedsf	Total square footage of lot	18,132	65,472
dist_cbd_miles	Distance from CBD in miles	8.11	3.87
living_area_sf_ln	Living area of unit in square feet (logged in model)	1,806	863
masonry_brick	Masonry or brick on exterior	0.82	0.39
monthdummy	Month of sale (1 = January, 12 = December)	6.49	4.35
num_beds	Number of bedrooms	3.04	1.7
numb_baths	Number of baths	1.77	1.73
partial_bath	Presence of an additional partial bath (1 = Yes)	0.27	0.44
remodel	Flagged by assessor as recently remodelled (1 = Yes)	0.27	0.44
summer_sale	Sold between April and October (1 = Yes)	0.61	0.49
vablessthan600ft	Vacant or abandoned single family residential unit within 600 feet of property	0.55	0.5
vablessthan300ft	Vacant or abandoned single family residential unit within 300 feet of property	0.35	0.48
vablessthan150ft	Vacant or abandoned single family residential unit within 150 feet of property	0.17	0.37

VACANT AND ABANDONED BUILDINGS SURVEY

SurveyMonkey

1. Do you live within Oklahoma City boundaries?

	Response Percent	Response Count
YES	**92.1%**	**140**
NO	7.9%	12
answered question		**152**
skipped question		**3**

2. Is there a vacant or abandoned building on your block? If so, how close is it?

	Response Percent	Response Count
a. Next Door	17.0%	26
b. 2-3 Buildings Away	26.8%	41
c. Farther...	**31.4%**	**48**
d. I do not live by a vacant or abandoned building	30.7%	47
answered question		**153**
skipped question		**2**

3. Please rate the overall upkeep of buildings in your neighborhood.

	Poor		Average		Excellent	Rating Average	Response Count
Occupied Buildings:	6.0% (9)	10.1% (15)	32.2% (48)	**32.9% (49)**	18.8% (28)	3.48	149
Unoccupied Buildings:	**63.2% (79)**	15.2% (19)	17.6% (22)	3.2% (4)	0.8% (1)	1.63	125
					answered question		**152**
					skipped question		**3**

4. Has the presence of vacant buildings in your neighborhood affected your sense of safety and security?

	Response Percent	Response Count
YES	**58.9%**	**89**
NO	41.1%	62
	answered question	**151**
	skipped question	**4**

5. Have you or someone else in your neighborhood been the victim of, or been negatively impacted by crime in or around vacant structures?

	Response Percent	Response Count
YES	43.2%	64
NO	**56.8%**	**84**
	answered question	**148**
	skipped question	**7**

6. Do you believe the existence of vacant properties in your neighborhood negatively affects:

	YES	NO	Response Count
Property Values?	**94.7% (144)**	5.3% (8)	152
Ability to Sell Properties?	**93.2% (138)**	6.8% (10)	148
		answered question	**152**
		skipped question	**3**

7. What are your primary concerns with vacant and abandoned buildings as they affect your neighborhood?

		Response Percent	Response Count
1		**100.0%**	**125**
2		84.8%	106
3		64.8%	81
		answered question	**125**
		skipped question	**30**

8. The City is conducting a study to estimate the disproportionate service costs vacant buildings incur on police, fire protection, and code enforcement services. Would you support the City charging a fee to owners of vacant properties to recoup costs to the City?

	Response Percent	Response Count
YES	91.9%	137
NO	8.1%	12
answered question		149
skipped question		6

9. Do you believe owners should be required to register vacant buildings to facilitate tracking these properties to recover costs?

	Response Percent	Response Count
YES	89.9%	134
NO	10.1%	15
answered question		149
skipped question		6

10. What do you think a reasonable time would be before a property should be considered vacant and required to register?

	Response Percent	Response Count
6 Months	**74.1%**	**106**
12 Months	23.1%	33
18 Months	1.4%	2
24 Months	1.4%	2
answered question		**143**
skipped question		**12**

11. Do you think the City should take possession of problem properties in order to rehabilitate and return them to productive use?

	Response Percent	Response Count
YES	**73.3%**	**107**
NO	26.7%	39
answered question		**146**
skipped question		**9**

12. Would you support the City taking additional measures beyond cost recovery in order to reduce the incidence of vacant and abandoned properties to protect property values and support neighborhood stability?

		Response Percent	Response Count
YES		87.2%	130
NO		12.8%	19
		answered question	149
		skipped question	6

13. Do you have any additional comments? Specific examples would be appreciated.

	Response Count
	76
answered question	76
skipped question	79

14. May we publish your example?

		Response Percent	Response Count
YES		80.7%	117
NO		19.3%	28
		answered question	145
		skipped question	10

15. May we use your name?

	Response Percent	Response Count
YES	35.2%	51
NO	**64.8%**	**94**
answered question		**145**
skipped question		**10**

16. Optional: Please provide your name and location.

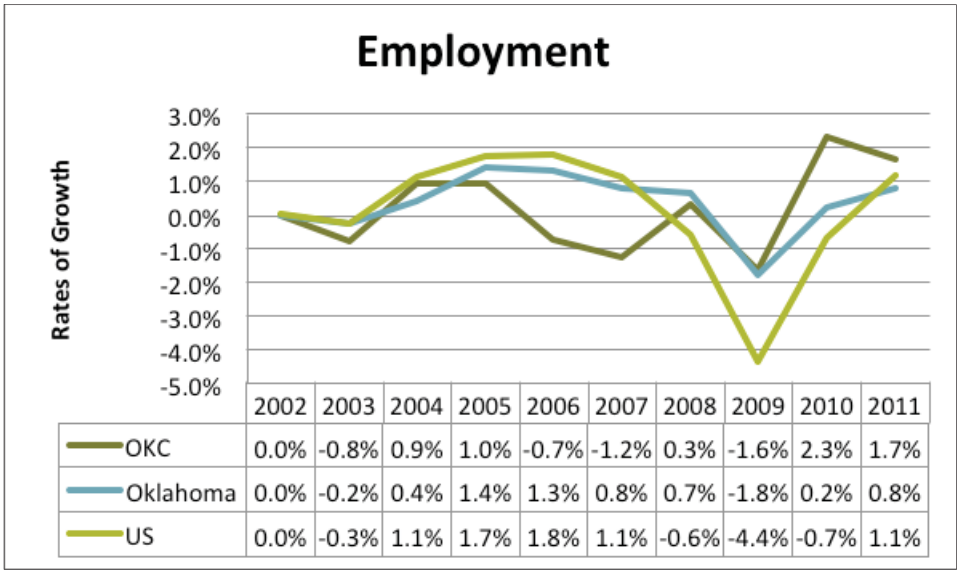
	Response Percent	Response Count
Name:	85.0%	68
Address:	86.3%	69
City:	88.8%	71
ZIP code:	**96.3%**	**77**
Neighborhood:	95.0%	76
answered question		**80**
skipped question		**75**

17. Would you like us to put you on an email list regarding this topic?

		Response Percent	Response Count
YES		**55.1%**	**75**
NO		44.9%	61
		Please enter your email address.	75
		answered question	**136**
		skipped question	**19**

EMPLOYMENT AND FORECLOSURE ANALYSIS

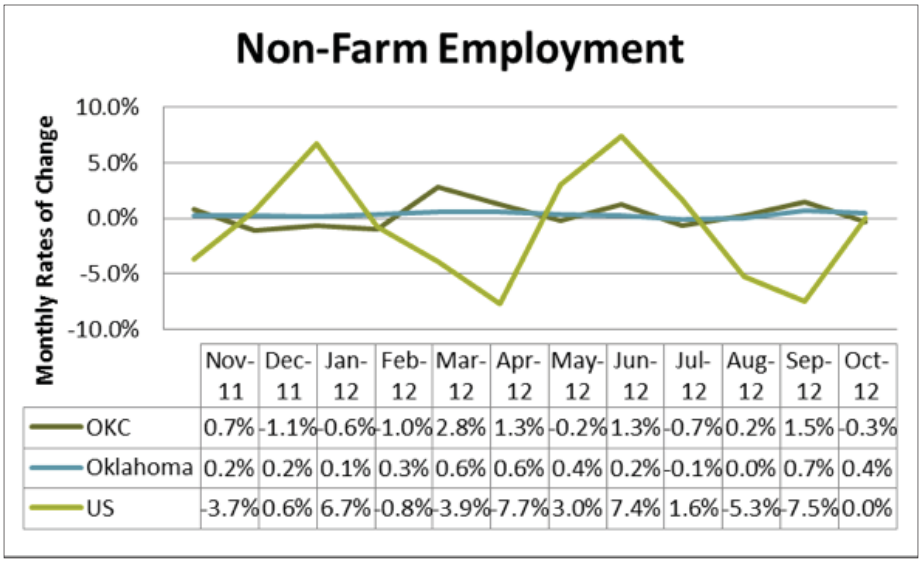
The primary indicators of economic health are job growth, unemployment rate and wage growth. Figure C-1 compares annualized changes in employment for Oklahoma City, the state and the nation for the 2002 through 2011 ten year period. Oklahoma City and the State of Oklahoma performed better than the country as a whole during the most recent recession. For the 10 year period, total employment in Oklahoma City grew by almost 2 percent. Total employment grew by approximately 3.7 percent in the state and just under 1 percent for the nation.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OKC	0.0%	-0.8%	0.9%	1.0%	-0.7%	-1.2%	0.3%	-1.6%	2.3%	1.7%
Oklahoma	0.0%	-0.2%	0.4%	1.4%	1.3%	0.8%	0.7%	-1.8%	0.2%	0.8%
US	0.0%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.1%

Figure C-1

The monthly total nonfarm employment numbers are more volatile than the annual numbers. Figure C-2 shows total nonfarm employment in Oklahoma City, the state and the nation for the period November 2011 through October 2012. Job growth in Oklahoma City and the state have continued on a positive overall trend although it is somewhat slower than the trend for 2002-2011. The national employment trend for the last 12 months is also positive; at 1.6 percent for the 12 month period, it is now trending above the Oklahoma City and State of Oklahoma rates.



	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
OKC	0.7%	-1.1%	-0.6%	-1.0%	2.8%	1.3%	-0.2%	1.3%	-0.7%	0.2%	1.5%	-0.3%
Oklahoma	0.2%	0.2%	0.1%	0.3%	0.6%	0.6%	0.4%	0.2%	-0.1%	0.0%	0.7%	0.4%
US	-3.7%	0.6%	6.7%	-0.8%	-3.9%	-7.7%	3.0%	7.4%	1.6%	-5.3%	-7.5%	0.0%

Figure C-2

Oklahoma City's unemployment rate is significantly lower than the national rate and lower than the state rate. As seen in Figure C-3 this has been true for the last year.

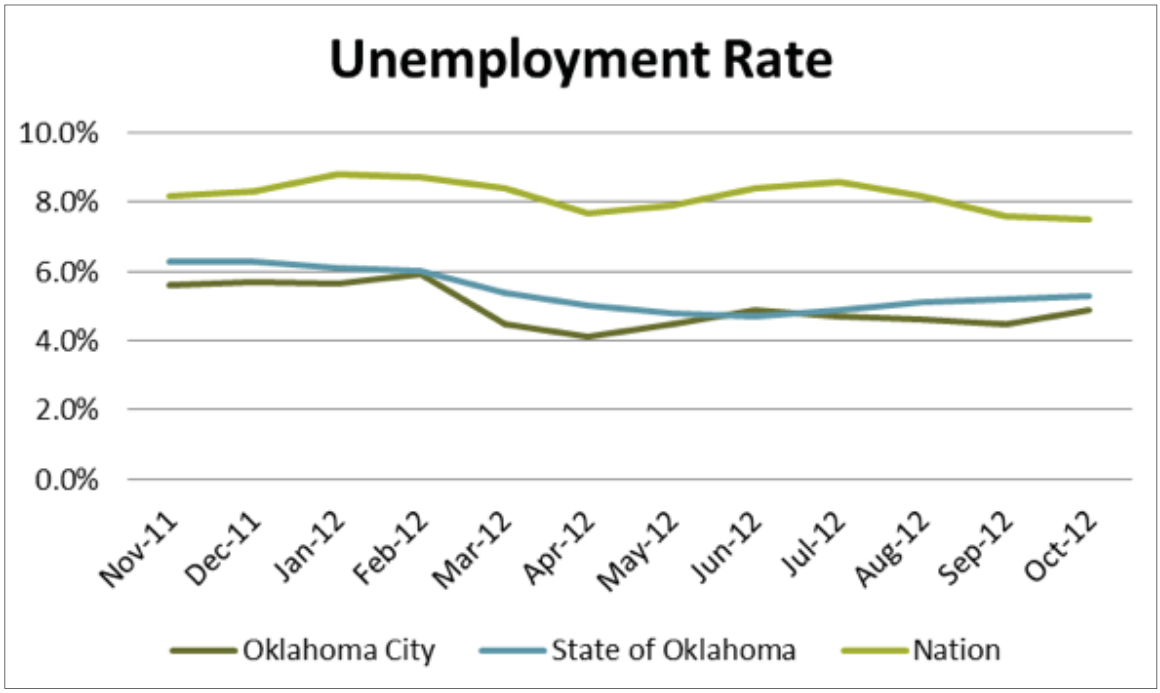
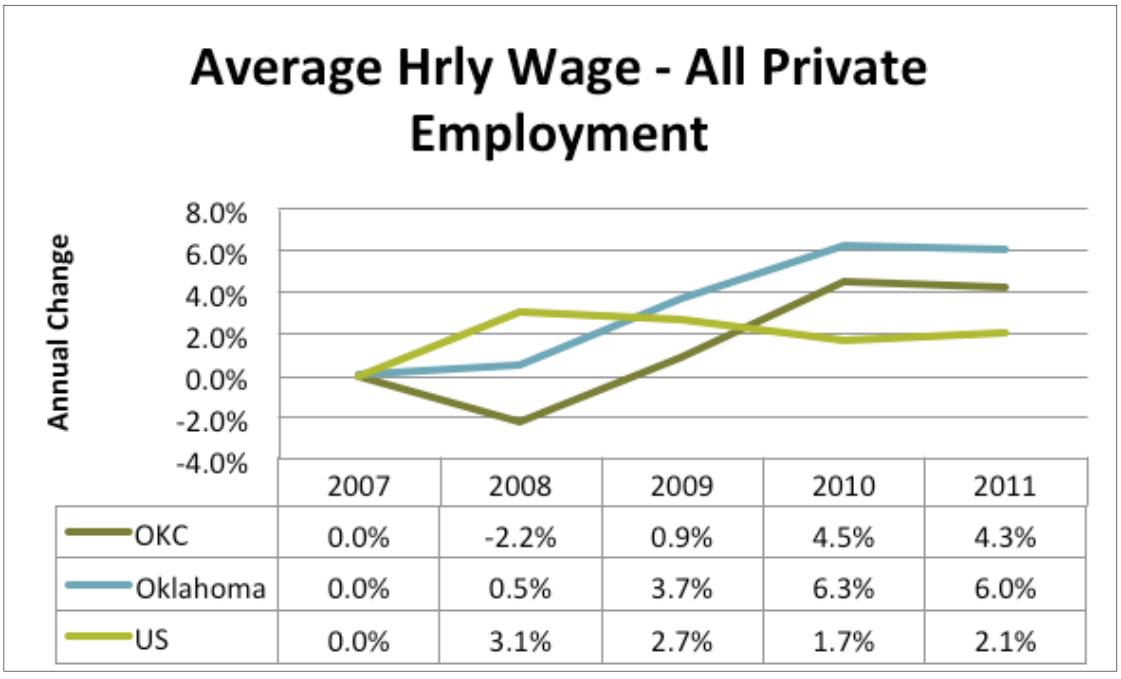


Figure C-3

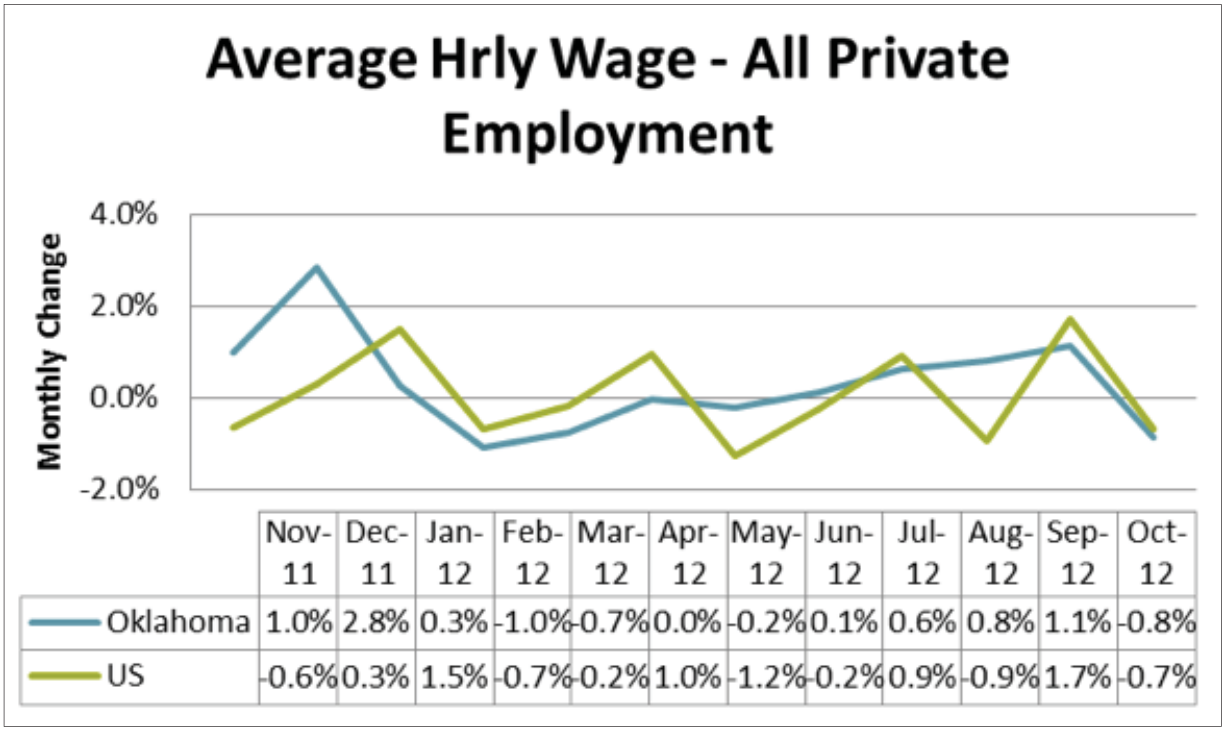
Changes in wages over the last five years have been positive overall. As seen in Figure C-4 Oklahoma City and the State of Oklahoma outperformed the nation in 2010 and 2011.



	2007	2008	2009	2010	2011
OKC	0.0%	-2.2%	0.9%	4.5%	4.3%
Oklahoma	0.0%	0.5%	3.7%	6.3%	6.0%
US	0.0%	3.1%	2.7%	1.7%	2.1%

Figure C-4

As seen in Figure C-5, during the last twelve months, the overall trend in hourly wages is positive with Oklahoma showing less volatility than the nation. (Oklahoma City specific data for monthly average hourly wage was not currently available from the Bureau of Labor Statistics.) Once again, monthly data can be volatile. The data have not been seasonally adjusted and may be revised.



	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
Oklahoma	1.0%	2.8%	0.3%	-1.0%	-0.7%	0.0%	-0.2%	0.1%	0.6%	0.8%	1.1%	-0.8%
US	-0.6%	0.3%	1.5%	-0.7%	-0.2%	1.0%	-1.2%	-0.2%	0.9%	-0.9%	1.7%	-0.7%

Figure C-5

Although there are still issues in the national economy and there may be additional threats to long-term economic recovery, the Oklahoma City economy is performing well and unemployment remains low. Destabilization of the overall Oklahoma City economy and job flight is not the primary cause of the increasing numbers of VABs in the city. The causes of VABs in Oklahoma City are not comparable to the issues in Detroit, Pittsburgh or other industrial cities.

FORECLOSURES IN OKLAHOMA CITY

Another primary cause of VABs in some areas of the country, primarily regions that drove the housing boom of the mid-2000s, is foreclosures. Figure C-6 compares the foreclosure rate in Oklahoma City to the Oklahoma County, state and national rates. Although the Oklahoma City rate is approximately half the national rate, this still represents a total of 1,877 homes in the city at some stage of the foreclosure process. Foreclosure properties are at one of three stages: Pre-foreclosure (Lis Pendens/Notice of Default), Auction, or REO/bank-owned property.

Figure C-7 provides a comparison of foreclosures in Oklahoma City, the state and the country. Owners of homes in pre-foreclosure generally have 2 -3 months to either bring their mortgage current, sell the property and pay off the mortgage (sometimes through a "short sale") or allow their home to be foreclosed. Home owners who have not successfully resolved their delinquency during the pre-foreclosure period have their homes placed for auction by a trustee. The bank holding the mortgage, an investor or a private individual may buy the home through auction. Generally auctions require cash at time of purchase, making the auction process inaccessible to the average buyer. When the bank buys the property out of the auction or if no one buys the property, the foreclosed property becomes a bank-owned, or real estate owned ("REO") property. Banks with REO properties will market them in the hope of selling the property and recouping some of their losses on the property.

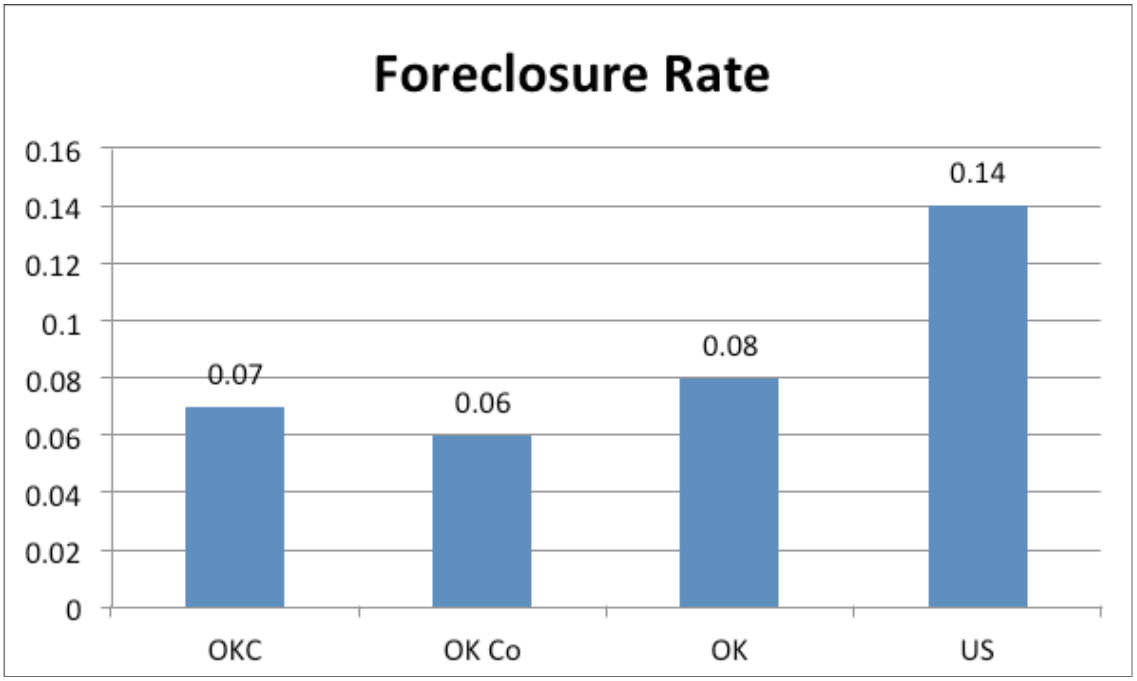


Figure C-6

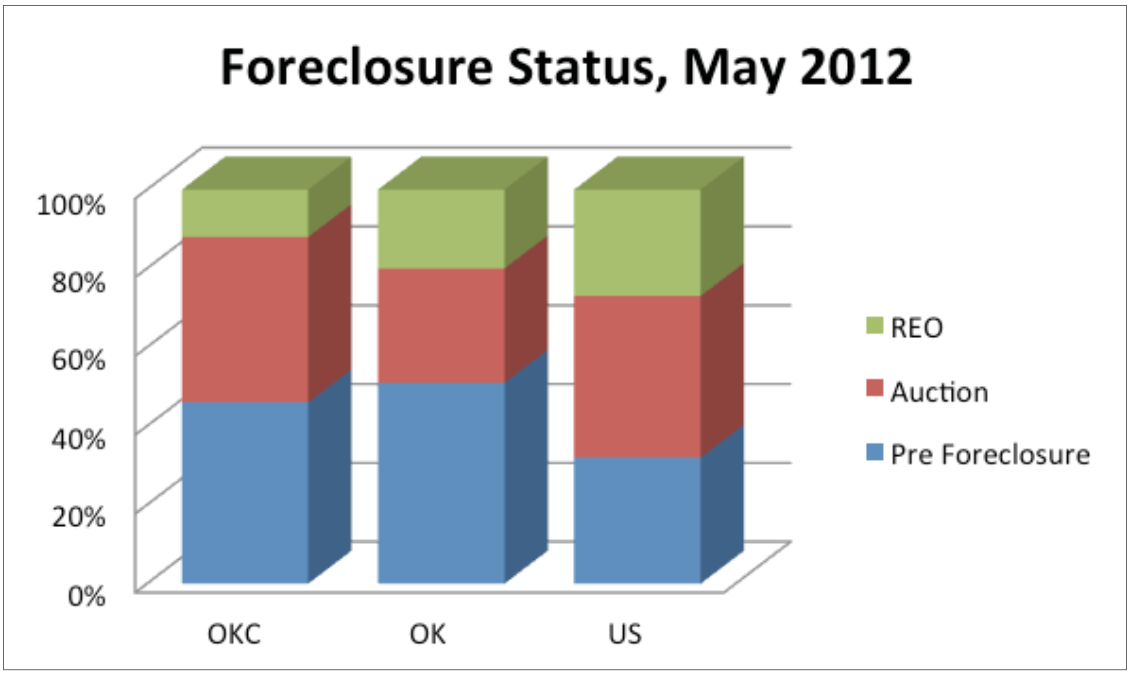


Figure C-7

Foreclosure is not a primary cause of the VAB problem in Oklahoma City.