Working Paper

A critical examination of market-centered land abandonment policies in shrinking American cities

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Executive summary

Land abandonment is one of the most acute problems facing shrinking cities in the United States. As populations leave, demand for urban land evaporates. As demand disappears, investors often soon follow. Most abandoned urban land finds its way into the tax foreclosure process wherein the city or county places a lien on the property and then eventually takes possession. Many state laws encourage (or demand) cities to then sell these properties, often for as little as several hundred dollars. The process tempts speculative investors to enter the scene, and their often “predatory” acquisition patterns complicate city planning and redevelopment efforts. In response, activists have proposed the reform of tax foreclosure laws to allow municipalities and planners greater strategic latitude with abandoned properties. They propose enhancing cities’ abilities to demolish or refurbish properties, and even to remove parcels from the market. These efforts have been somewhat successful, but have generated a backlash from market-oriented think tanks and business interests reluctant to see governmental planning powers enhanced. This paper examines the emergence of land abandonment reforms and the powerful opposition that has hindered change.

Political economists have long noted the increasing prevalence of neoliberal or market-oriented public policies. Expanding upon the existing literature, this paper develops a typology of three categories of government intervention—managerialist, market-first and market-only urban planning principles. The paper reveals a shift afoot from market-first to market-only planning, and explores how land abandonment reforms illuminate this evolution. Though every city embodies a complex network of often countervailing planning tendencies, this study categorizes actual cities into its tripartite framework. Eight cities were selected and placed into three categories based on their current land abandonment policies: consciously managerial (Cleveland, Flint, Saint Louis); limited managerial (Buffalo, Pittsburgh, Rochester); and market-only (Detroit, Gary).

The paper then employs various metrics of market distress to evaluate how different approaches to land abandonment have influenced urban areas. Two particularly striking findings arise from this analysis. First, in addition to inhibiting systematic planning efforts in cities, market-only policies appear, ironically, to be associated with the erosion of market conditions. Second, the market importance of government intervention—whether in the form of rent vouchers or sensible land management—often does not receive sufficient attention in cities experiencing abandonment. There is, in short, no reason to conclude that deregulating the land investment environment in declining cities will improve market conditions. Neither is there reason to believe that greater regulation will increase real estate distress.
A critical examination of market-centered land abandonment policies

Contents

1. Introduction ........................................... 5
2. Reforming laws to address land abandonment .......... 6
3. Growth in declining cities............................. 9
   3.1 From market-first to market-only planning ........ 10
   3.2 Market-only planning ............................ 11
   3.3 Other sources of intellectual opposition to government-centered land reforms .......... 13
   3.4 Ideational and political impasse ................. 15
4. Classifying troubled-land management regimes .......... 15
   4.1 Managerial land abandonment policies .......... 16
   4.2 Market-first land abandonment policies ......... 17
   4.3 Market-only land abandonment policies ......... 18
5. Actualized examples of land abandonment approaches .... 19
   5.1 Conscious managerialism land abandonment approaches .......... 19
      5.1.1 Cleveland .................................. 19
      5.1.2 Flint ........................................ 25
      5.1.3 Saint Louis .................................. 26
   5.2 Limited managerialism land abandonment approaches .... 27
      5.2.1 Buffalo ...................................... 27
      5.2.2 Pittsburgh ................................... 28
      5.2.3 Rochester ................................... 30
   5.3 Market-only land abandonment approaches ........ 31
      5.3.1 Detroit ....................................... 31
      5.3.2 Gary .......................................... 32
6. Measuring property investment in declining cities ...... 33
   6.1 Sales prices ....................................... 33
   6.2 Sales-to-property ratio ............................ 34
   6.3 Mortgage-to-sales ratio ........................... 35
   6.4 Vacancy .......................................... 35
   6.5 Assessing change during the recession: extent versus depth .... 36
7. Evaluating distress under different land management regimes .... 36
8. Conclusions ......................................... 44
Acknowledgments ......................................... 47
References .................................................. 47
List of Tables

Table 1: Changes to population and number of owners and renters in selected U.S. cities, 1950-2010
Table 2: Unit and household changes in selected U.S. cities, 2000-2010
Table 3: Average sales prices in selected U.S. cities, 2006-2010
Table 4: Buyer restrictions for tax-reverted properties in selected U.S. cities
Table 5: Percentage of census tracts meeting thresholds of distress in selected U.S. cities, 2007-2010
Table 6: Percentage of census tracts meeting thresholds of distress in selected U.S. cities, 2007-2010
Table 7: Changes in house sale activity in selected U.S. cities categorized by 2007 levels of distress
Table 8: Changes in mortgage-to-sales ratios in selected U.S. cities, categorized by 2007 levels of distress
Table 9: Changes in vacancy in selected cities, categorized by 2007 levels of distress
1. Introduction

In 2011, *The Detroit News* ran a series of articles on the speculation crisis ravaging the city’s real estate market (MacDonald, 2011; MacDonald and Wilkinson, 2011a, 2011b). Less than a dozen speculators were buying thousands of tax-foreclosed parcels, some for only a few hundred dollars each, with no evident intent of making productive investments in the properties. Some bought with the intention of flipping quickly to an unsuspecting buyer. Others purchased in anticipation of future development. Several of the speculators faced serious code violations or tax delinquency issues related to other properties in the city, but few rules, laws or practices inhibited or prohibited them from buying more. When the *News* asked Genesee County’s Dan Kildee what could be done, his answer was simple: “cut the supply of cheap housing off” (MacDonald and Wilkinson, 2011b). In Wayne County (home of Detroit), property that enters tax foreclosure is initially available for the price of its accrued tax debt. This sum often exceeds the property’s market value, so many go unsold. But there is a subsequent auction of the unsold properties where the minimum bid is set at $200. Speculators use this auction to strategically acquire properties (still, many go unsold) (Dewar, 2009). Experts like Kildee recognize that Detroit has a spate of serious problems facing its real estate market (and that restricting investor access would be no panacea), but they identify this second, discounted, auction as counterproductive at best. Kildee and others advocate a smart-government approach wherein cities and counties establish land banks to rationally manage the disposition of foreclosed properties. Land banks could be used to acquire such properties before they go to auction, to focus re-sales on owner-occupiers (or responsible land owners), and even to remove some properties from the market altogether.

To many planners and public policy officials working in shrinking U.S. cities, Kildee’s approach is not especially controversial. Places like Detroit, Flint, and Gary are so troubled that expecting the market to magically, benevolently and independently solve the city’s problem is considered naïve. Yet if smart-government real estate policies were truly uncontroversial in the broader political sphere, it is likely that many cities would have already adopted them. Many have not. Some states have passed land banking legislation in recent years, but often in the face of opposition that has sculpted the bills to become less regulatory—to, for example, require land banks to be financially self-sustaining or to inhibit them from acquiring certain types of properties. Some states have considered land banking legislation and rejected the reforms in the face of opposition. Finally, some states have proceeded in the opposite direction—inhibiting local governments’ ability to acquire property through eminent domain for economic development.

This paper examines explicit and implicit opposition to land abandonment reforms, and the wider debate about the role of planning in a market society. The argument presented here is that the assumptions of neoliberal planning have become axiomatic in much of the political sphere and puncturing them with reform is more challenging that presenting a rationalized alternative. Moreover, neoliberal views have become more extreme in recent years, evolving from a perspective embracing planning as a partner of capital to one in which planning is capital’s enemy. Within this latter conception, planning in particular, and government in general, can do little that is efficient or just, and thus should be eliminated from the policy sphere whenever possible. This trajectory is intrinsically ideological (so it is somewhat elusive in an operational sense), but it is possible to assess its policy manifestations in different cities—some of which have chosen to manage land abandonment carefully, while others have left the problem for the market to solve.

It is clear from this analysis not just that market-only land abandonment regimes challenge planning efforts; it also appears, paradoxically, that they also accelerate the erosion of market conditions. This study is organized as follows. Section 2 describes recent land reform proposals in the cities examined and details implicit and explicit opposition to them. Section 3 traces the intellectual lineage of this form of non-intervention, with a focus on emergent themes in the shrinking cities.
A critical examination of market-centered land abandonment policies

literature. Sections 4-7 systematically assess the recent planning and market outcomes of different policies—some market-oriented, some government-oriented—in eight shrinking American cities: Buffalo, Cleveland, Detroit, Flint, Gary, Pittsburgh, Rochester and Saint Louis.

2. Reforming laws to address land abandonment

Land abandonment is a pressing issue in declining cities (Accidino et al., 2000; Bowman and Pagano, 2000; Mallach, 2011). As populations leave, so too does the demand for housing, commercial and industrial space. In its milder forms, this merely leads to a drop in land prices for cities—a challenge for city coffers but not an insurmountable problem. In more severe cases, demand collapses so completely that owners literally abandon their property. Firms abandon commercial and industrial sites, often leaving cities with derelict, contaminated spaces that are difficult to repurpose without significant investment. Similarly, residential property is abandoned as mainstream investors and owner-occupiers decide that the collapse of demand has made it financially impossible for them to stay. In both commercial and residential cases, much of the abandoned property eventually becomes the possession of highly reluctant municipalities.

The specific mechanism through which property moves from private to public ownership is the tax reversion process (Dewar, 2006; Dewar, 2009; Schilling and Mallach, 2012). In most American (and Canadian) locales, cities or counties collect property taxes for schools and other services. When an owner stops paying those taxes, the city (or county) is entitled to auction their property to the general public for the price of the accrued tax debt. Property that remains unclaimed through this process generally reverts to some form of municipal ownership. In stable or growing contexts, property almost never makes the private-to-public migration because: a) owners in serious arrears are able to sell or remortgage their property to pay tax debts; or b) even if a property goes to auction, mainstream investors are generally interested and bid on it because the minimum asking price is usually lower than the market price. But in declining cities, whole areas are dominated by properties worth less than the accumulated tax debt. Owner-occupiers and other investors are thus more likely to abandon the parcel, serious investors are less likely to buy it at auction, and cities are more likely to be left with the problem.

The result of declining populations in troubled locales like Detroit and Gary is that hundreds of parcels enter tax foreclosure every year, and many remain unsold after auction. Though some serious investors participate in the auction process, many bidders are not serious about investing in the community (Dewar, 2009). Some investors acquire property for the speculative purpose of inhibiting development or infrastructure improvements (hoping, of course, the city will pay them much more for the property to regain access to it). Other investors buy a property and “milk” it—renting it while investing little in upkeep and often not paying taxes. With auction prices of only several thousand dollars per parcel, such buyers can turn a profit within a few years using this method. Still others purchase properties and resell them immediately to unsuspecting buyers.

Most municipal governments in the American Rust Belt are well aware of these speculative practices and seek to inhibit or prohibit them. Such forms of investment complicate planning efforts and encourage investment by parties not interested in paying taxes or involving themselves as members of the community. But the ability of public officials to acquire, assemble and plan with abandoned property is neither fully in their control nor likely to become so any time soon. Public officials in the U.S. have been inhibited by state governments (which have legal authority over cities in the American system) from quickly acquiring property since at least the Great Depression. Laws were put in place (or

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1 The tax debt accrued varies from place to place and from property to property depending on laws dictating how quickly public officials can move to tax foreclose on a property.
2 Some states then download this responsibility even further to the cities themselves, but even in these instances, cities are legally subordinate to states.
strengthened, depending on the state) during the 1930s to reduce the number of farmers losing their properties. Counties were required to wait an extended period before moving to foreclose on properties (often 3-4 years of tax arrearage), and to give adequate notice to property owners. Officials were furthermore inhibited from expunging debts attached to the property—also known as “clearing title”.

Though well-intended and generally successful in achieving their initial purpose in rural settings, such regulations and practices created difficulties when applied to urban contexts. The policies make it challenging for cities to prompt acquire, clear title and plan for land parcels that have been literally or functionally abandoned. Homeownership rates are low in cities, particularly declining ones, so measures inhibiting governmental action do not, by and large, serve to protect the interests of suddenly impoverished owner-occupiers. Instead, they inhibit the ability of cities to crack down on investors who purchase property, milk or flip, and then abandon it. Urban planning scholars since at least the 1970s have detailed how this legal structure invites a certain type of organized investor who games the process by paying little to no taxes while renting or flipping the property (Lake, 1979; Smith et al., 1989).

More recently, urban planning activists and intellectuals have argued that it is time to reform some of these laws to allow cities to better manage land abandonment and to more effectively inhibit pernicious speculation. Many argue for some version of a “land bank” approach wherein a new branch of government (or separate organization) is established to deal directly with this problem. By 2011, there were already 79 operating land banks in the United States, many established in the past 20 years (Alexander, 2011). The powers of such entities vary radically from place to place but they generally involve a shift away from letting the market “address” the problem alone. Land banks, for example, have been deployed to acquire delinquent property before it is sold to the public or have been authorized to bid on property that goes to auction. The banks can then either resell in a more controlled fashion (i.e., restricting buyers), assemble the property for economic development, or demolish structures too deteriorated to salvage. Some are empowered to intervene at a pre-abandonment stage—penalizing investor slumlords for not performing adequate maintenance and identifying genuinely-vulnerable owners and attempting to help them stay in their houses. Some land banks are even enabled to use eminent domain (expropriation) to acquire property for strategic purposes. Proponents of this approach argue that while it will not solve every problem for troubled cities, it offers a rationalized, managed approach to a problem.

During the past 10 years, a number of states have considered reforming laws to give cities more power to: a) create land banks; b) acquire, plan and redevelop property; and c) expunge titles for abandoned properties. Among others, Missouri passed land banking legislation in 2012, New York in 2011, Ohio in 2010, and Michigan in 2003 (Alexander, 2011). Some, like Illinois, have considered and rejected reform. Others, like Pennsylvania, are as of this writing still considering change. Some state legislatures have not considered land banking because it is perceived as “anti-market”. It does not limit the scope of government, and so, ipso facto, is flawed. In short, although the idea has been put forth for consideration by legislatures in recent years, it has been systematically resisted. Resistance has come in a variety of forms and has had different levels of success. In some instances, it has been sufficient to derail land banking efforts. In almost all cases resistance has been sufficient to affect policy outcomes—in particular by weakening land banks and land regulations to make them more property-friendly.

Resistance has arisen from several sources. First, real estate associations have objected to the proposals in every state in which land banking has been considered, and were particularly influential in derailing plans in Illinois and delaying them in Pennsylvania (Illinois Association of Realtors, 2012; Pittsburgh Today, 2011; Spalding, 2012c). Though the associations’ objections vary between states, their underlying motives appear to arise from member self-interest. Real estate agents (the membership of real estate associations) profit from property transactions. Anything that might inhibit
or prohibit the repetitive transfer of properties in cities or other jurisdictions—no matter how deleterious to planning efforts in that city—would likely reduce opportunities for association members.

Second, banks and financial institutions have resisted reform efforts in a number of states as part of a general effort to resist government oversight of the economy (Brachman, 2012a, 2012b). However, as Brachman (2012b) points out, the role of these institutions has not been as anti-regulatory, nor as effective, as past efforts because many of the related legislative battles were being waged in 2009-2010 when the industry was distracted by expensive lobbying efforts at the federal level to combat the Financial Reform Act of 2010. It could also be said that banks, in comparison with real estate agents, have a more complicated material interest in issues of abandoned land. Not only do banks make money when mortgages are originated, but they (as an industry) are positioned to benefit from larger economic development schemes that may necessitate the use of eminent domain and other public powers. Thus, lobbying efforts by financial institutions have been less strident in relation to land banks than other similar areas of reform.

Third, rural legislators, who tend in the United States to more often be Republican and more often politically positioned against cities in their state, have objected to the creation of land banks and public powers to acquire property. As Brachman (2012b) explains, this was a particularly challenging hurdle for reformers in Ohio, where rural legislators were concerned about property rights issues and whether the creation of land banks would be a vehicle to direct more funds to cities (where they are needed) and away from rural areas (where they are generally not). Though unsuccessful at derailing legislation outright, anti-reform legislators were able (in Ohio and elsewhere) to shape legislation to limit the powers and funding of land banks in their state. Many land banks are now required to self-finance as a result of this interplay of conflicting interests.

Fourth, political momentum induced by the anti- eminent domain wave that fell upon state legislatures in the wake of the 2006 Supreme Court case, Kelo versus New London Connecticut, has made it difficult to enact any regulations that enhance the power of government over property. The case affirmed the right of cities in the United States to use eminent domain (expropriation) for commercial redevelopment purposes—essentially using expropriation laws to take property (with compensation) from one private owner, assemble it, and then give it to another, with the goal of enhancing tax revenue. Libertarian activists, especially the Castle Group (the firm that represented Kelo in the case) and their think-tank offshoot, the Institute for Justice, were outraged by the decision and mobilized efforts to pressure state legislatures to limit the basis on which cities could exercise eminent domain. The legal impact of these specific resistance measures has been debatable (Jacobs and Bassett, 2010), but the political impact has been more prominent. Enacting legislation designed to enhance the power of government, even if not technically in the area of eminent domain, has been resisted by legislators under pressure from the Institute for Justice and other conservative groups. The influence of this sentiment intensified considerably when Democrats and moderate Republicans were replaced in large numbers in 2010 by highly pro-market “Tea Party” legislators at the federal and state levels. The highly charged atmosphere has made it even more challenging to achieve legislation that might give local government the tools needed to properly deal with land abandonment.

Finally, the most systematic, if not always most influential, source of opposition to land abandonment reforms in recent years has been market-oriented think tanks. Because their opposition is articulated comprehensively in report form, it is possible to explore their arguments in detail. Though there are regional and ideological differences in think-tank arguments, their objections can be summarized as follows. First, they argue that land banks in particular, and managerial local governments in general, have failed in the past, so it is foolish to try this approach again. Stahl and Spalding (2012; Spalding, 2012c) and other critics, for example, argue that land banks like those in Cleveland, Saint Louis and Atlanta have existed for decades and abandonment in those cities is as bad if
not worse than in other shrinking cities in the United States. They single out the ineffectiveness of acquiring and assembling land in anticipation of future development (Spalding 2012a, 2012c) and argue that land banks fail as a reinvestment strategy (Harding, 2010). Second, and highly related (in their view), they suggest that land banks are an “open-ended” granting to government of power over the market and allow local politicians to veto land sales based on whim (Harding, 2010; Illinois Association of Realtors, 2012) or venality (Spalding, 2012a). Critics view stock land bank mandates about “returning land to private productive use” as disingenuous. In their view, land banks, more often than not, hold land and never really return it to private investors (Spalding, 2012b). Even more controversial than holding and allowing houses to go derelict are reforms allowing governments to rent acquired properties or bid on properties at auction using “unlimited” debt (Spalding, 2012b). Critics argue that it is unfair to investors, developers and citizens when government is allowed to participate as an investor in this way. The alliance of market-oriented think tanks and real estate associations desires a policy regime that is market-centered, if not market fundamentalist.3 They believe that property acquired through tax foreclosure should be returned to investors as quickly and inexpensively as possible and unencumbered by regulation and title problems. Existing nuisance regulations that allow for “spot condemnation” or even fines for lack of upkeep should be loosened or eliminated (Spalding, 2012b). Within this worldview, investors and the market in general will correct the problems facing cities—governments will only worsen them.

In short, there is an organized effort—somewhat ideological, somewhat self-interested—to oppose land reforms in American cities. This opposition taps into deep-seated assumptions about the role of government in general and urban planning in particular. Within this perspective, the notion of government assistance or regulation is framed as misguided at best, communistic at worst. Though formalized arguments elaborating upon this logic are fewer in number than current efforts to promote land banks and other managed approaches, advocates of reform struggle to gain traction because ideological resistance is so deeply embedded. The following section explores the evolution and role of market-oriented urban planning ideas in declining cities.

3. Growth in declining cities

There has been notable proliferation of interest in recent years about shrinking cities—how to measure changes (Beauregard, 2009), where they are (Simmons and Bourne, 2007), what has caused the decline (Bontje, 2004; Friedrichs, 1993; Reckien and Martinez-Fernandez, 2011), what they represent (Martinez-Fernandez et al., 2012), and how planning efforts can resolve attendant problems (Downs, 1997; Hollander et al., 2009; Rybczynski and Linneman, 1999) among other foci. One thread within this literature focuses on the way that government in general, and planning in particular, interacts with existing market forces in declining cities. Several scholars have noted that the overwhelming emphasis in the literature on cities is “growth-oriented” (Bunting and Filion, 2001; Filion, 2010; Hall, 2009; Hall and Hall, 2008; Hollander, 2011; Leo and Anderson, 2006) and that actualized plans tend to focus on growth-oriented strategies as the best or only way to ameliorate problems in such contexts (Hollander and Cahill, 2011; Molotch, 1978).

This growth emphasis is reinforced by a number of factors. First, as Mayer and Greenberg (2001) have shown, the collective trauma of a major employer leaving can overwhelm city politics for more than a decade. City officials and residents continue to plan as though the firm either had not left or would return shortly. Only after significant time has passed do most city populations accept and begin to plan for decline. Second, as Logan and Molotch (1987; Molotch 1978) remind us, city politics are often structurally influenced by a “land-based elite” who push a growth-first agenda to satisfy their

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3 Some market-first advocates explicitly invoke market fundamentalism. Stahl and Spalding (2012) for example, invoke Hayek and other market-fundamentalist tracts in her critique of land banking.
interests as land holders in the region.\(^4\) Outside institutions like bond rating agencies, moreover, insist on a growth-oriented pathway in exchange for access to inexpensive credit—an incredibly powerful force (Hackworth, 2002, 2007; Sbragia, 1995).

Finally, Marxian geographers and planners remind us that local politics are highly pressured, if not structurally obligated, to pursue or at least accommodate growth, because of the hegemony of the capitalist system (Cox, 1993; Harvey, 1982; Smith, 1982). Within that system, capital regularly flees certain places to pursue higher profit elsewhere. City efforts deemed too regulatory or non-growth-oriented are punished with capital flight. It is, in short, clear from the literature that the assumption of growth dominates urban scholarship and the pursuit of growth is virtually expected of urban practitioners in many declining urban contexts.

It is not always clear in this and other literatures, however, what exactly constitutes a “growth agenda” and how it differs from a “decline agenda”—either on a practical or scholarly level. Does a “growth agenda” include all efforts that involve government assisting private capital? Or does it simply involve efforts to remove government oversight—either through de-annexation or deregulation? How, moreover, should we think about economic policy agendas that integrate both elements of decline (say, converting vacated land to non-market uses like parks) and the pursuit of growth-oriented strategies (building a stadium)? There is no simple answer to these questions, but it is important for scholars to parse the meaning of growth and decline in such contexts, and to think more clearly about the role of the state in general and planning in particular. Framing the issue in this way situates the literature on declining cities within existing debates on planning, and illuminates a trend occurring in the declining cities policy universe, namely the transition from market-first to market-only planning.

3.1 From market-first to market-only planning

The notion of planning as the antithesis of growth marks an important conceptual transition. Political economists have described a mode of planning that emerged in post-war core countries and was associated with the larger influence of Keynesianism (Gaffakin and Warf, 1993; Gleson and Low, 2000a; Hackworth, 2007; Harvey, 2005). Harvey (1989) deemed the local incarnation of this approach as the “managerialist local state”. Managerial urban planning was made possible by rapid year-over-year growth in North America, Western Europe and Japan in the post-war period. It was characterized by a tendency to regulate rather than partner with capital. Land use regulations and a bureaucracy to manage land development emerged in this context. Comfort with using statecraft to fine-tune the efficiency of cities peaked, and ostensibly better outcomes justified processes which were often far from democratic. Urban renewal, also known as “slum clearance”, emerged in this context (Anderson, 1964; Berman, 1982; Gans, 1975). Declining neighborhoods were razed and replaced with public housing, expressways and public works. Iconic developer-planner figures like New York’s Robert Moses emerged during this era (Caro, 1975; Jacobs, 1961).

Managerialist top-down planning became highly unpopular and impractical. Harvey (1989) argues that it dissolved under the pressure for cities to compete with one another.\(^5\) From a competitive perspective, the state, and planners in particular, were expected not to regulate and manage capital, but to partner with it. Planning became less about regulating land development and more about facilitating growth through policies that would encourage businesses and individuals to stay in cities. Planners’ day-to-day activities came to revolve less around the rational scientific managerialism of the previous era, and more around the promotion of place—to paraphrase one scholar’s description of this process,

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\(^4\) However, it should be noted that some recent research suggests that the influence of the land-based elite and broader growth coalition are waning in certain cities (Purcell, 2000).

\(^5\) Though it should also be noted that other scholars argue that the managerial era also ended because of its political unpopularity on the Right and the Left.
“location quotients were replaced by press releases” (Levy, 1990). Elaborate negotiations with private developers increasingly replaced strict zoning enforcement (Fainstein, 2001) and public-private partnerships squeezed out government-led public works projects. Theoretical planners adapted to and facilitated this turn by outlining strictly limited justifications for their field, primarily correcting or avoiding market failures (Klosterman, 1985; Moore, 1978) and minimizing negative neighborhood effects (Sorensen and Day, 1981). In short, planning and government-led action became justifiable only when the market had palpably and clearly failed or when the actions of one property owner were diminishing the rights of another. Even in such instances, planning’s proper role was to partner with capital, not regulate it. Marxian planners and geographers, though critical of this evolution in planning, even suggested that this partnership was the essence of planning as an idea—that planning exists specifically to support and partner with capital (Fogelsong, 1986; Harvey, 1985).

3.2 Market-only planning

More recent work in political economy has focused on the rise of “neoliberalism” (Hackworth, 2007; Harvey, 2005; Sager, 2011) or “market fundamentalism” (Somers and Block, 2005; Stiglitz, 2009). At their most general level these works assume the notion of a planning/capital partnership alluded to by earlier Marxian planners and geographers. This body of work suggests a deepening of the aforementioned conceptual transition—a normalization of market logics within planning and policy realms. Sometimes lost within this narrative, however, are important conceptual distinctions regarding exactly what planning and urban policy are positioned to do. Chief among these oversights is the distinction between statecraft being used to partner with capital (e.g., subsidies to ensure profit) and the removal of government influence so that capital can proceed unimpeded (e.g., deregulation, de-annexation, lowering taxation). We can, in other words, distinguish market-first policy forms—those that essentially subsidize capital by using public resources to ensure some form of profit—from market-only policy forms. Market-only planning is the ideational positioning of government as the central impediment to efficient markets and the attendant policy practices involving the removal of government from the economic sphere. In practice, the market-first and market-only pathways are often invoked simultaneously in economic development schemes: public money might be used to fund a stadium and regulations are removed on businesses willing to stay in the city. Two prominent examples (Porter, 1995; Rybczynski and Linneman, 1999) focused on declining inner cities reflect this balance insofar as they suggest prescriptions that are both deregulatory and involve partnerships. In practice, there is often an ambiguous middle ground that involves both planning tendencies as strategies for promoting growth.

Nevertheless, the market-first versus market-only distinction is useful in this analysis as it situates the aforementioned debate regarding land abandonment reforms. While most policies are an amalgam of market-first and market-only planning, the latter is not only becoming a more mainstream idea, but is the central ideational impediment to land abandonment reforms in American cities. The notion that cities ought to regulate development and capital more generally—i.e., Keynesian managerialism—is now virtually absent in serious policy discussions. Even the notion of cities partnering with capital for economic development purposes is being challenged. The viewpoint that municipal government is the cause of decline and that the only way to improve conditions is to remove government oversight is gaining prominence. This relatively extreme view frames partnerships between government and the private sector as market impurities.

If most urban economic development literature takes a hybrid position—market-centered but not rigidly market-only in orientation—what is the source of the market-only perspective and its growing traction in the political sphere? The purest intellectual antecedent is the “neoliberal school” of economists writing in the mid-twentieth century. This group—which includes Hayek, Friedman, von
Mises and Rand—envisioned themselves as the intellectual counterweight to the rising tide of Keynesian managerialism in post-War America. They revived the works of classical liberals and adapted them to present society. Initially derided as “the lunatic fringe” (Girvetz, 1963), their ideas became canonical within the field of economics and many right-leaning think tanks in the United States. Most of their work did not specifically address urban planning, but the few exceptions provide a glimpse of how they viewed the interventions of planners. Perhaps most indelicately of all, von Mises (1962, p. 1) wrote, “planning and capitalism are utterly incompatible”. “It”, he elaborated, “is the antithesis of free enterprise, private initiative, private ownership of the means of production, market economy and the price system”. Clearly, there was little to no room for government intervention within this conception—almost none for urban planning as it was understood then or now. It is perhaps the clearest and simplest justification of market-only planning that exists. Within the broader political sphere and even amongst neoliberals themselves, however, von Mises (along with Rand) was considered to be extreme (Burns, 2009), so perhaps one should hesitate from making too much out of this set of passages.

Hayek and Friedman were considered less hyperbolic. Both wrote specifically on urban planning. Hayek (1960) devoted an entire chapter of The Constitution of Liberty to “housing and town planning”. Therein, he ruthlessly denigrates planning as misguided and lacking socially justifiable parameters. At one point Hayek deems planning the “anti-economics” because it is so often used to disrupt the operation of the “pure” market. He offers little in the way of alternatives, although planning scholars like Sorensen and Day (1981) have argued that Hayek did see two, very limited, roles for planning (Gleeson and Low, 2000b). First, planning could be justified on the basis of mitigating neighborhood effects from certain types of development—that is, property owners could be penalized by planners for developing or maintaining their property in a manner that negatively affects nearby property values. Second, planning could be mobilized to address market failures resulting from imperfect information, public goods, negative externalities, and specific situations of imperfect competition. Even if we accept this quasi-Keynesian reading of Hayek (and there is considerable room to disagree with Sorensen and Day’s interpretation), it is clear that neither he nor any of his intellectual compatriots spelled out a series of justifiable planning interventions. Rather, almost all of this group’s intellectual heritage was devoted to critiquing the state. Planning had little to no justification, was unnecessary within a market society, and would lead to threatening “unintended consequences”. At best, planning was to be severely limited in scope; at worst, it was an enemy of freedom and should be eradicated outright.

Almost all members of this founding group of neoliberal thinkers are now deceased, so it is justifiable to ask what influence they might have on the current political economy landscape, particularly the issue of land abandonment. First, much of their legacy lives on in the work of today’s neoliberal economists. Arguably the most directly connected contemporary literature is that of thinkers who advocate the “government failures” perspective. This group emerged in the late 1970s and continues to publish in mainstream economics journals. The raison d’être of this literature was to create an intellectual analog to the “market failures” tradition that was widely seen as an intellectual justification for the activist Keynesian state of the mid-twentieth century. The government failures literature tends to be more empirical than the comparatively ethereal work of Hayek et al., but it is openly founded in neoliberal assumptions. The literature is devoted to illustrating, often through isolated case studies, the inefficiency, corruption or unintended consequences of government action, including but not limited to planning (see, among others, Chang, 1997; Meier, 1993; Wallis and Dollery, 2002).

A second and perhaps more influential extension of the neoliberal market-only logic is evident in the proliferation of right-leaning think tanks during the past 40 years. Though the CATO Institute is the largest, most famous, and most directly connected to the neoliberal school of thought, dozens of federal
and state-level think tanks have emerged to script intellectual justifications for scaling back the overall purview of the state, including its role in planning (e.g., O’Toole, 2007). Many of these think tanks are general-purpose but some have begun to focus on issues of land abandonment. The Mackinac Center in Michigan and the Show-Me Institute in Missouri are particularly influential recent examples. They have delineated opposition to the formation of land banks and penned justifications for market-only planning. The intellectual lineage of such groups varies, but the sources of inspiration are clear. The Show-Me Institute’s neoliberal links are open and unapologetic (see in particular Spalding, 2012c). Not only do they spell out highly localized reasons that land banks are ineffective; they link this reasoning directly to the likes of von Mises, Friedman and Hayek.

Other think tank examples tend to be less direct, but their implied veneration of the market as a self-sustaining, self-correcting entity, juxtaposed against the always-misguided, often-malevolent state makes their political and intellectual inspiration clear. Though the political influence of such entities is often misunderstood and frequently overstated (Abelson, 2002), it is clear that they function as extensions of the logic underlying market-only planning (Gleeson and Low, 2000b). In some cases, their role is as direct as helping craft market-only legislation or thwart or undermine managerial legislation. At a minimum, they contribute to providing a justification for market-reverent and anti-urbanism tendencies rife in state legislatures in the United States (Blackwood and Carpenter, 1978; Gainsborough, 2001; Henderson, 2006).

A third incarnation of the neoliberal sentiment exists as a series of powerful cultural threads in the U.S. The first of these is the cultural axiom that “government”, in the words of Ronald Reagan during his 1981 inaugural speech, “is not the solution...it is the problem”. Perhaps more than any other country, the United States is rooted in anti-governmental individualism. This sentiment is easily exploited politically and has deepened in recent years to the point at which even left-leaning politicians must justify policy according to market logic. In the case of land banking legislation, for example, activists in Ohio and Michigan were forced not only to justify their policy idea according to market efficiency (e.g., “they will improve investment opportunities”), but were compelled to agree to concessions making land banks less government-oriented in practice—in particular the requirements that the banks be self-financing and sell land as quickly as possible. A second, parallel cultural thread is that of anti-urbanism. Though over 80 percent of Americans live in or near cities, there is a durable cultural logic that reinforces the notion that the country is at its core rural. Cities are framed as sources of vice, inefficiency, corruption, crime and larded government, and they have been for decades (Beauregard, 2003; Blackwood and Carpenter, 1978; Henderson, 2006). This thread too is politically exploited and often influences state-level legislation. Both the market logic and anti-urbanism themes are reinforced within most state legislatures, which tend to over-represent rural districts and thus ideas that emerge from those contexts.

Opposition to the managerial idea of land banking and related reforms is rooted in the concept of market-only planning. This opposition has a formal intellectual heritage but also functions simply as a cultural force. Though no actual planning theorist (to my knowledge) has fully endorsed market-only planning, the notion remains a powerful idea, one that is eclipsing earlier “third way” measures like market-first planning.

3.3 Other sources of intellectual opposition to government-centered land reforms

A narrower, non-neoliberal, form of opposition to managerialism has emerged in recent years. It builds on the failures of two mid-twentieth century planning legacies: the urban renewal era and previous planned shrinkage proposals. The urban renewal era in the United States is widely seen as a failure and an intervention justified using language similar to that of today’s land-bank advocates. Neighborhoods were identified as “slums” and cleared for economic development, social housing and
freeway infrastructure after the 1949 Housing Act and extending well into the 1960s (Anderson, 1964; Jacobs, 1961). The government acquired whole neighborhoods through eminent domain, and then eviscerated them, creating intense resentment toward both the logic of these interventions and their outcomes. Much of this distaste was not rooted in Hayekian neoliberalism, but rather in pragmatic centrist or even left-leaning politics. Opponents were particularly incensed by the inequitable distribution of these interventions—working-class communities of color were targeted much more frequently and to more deleterious effect than white, middle-class areas (Fainstein, 2010).

Urban renewal was widely discredited by the 1970s, and cities were experiencing a crushing recession, so government-led initiatives of this sort were put on hold. New York City faced a profound fiscal crisis that eventually led to its de facto bankruptcy (Tabb, 1992). After having its requests for financial assistance famously rebuffed by the federal government, the city was forced by creditors to restructure its debt to better ensure repayment. The Emergency Financial Control Board and the Municipal Assistance Corporation—both unelected bodies filled with banking interests—were established to oversee the city’s restructuring. Their efforts were directed at shrinking the city’s then-famous social economy and municipal service network (Fitch, 1993; Tabb, 1993). Social welfare programs were cut ruthlessly, and the oversight organizations proposed closing many of the city’s fire and police stations in areas deemed insufficiently populated. The city’s planning department was partially tasked with implementing this agenda and infamously proposed a policy of “planned shrinkage” (Starr, 1976). Planned shrinkage, they argued, would allow the city to consolidate its resources and thus serve its constituencies better through cost savings. Roger Starr, the city’s planning director at the time, was ruthlessly criticized for this effort. Activists in minority neighborhoods decried the fact that almost all of the proposed closures and cuts would disproportionately affect their neighborhoods and leave wealthy parts of Manhattan unscathed. Starr was publicly castigated by others as being a shill for financial interests and targeting minority neighborhoods. A similar proposal in Detroit in 1993 was met with equal levels of resentment and ridicule (Worthington, 1993). Planned shrinkage and urban renewal efforts were deeply unpopular with those affected, and eventually also lost traction with a significant number of planning scholars.

In 2010, Planetizen, the leading American planning blog, hosted a lively debate about whether recent efforts to implement “smart decline” by abandoning certain sections of cities and re-focusing development were in fact a revival of urban renewal or “planned shrinkage” (Gratz, 2010). The debate was provoked by a post in which Roberta Gratz did indeed make this connection. Her position was that urban renewal had been justified by language very similar to that being used in “smart shrinkage” plans and that the economic track record of urban renewal revealed flaws inherent in a smart shrinkage approach. Comments on Gratz’s article varied, but revealed that at least a portion of the planning community remains uncomfortable with government intervention to “solve” urban decline. Some, like Gratz herself, focus on economic efficacy, pointing to neighborhoods in other cities that regenerated almost organically without government intervention. But many others are more concerned about the disturbing lessons regarding process that were revealed through urban renewal and past planned shrinkage attempts. The specter of top-down autocratic planning haunting these earlier incarnations is enough to dissuade some planning scholars from endorsing them.

Hollander and Nemeth (2011) developed this argument into a persuasive thesis regarding the ethics of “smart shrinkage” schemes. Drawing on the poststructuralist argument about how the role of expertise can suppress democracy at the local level (see in particular Mitchell, 2002), the authors argue that the process of planning in declining contexts must involve meaningful public participation. Simply stating in a public meeting that a given number of fire stations will be closed or that a section of a city is going to be mothballed does not meaningfully involve the wishes and input of residents even if they can be convinced to endorse the plan. Though Hollander and Nemeth build on a different literature, their
argument resonates well with the larger argument in planning theory that the value of the outcome cannot be separated from the value of the process that led to it (Fainstein, 2010; Healey, 1997). This view emerges from a rejection of the rational comprehensive model in urban planning wherein the planner is situated as a scientific expert whose primary responsibility is to derive policy solutions that improve the efficiency of cities. Though once marginalized within planning, concerns about the nature of the planning process are arguably now perceived as equally important as concerns about outcomes (see, for example, the range of readings in Fainstein and Campbell, 2012). Most who share this “process-oriented” position do not embrace the market reliance of the neoliberal economic paradigm and so must be separated intellectually from the neoliberal camp. They do, however, represent an intellectual opposition to managerial land abandonment reforms that is bolstered on the ground by activists who demand that the wishes of residents within declining cities be adequately accounted for. Neoliberal and process-oriented critics share opposition to land abandonment reform in declining cities, but the ideological foundations of their perspectives share few other similarities.

3.4 Ideational and political impasse

Neoliberal opponents of land abandonment reform see current proposals as violating the tenets of market society. Process-oriented critics worry that proposed reforms are merely reincarnations of widely discredited urban renewal and planned shrinkage projects. Some argue that process critics contributed to the general diminution in support for centralized urban managerialism (Gleeson and Low, 2000a). Eisenschitz and Gough (1993) go further by suggesting that there is an actual convergence between process-focused planning scholars and neoliberals in their shared antipathy for the state. Without wading into this particular debate it is possible to conclude that the space for a managerial solution involving an active city government is highly contested and not always exclusively from Right--leaning sources. Though not all of this contestation is motivated by pro-market ideology, this oppositional convergence significantly elevates the power of investors in declining cities because they reinforce a status quo that in most localities involves minimal government intervention and few potential penalties for property owners. This is celebrated by neoliberal scholars, but not by process-oriented critics. Under the banner of “private property rights”, neoliberal think tanks strongly contest efforts to seize property and reorganize cities. Even when they succeed legislatively, efforts to involve government such as the current land banking movement tend to be watered down in this context, becoming more incremental and adaptive to the market ethos.

The following section attempts to conceptually categorize variations in the ways planning is situated as a partner with and sometimes an impediment to, but rarely a regulator of, private capital in declining cities. After exploring how such sentiments materialize in policy form, the experiences of land abandonment planning in eight U.S. cities are carefully considered to determine whether there is a discernible difference between the efficacy of managerial and market-oriented approaches.

4. Classifying troubled-land management regimes

Before turning to an operationalized assessment of different approaches to land abandonment management, it is first necessary to fit existing practices into the conceptual schema described in the previous section. That is, what policy forms can be considered “managerial”, “market-first”, and “market-only” in orientation? This is a more complicated conceptual problem than it might first appear. Several factors inhibit clear operationalization of these three categories in case study cities. First, land banks are often characterized as a rationalized response to land abandonment issues, but I hesitate to, ipso facto, classify all cities with land banks as “managerial” in orientation. Land banks can and often do serve as a rationalized way to implement some or all of these mechanisms but they are not inherently “managerial”, as the specific mix of powers is quite variable. Details about which powers a city or land
bank does or does not have are often more important than whether or not a land bank exists. I prefer to use the concept of a “land abandonment regime” to refer to the suite of tools used by a locality to address vacancy, tax delinquency and blight. Sometimes this regime includes the formal presence of a land bank, sometimes not. The land abandonment regime framework is a more holistic way to understand approaches to the issue, rather than simply identifying the presence or lack of a land bank.

A second classificatory challenge is that the Harvey scheme (managerialism to entrepreneurialism) was framed not at the city scale, but rather referred to general tendencies within the local state. Caution must be exercised in adapting Harvey’s ideas to a narrower context. A third element of challenge worth considering is the enormous variation within and between land abandonment regimes in various cities. There are no “ideal-types” of land abandonment regimes that can be classified as purely “managerial”, “market-first” or “market-only”. In practice, most cities employ a variety of (sometimes countervailing) approaches based on funding and political contingencies. A city might, for example, try to reduce supply through demolition while simultaneously marketing dozens of tax-foreclosed homes for resale to bidders to raise needed revenue. The mixture is even more confusing in shrinking cities, which often face considerable external political intervention and particularly acute fiscal challenges. In summary, there is no purely “managerial” (despite what land bank critics argue) or purely “market-only” approach. Almost all land abandonment regimes are “market-first” in some way, at least at a general level. Specific practices and policies, however, are more readily categorized, and the subsequent sections create a framework for this classification.

4.1 Managerial land abandonment policies

Following Harvey’s (1989) conceptual schema, we might define managerial approaches as those designed to regulate development by placing conditions on it. Statecraft is used in these instances not as a vehicle for or partner of capital but rather as a referee of investment practices. It is important, however, not to confuse this category with a form of socialism, as some market-only advocates have done. Even in its most regulatory moments, managerial capitalism was organized to provide a template for growth. Managerial land abandonment policy techniques are no different. Though they may function to regulate investment, and may even remove some land from the market, they are designed to support private investment and justified by their ability to do so. A number of techniques and policy forms can be classified under the managerial umbrella.

First, some cities responding to functional and literal land abandonment have begun to strengthen their existing blighting legislation so they can penalize, and if necessary acquire and demolish, property that has been purchased and left to rot (Alexander, 2011). Some cities are also using programs of this sort to predict which properties might eventually become formally abandoned, allowing the city an earlier intervention (Hillier et al., 2003). The logic of these programs is that property purchases by speculators who do not perform normal levels of upkeep create a negative externality, or “neighborhood effect”, that suppresses nearby property values. The nature of managerial programs vary, but they typically consist of legal mechanisms allowing the city to inspect properties and then warn owners who are in violation. If the property owners refuse to comply with city orders, such laws enable the city to perform maintenance against a lien on the property. In the most egregious cases, cities may even formally acquire the property after unpaid bills reach a certain level.

A second managerial technique is the strengthening or enacting of building codes to identify properties representing a risk to health and safety. Sometimes this technique is part of the aforementioned registration systems, while other times it is administered separately. Building codes extend beyond issues of basic maintenance to include matters of structural integrity and safety. In

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6 See Alexander (2011) for an excellent summary of the range of practices used by cities across the country, and Cohen (2001) for a case study of how they are applied in one city.
A critical examination of market-centered land abandonment policies

extreme cases, this framework allows cities to condemn and demolish properties under the rubric of health and safety. A third related technique is the use of eminent domain. Although eminent domain laws in the United States are under assault from both the Right and the Left, the method is still used by struggling cities at different scales. Most controversially, eminent domain is sometimes used to declare whole sections of a city “blighted”. Property within the blighted zone is condemned and then transferred to a private developer. This practice is the most prominent reason that urban renewal schemes are so unpopular today. Other more limited uses of eminent domain also occur in declining cities. Some states permit cities to use a less drastic approach called “spot blight”, in which a single property is declared “blighted” and state powers are used to acquire and usually demolish it.

A fourth category of managerial practices revolves around the tax reversion process. Some cities now impose restrictions on who can bid for auctioned property. Others intervene at the auction level to purchase the property, and then resell it to pre-selected buyers. Most often cities and land banks restrict buyers responsible for code violations or tax delinquency associated with other properties in the city. Some cities are even permitted to become permanent investors themselves, purchasing property and renting it to residents or businesses as part of an affordable housing or economic development scheme. In other cases, reforms to the tax reversion process are simply designed to remove problematic properties from the market.7

Though demolition is often the endgame of such policies, it is also increasingly a policy mechanism in its own right. Some activists, Mallach (2011, 2012c) in particular, have argued that demolition should be employed far more aggressively to lower the city’s overall supply of housing. Supply far outstrips demand in many American Rust Belt cities and the presence of thousands of redundant housing units only serves to drag house prices well below the replacement value (the cost of building a similar home in a given area). Mainstream builders thus lose interest in the market and pernicious speculative development sets in. Cities have been employing demolition as a strategy since at least the 1960s, but with the recent foreclosure crisis, some are being encouraged to intensify these efforts.

4.2 Market-first land abandonment policies

In practice, it is difficult to conceptually disentangle “market-first” policies from managerial forms. Managerial techniques, as mentioned earlier, are market-friendly too, so simply identifying practices meant to support the market is an insufficient means of distinction. However, the shift to “entrepreneurial” city planning entailed a renewed emphasis on partnerships, particularly those involving some form of direct or indirect subsidy to the private sector in exchange for development. Within declining cities, a great deal of economic development practice is devoted to assisting capital in this way. This can come in the form of public-private development partnerships, commercial redevelopment schemes where the state’s eminent domain powers are used to acquire property for investors (Fainstein, 2001), or tax schemes designed to assist the private sector. It is now standard for declining cities to employ tax abatements or tax-increment financing—essentially the removal of property taxes or the allowance of businesses or business groups to use their taxes to finance self-supporting infrastructure rather than contributing to the general revenue pool (Weber, 2002).

When focusing more narrowly on land abandonment regimes, the range of potential “market-first” practices is smaller. It is also true that practices designed to help neighborhoods experiencing heavy abandonment rarely resemble the large-scale redevelopment subsidies directed at downtown areas. They often function more to assist existing or potential owner-occupiers to come to, or remain

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7 In some cases, this is part of a larger strategy to create green space and urban agricultural space on lands that have been abandoned (see City of Rochester, 2009; Schilling and Logan, 2008). In other cases, it is more ad hoc in nature.

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A critical examination of market-centered land abandonment policies

in, a neighborhood for stability. A common example is the advent of “side-lot” programs. Side-lot programs are designed to use governmental powers of tax foreclosure or condemnation to acquire a given parcel, demolish the structure on it, and then give or sell the property for minimal cost to an adjacent owner-occupying neighbor (Schilling and Mallach, 2012). Often there are restrictions placed on what can be done with the property afterward, but the strategy is generally successful at removing derelict properties and allowing some owners to increase their property size and value.

A second example of market-first partnership is that of buyer assistance. Many cities already know that speculative investment is not working well for some neighborhoods. Speculative investors who buy properties at auction are less likely to pay their taxes and perform basic upkeep than owner-occupiers with a commitment to the community. The regulatory response to this recognition is restrictions on buyers with past offenses, but limiting “bad” buyers does not automatically mean that “good” buyers are ready to invest. Many buyers interested in highly distressed neighborhoods have low incomes or checkered credit histories, so they are less likely to achieve financing through conventional means. Some land banks and cities have tried to fill this void by offering financing help or incentives for renovation.

4.3 Market-only land abandonment policies

Almost by definition, “market-only” is a difficult category to operationalize. In its purest form, market-only is the absence of government-led policy. The basic market-only logic is that a key cause of problems in declining cities lies in the regulatory nature of their past practices. Accordingly, the most desirable path forward is to lower or eliminate taxes, slash government to essential services, and allow property owners a form of virtual sovereignty over their holdings. Within cities impacted by land abandonment the market argument has been that registration laws, land banks, and any other managerial mechanisms meant to limit or select certain buyers over others are fundamentally flawed. The accompanying belief is that investors will eventually return to the city as they have in other heavily abandoned places only if it is priced properly and devoid of regulation. Cities, and land banks where they exist, should lower taxes to a point where tax delinquency is rarer, and when delinquency does occur, should hold no-minimum-bid auctions with no participation by governmental entities (see Spalding, 2012c). While this view remains prevalent amongst neoliberal activists, it is generally a fantasy. Even in the most managerial (or “socialistic”, to use the language of neoliberal think tank activists) instances, municipal government is present in some form.

There are, however, certain conditions that increase the likelihood and general power of private capital in declining cities. First, a lack of cooperation between governmental entities, usually county and city governments, can create a space that is easily exploitable by speculative investors. As will be discussed later in reference to Detroit and Gary, some cities are ensconced in a county that does not share their desire to regulate investors. Some counties are more willing, for example, to hold no-minimum-bid auctions or to discount foreclosed property so dramatically that it can be profitably milked within a few years. In many American states, counties possess the first-order authority to collect taxes and if necessary foreclose on property where non-payment has occurred. A related condition that can facilitate the presence of market-only planning exists when the balance of power in a state tilts rural. The long-standing anti-urban bias in the United States is arguably most palpable in state legislatures, where laws pertaining to the governance of cities are made. In cases like Indiana, whose political geography ensures the disproportionate influence of rural legislators predisposed to politically aligning themselves against Gary and Indianapolis, the result is that no serious land banking or land

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8 New York City is the frequently used example to illustrate this argument. Though in the 1970s officials were discussing the possibility of “planned shrinkage”, New York (and other east coast “gateway cities”) partially or fully reversed this population flow. Rust Belt, “legacy” cities have not shown credible signs of following this trajectory.
abandonment reform is even currently under discussion. In cases like New York State, where the electoral balance tilts more urban, such legislation is passed more easily. In more mixed cases like Michigan and Ohio, the results are predictably varied. The essential point is that the policy of governmental inaction designed to assist private capital—that is, market-only planning—is more likely in rural-dominated states and those where counties have a history of uncooperative relations with cities.

5. Actualized examples of land abandonment approaches

Even more challenging than conceptualizing the various governing approaches—managerial, market-first and market-only—is operationalizing them. That said, there are emphases within the policy recipes of individual locales. Some emphasize stand-alone markets. Some emphasize the role of the government. Moreover, there are variations in how these emphases are achieved. Three areas of emphasis will be scrutinized here. The cases and categories are based on a careful reading of the literature on land abandonment and empirical research of approaches in 17 shrinking American cities. 9 Eight of these cities were chosen and categorized because they best embody one of the three approaches under consideration.

First, some cities have attempted what could be deemed “conscious managerialism”—that is, open recognition of the problem and development of a wide range of policy tools to rationally address it. Second, a set of cities have adopted what might be referred to as “limited managerialism” in that parts of the governance structure recognize and are attempting to adapt to decline, while other parts are pushing market-only solutions that complicate a rational government-centered solution. Third and finally, there are cities that in the struggle to mobilize a rational response to the problem of land abandonment have either by design or default (sometimes both) allowed the dictates of speculative land investors to govern. Each of these three emphases will be explained more fully below, followed by discussions of example cities. The intent is to develop a series of operational categories that can be systematically compared later in the paper.

5.1 Conscious managerialism land abandonment approaches

The term “conscious managerialism” refers to policy environments in which cities have openly recognized the problem of land abandonment and have developed a strategic apparatus to deal with decline. Often, though not always, this has included the development of a land bank, redevelopment association or city office charged with managing the often considerable amount of property that finds its way into public hands after tax foreclosure. Exploring conscious managerialism, however, is not as simple as randomly selecting a few cities with land banks. Land banks vary considerably in terms of power, approach and history. Some offer a government-centered managed approach with a variety of programs ranging from demolition to community development. Others function as mere conduits for returning land to the market with few obstacles to who is allowed to purchase it and what they are permitted to do with it after the sale. Three cities with land banks—Cleveland, Flint and Saint Louis—serve here as iconic examples of consciously managerial land abandonment regimes. Each city houses relatively powerful land banks possessing a comparatively wide range of powers and responsibilities.

5.1.1 Cleveland

Cleveland is an example of an old, large city with decades of population loss. It also provides an example of a first-generation land bank (Alexander, 2011) that has adapted to present-day realities.

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9 In addition to the eight chosen for analysis here, this list includes: Baltimore, Birmingham, Chicago, Cincinnati, Kansas City, Milwaukee, New Orleans and Toledo. Research on all 17 cities included document retrieval, telephone interviews with city officials, and in some cases site visits.
Unlike most of the other cities scrutinized here, Cleveland was the site of considerable mortgage activity in the late 1990s and early 2000s. Much of this activity was in the form of sub-prime mortgage loans. The subsequent crash funneled thousands of properties into the mortgage foreclosure pipeline. City officials are scrambling to cope with the influx of predatory investors purchasing (mortgage) foreclosed housing and “flipping” it at a steep profit to unsuspecting buyers (Kotlowitz, 2009). Before exploring the measures being employed to combat Cleveland’s housing crisis, it is worth highlighting the city’s relevant demographics.

Since 1950, Cleveland has lost nearly 60 percent of its population, and the rate of decline does not appear to be abating (Table 1). Between 2000 and 2010, the population slipped by over 17 percent. A complicating factor is that this population loss is not felt evenly amongst renters and owners. Though the city is losing both renters and owners, it is losing the latter much more rapidly. Gains in the homeownership rate of the 1990s and early 2000s are eroding quickly. The city has demolished some derelict structures, in part to decrease the over-supply of housing, but not rapidly enough to keep up with population loss. Though change in number of housing units is affected by a range of factors, in shrinking cities like Cleveland it can be used as a rough proxy of demolitions. Using this logic, there was a 3.8 percent reduction in housing units during the 2000s (Table 2), but this was not enough to sufficiently reduce the supply of “excess” housing (also known as the “vacancy rate”). The vacancy rate jumped from 11.6 to 19.3 percent between 2000 and 2010, one of the largest increases in this sample. Sales prices have dropped, especially during the recent recession, but not as quickly as in either the rest of the U.S., including other troubled cities considered here (Table 3).

In 1976, the Cleveland Land Bank (CLB) was formed to combat decline. Like other “first-generation” land banks, the CLB focused primarily on devising ways of returning tax-delinquent land to productive use (Alexander, 2011, p. 19). Its initial scope was thus limited. In 2008, however, the state of Ohio enacted legislation to expand the scope of the CLB (and re-house it at the county level) and establish new land banks elsewhere in the state. This legislation enabled the eventual formation of the Cuyahoga Land Reutilization Authority, later renamed the Cuyahoga Land Bank. Unlike its predecessor, the Cuyahoga Land Bank is authorized to acquire a wider range of properties (including bank foreclosures), and to use tax penalties as a form of financing. The land bank movement in Cleveland has been identified by scholars as a model for large cities (Dewar, 2006). Its overall focus is acquisition and eventual resale, but with the problems of abandonment hitting Cleveland especially hard, the Cuyahoga Land Bank has devoted particular attention in recent years to demolition.

The county holds six auctions per year for tax-delinquent property (which is only one source of properties for the Cuyahoga Land Bank). The Land Bank is given first priority on these properties before they go to auction. Other investors can bid on remaining properties, but must be willing to pay the back tax amount in full. Otherwise, there are no restrictions on who can bid at this stage. If the property goes unsold during the first auction it is re-offered at a second, at a non-discounted rate (Interview with official at Cuyahoga Land Bank, August 2012). If the Land Bank purchases or acquires a parcel through this process a number of possible outcomes await. The Land Bank may attempt to re-furbish the property and resell it to buyers. Compared to other land banks, the Cuyahoga Land Bank has relatively strict standards for buyers of its properties, but it does reprice them provided these buyer restrictions are met (Table 4) (see Cuyahoga Land Bank, 2012a, 2012b, 2012c). Potential buyers must not have existing code violations or tax arrears elsewhere in the county. They must submit a plan for the property and agree to stipulated repairs. There are also residency requirements and incentives for owner-occupants. Alternatively, the Land Bank may attempt to turn the land over at a highly discounted rate to a neighbor (i.e., a “side-lot” program), or in some cases hold the land for other economic development, community farming or even wetland mitigation purposes. Finally, the Land Bank may acquire and then demolish a structure.
A critical examination of market-centered land abandonment policies

Table 1: Changes to population and number of owners and renters in selected U.S. cities, 1950-2010
(Source: U.S. Census)

<table>
<thead>
<tr>
<th>City Name</th>
<th>Population</th>
<th>Owners</th>
<th>Renters</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2000</td>
<td>1950</td>
</tr>
<tr>
<td>Buffalo</td>
<td>261,310</td>
<td>292,648</td>
<td>580,132</td>
</tr>
<tr>
<td>Cleveland</td>
<td>396,815</td>
<td>478,393</td>
<td>914,808</td>
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<tr>
<td>Detroit</td>
<td>713,777</td>
<td>951,270</td>
<td>1,849,568</td>
</tr>
<tr>
<td>Flint</td>
<td>102,434</td>
<td>124,939</td>
<td>163,143</td>
</tr>
<tr>
<td>Gary</td>
<td>80,294</td>
<td>102,746</td>
<td>133,911</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>305,704</td>
<td>334,563</td>
<td>676,806</td>
</tr>
<tr>
<td>Rochester</td>
<td>210,565</td>
<td>219,766</td>
<td>332,488</td>
</tr>
<tr>
<td>Saint Louis</td>
<td>319,294</td>
<td>348,189</td>
<td>856,796</td>
</tr>
</tbody>
</table>
A critical examination of market-centered land abandonment policies

Table 2: Unit and household changes in selected U.S. cities, 2000-2010 (Source: U.S. Census)

<table>
<thead>
<tr>
<th>City Name</th>
<th>Total Housing Units (THU) 2010</th>
<th>Total Housing Units 2000</th>
<th>Change in THU, 2000-2010</th>
<th>Percent Change of THU, 2000-2010</th>
<th>Households 2010</th>
<th>Excess Housing Units 2010</th>
<th>Excess Units as Percent in 2010</th>
<th>Households 2000</th>
<th>Excess Housing Units 2000</th>
<th>Excess Units as Percent in 2000</th>
<th>Change in Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo</td>
<td>133,444</td>
<td>145,574</td>
<td>12,130</td>
<td>8.3</td>
<td>112,536</td>
<td>20,908</td>
<td>15.7</td>
<td>122,672</td>
<td>22,902</td>
<td>15.7</td>
<td>-0.1</td>
</tr>
<tr>
<td>Cleveland</td>
<td>207,536</td>
<td>215,844</td>
<td>8,308</td>
<td>3.8</td>
<td>167,490</td>
<td>40,046</td>
<td>19.3</td>
<td>190,725</td>
<td>25,119</td>
<td>11.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Detroit</td>
<td>349,170</td>
<td>375,096</td>
<td>25,926</td>
<td>6.9</td>
<td>269,445</td>
<td>79,725</td>
<td>22.8</td>
<td>336,482</td>
<td>38,614</td>
<td>10.3</td>
<td>12.5</td>
</tr>
<tr>
<td>Flint</td>
<td>51,321</td>
<td>55,464</td>
<td>4,143</td>
<td>7.5</td>
<td>40,472</td>
<td>10,849</td>
<td>21.1</td>
<td>48,818</td>
<td>6,646</td>
<td>12.0</td>
<td>9.2</td>
</tr>
<tr>
<td>Gary</td>
<td>39,531</td>
<td>43,630</td>
<td>4,099</td>
<td>9.4</td>
<td>31,380</td>
<td>8,151</td>
<td>20.6</td>
<td>38,281</td>
<td>5,349</td>
<td>12.3</td>
<td>8.4</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>156,165</td>
<td>163,366</td>
<td>7,201</td>
<td>4.4</td>
<td>136,217</td>
<td>19,948</td>
<td>12.8</td>
<td>143,752</td>
<td>19,614</td>
<td>12.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Rochester</td>
<td>97,158</td>
<td>99,820</td>
<td>2,662</td>
<td>2.7</td>
<td>87,027</td>
<td>10,131</td>
<td>10.4</td>
<td>89,093</td>
<td>10,727</td>
<td>10.7</td>
<td>-0.3</td>
</tr>
<tr>
<td>Saint Louis</td>
<td>176,002</td>
<td>176,354</td>
<td>352</td>
<td>0.2</td>
<td>142,057</td>
<td>33,945</td>
<td>19.3</td>
<td>147,286</td>
<td>29,068</td>
<td>16.5</td>
<td>2.8</td>
</tr>
</tbody>
</table>
Table 3: Average sales prices in selected U.S. cities, 2006-2010 (Source: Boxwood Means via PolicyMap)

<table>
<thead>
<tr>
<th>City Name</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>07-10 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo</td>
<td>$84,012.22</td>
<td>$77,368.73</td>
<td>$80,865.22</td>
<td>$69,895.02</td>
<td>$65,954.73</td>
<td>17.5</td>
</tr>
<tr>
<td>Cleveland</td>
<td>$43,699.82</td>
<td>$45,169.31</td>
<td>$39,755.73</td>
<td>$48,290.42</td>
<td>$61,012.37</td>
<td>-11.5</td>
</tr>
<tr>
<td>Detroit</td>
<td>$43,595.62</td>
<td>$45,657.04</td>
<td>$52,795.79</td>
<td>$64,969.91</td>
<td>$75,241.63</td>
<td>-40.5</td>
</tr>
<tr>
<td>Flint</td>
<td>$34,997.20</td>
<td>$33,520.06</td>
<td>$35,317.08</td>
<td>$44,142.84</td>
<td>$47,704.17</td>
<td>-25.9</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>$113,935.92</td>
<td>$107,098.46</td>
<td>$109,155.11</td>
<td>$105,524.83</td>
<td>$101,319.38</td>
<td>7.7</td>
</tr>
<tr>
<td>Rochester</td>
<td>$69,935.56</td>
<td>$67,088.31</td>
<td>$63,415.49</td>
<td>$61,764.22</td>
<td>$59,817.68</td>
<td>12.9</td>
</tr>
<tr>
<td>St Louis</td>
<td>$106,815.18</td>
<td>$104,953.42</td>
<td>$103,343.68</td>
<td>$108,660.65</td>
<td>$109,536.98</td>
<td>-1.8</td>
</tr>
</tbody>
</table>
A critical examination of market-centered land abandonment policies

**Table 4:** Buyer restrictions for tax-reverted properties in selected U.S. cities

<table>
<thead>
<tr>
<th>City Name</th>
<th>Tax Delinquency</th>
<th>Code Violations</th>
<th>Plan Required</th>
<th>Repairs Promised</th>
<th>Residency in City</th>
<th>Owner Occupant of Property</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleveland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detroit</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flint</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pittsburgh</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rochester</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saint Louis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key:**
- Always applied
- Sometimes applied
- Never applied

The Cuyahoga Land Bank and the overall land abandonment approach taken in Cleveland is relatively managerial compared to proceedings in some of the other cities in this study. The process of investors gaining access to cheap properties in the city is far less challenging than many housing activists wish for it to be, but the Land Bank is relatively effective at filtering out the most predatory forms of investment for properties under its purview. Unfortunately (for management purposes), a great deal of the property being flipped and traded by speculators was obtained through mortgage foreclosure (not tax foreclosure). The Land Bank has very little control over these activities.

Overall, Cleveland can be conceptualized as an example of a first-generation landbanking regime that has morphed over time. Similar to other large Rust Belt cities, it has lost a substantial portion of its population since 1950. Unlike many others, it was the focus of intense mortgage activity in the early part of the century, which led to price inflation and speculation.

5.1.2 Flint

Flint, Michigan is an example of a smaller city that has experienced both long-term and recent population loss. This loss is not unusual for a small Michigan city whose livelihood has been firmly linked to the automobile industry. What distinguishes Flint in the world of urban planning is the approach taken by its county-level land bank—the Genesee County Land Bank Authority—to manage and restrict access to the city from the most predatory forms of investment. The bank’s initial leader, Dan Kildee, is now one of the leading spokespersons for the land bank movement, and went on to form the national land bank advocacy group, the Center for Community Progress. Before turning to Flint’s land management regime, it will be useful to understand the city’s demographic context.

Although much smaller than most of the other cities studied here, Flint has faced very similar demographic problems over the past 60 years (Table 1). Since 1950, it has lost nearly 40 percent of its population; since 2000 alone it has lost 18 percent. As in the other cities under consideration, the rate of loss is compounded by the fact that owner-occupiers are leaving more rapidly than renters. The city had 9.7 percent fewer renters in 2010 than in 2000, but 22 percent fewer owners. Flint’s efforts to demolish redundant houses, particularly in recent years, have been notable and are partially reflected in housing statistics (Table 2). The city shed about 7.5 percent of its housing stock in the early 2000s—one of the highest rates in the sample—and yet this was not enough to keep up with the outbound flow of people. The rate of excess housing in 2000 stood at 12 percent, but had jumped to 21.1 percent by 2010. The lack of demand inherent in these statistics has translated not only into low house prices—at the outset of the recession, Flint had among the lowest house values in the sample—but also a precipitous decrease in prices since (Table 3). Between 2007 and 2010, the average house sales price dropped by more than 25 percent—higher than the national average of 18 percent but significantly lower than the closest regional comparator, Detroit.

The Genesee County Land Bank Authority, established in 2002, is seen as an exemplar of best practices in the United States (Alexander, 2011; Gillotti and Kildee, n.d.). Its mandate is broad. It is currently composed of 10 programs: planning and outreach, brownfield redevelopment, development, Adopt-A-Lot, clean and green, demolition, housing renovation, sales, side-lot transfer and foreclosure prevention (Genesee County Land Bank, 2004a). Unlike some land banks, where cooperation is not as strong as it could be, the GCLB works closely with both the Genesee County Treasurer (which handles tax sales) and the city of Flint to: a) limit speculation through the tax sales process; b) prevent foreclosures where possible; and c) manage a stock of parcels. Though its mandate emphasizes the return of parcels to a productive tax-paying state, the GCLB has also not been reluctant to demolish many structures in the city.
A critical examination of market-centered land abandonment policies

The tax disposition process is governed by the same set of laws that structure the Detroit/Wayne County regime (see section 5.3.1), but the execution of these laws is very different. In Flint/Genesee County, like the rest of the state, officials are able to “clean titles” and to offer property that does not sell initially at auction for “no-minimum-bid” auctions. But unlike in other parts of the state and country, the GCLB is granted access to this process at several junctures. First, it can bid on property before it goes to auction. Second, working with the treasurer, the GCLB can identify parcels that might be particularly problematic in speculators’ hands—those with occupants and those in need of demolition, in particular. The GCLB “bundles” properties of this sort into neighborhood-sized packages at auction, thus ensuring that only the most serious investors will bid on them. In practice, this means that they often go unsold, and are eventually turned over to the GCLB (Genesee County Land Bank, 2004b). Third, the GCLB (and the County Treasurer) strictly limit who can take possession of reverted property (Table 4). Those with code violations, tax arrears, and no evidence of the intent to perform repairs are prohibited from buying property from the GCLB, and there are incentives to those who are residents and owner-occupiers (Genesee County Land Bank, 2004c; Genesee County, Michigan, 2011).

More than simply limiting buyers, the GCLB tries to plan proactively in the city by partnering with nonprofits, assembling land for economic development, and banking properties for future use. It is arguably the most government-centered of the examples explored here. Nevertheless, the land regime in Flint remains open to real-estate speculation. Despite a well-managed land bank and a fairly strict property registration scheme (Flint Township, 2008), the GCLB must focus on returning as much property to tax-paying status as possible, and it is unable to keep some properties from making it to the heavily discounted no-minimum-bid auction. Overall, speculators have access to the city, but not as open or unmanaged access as they do in some less-regulated locales.

In short, while different in size, Flint offers a useful example. It is considered by many to embody land banking’s “best practices” (Dewar, 2009). The GCLB possesses a wide range of powers, and cooperates with other county-level agencies as well as its main city, Flint. Though Genesee County, like most counties, aims to return as much property to tax-paying status as possible, the GCLB places strict limitations on who qualifies to make purchases. And yet, Flint remains a very troubled place. Its property market experience in the past 5 to 10 years has been devastating. Despite the efforts of the GCLB, property markets have collapsed in Flint, as in much of the western Rust Belt.

5.1.3 Saint Louis

Like Cleveland, Saint Louis is a large, older city with a first-generation land bank (Alexander, 2011). Its land bank was formed in 1971 (but did not fully come online until 1973). It is attached to the larger Saint Louis Development Corporation, which has powers of eminent domain and is involved in broader economic development schemes. Partially because of this range of powers, the Saint Louis Land Reutilization Authority (LRA) has been singled out by market-centered advocates as a “worst practice”. Critics argue that it allows for political intervention (buyers of LRA property must obtain permission from an alderperson) and attempts “unrealistic” assemblies for economic development schemes (Stahl and Spalding, 2012).

Population loss in Saint Louis during the past 60 years has been epic in scale even compared to the other troubled cities in this sample (Table 1). Since 1950, it has lost nearly 63 percent of its population. Perhaps the only silver lining is that the rate of decline (unlike in Detroit, Gary, Flint and Cleveland) appears to be slowing. Between 2000 and 2010, the city lost 8.3 percent of its population. As in the other cities in this sample, population outflow has cut into the homeownership rate, as the city is losing owners more rapidly than renters. It had 6.5 percent fewer owners in 2010 than in 2000, but only 0.7 percent fewer renters. Saint Louis has not lost as many housing units as some of the other cities in this sample, indicating a less aggressive demolition regime, among other factors. There was
only a 0.2 percent decline in housing units between 2000 and 2010 (Table 2). This has contributed to an over-supply of housing that has grown slightly in the past decade. In 2000, the vacant housing rate was 16.5 percent, but this had jumped to 19.3 percent by 2010—a smaller rate of increase than in other cities but representing a significant amount of excess housing nonetheless. Given these factors, sales price data indicate a relatively strong housing market, vis-à-vis the other cities sampled (Table 3). Saint Louis’ absolute price drops have been among the highest of any city in this sample, and its recession era drop has been substantially smaller.

Tax delinquent properties that have entered their third year of arrearage are sold at auction (Interview with official from Delinquent Tax Department, City of Saint Louis, 2012). The first auction (an annual Sherriff’s sale), as in many cities, uses the accumulated tax debt as the minimum bid (City of Saint Louis, 2011). If the property remains unsold through three successive auctions (which more often than not it does), it reverts to the LRA, and unless part of a larger strategic assemblage of land, it passes immediately to the LRA’s Real Estate Department to be sold at “very low cost” (Interview with official from Real Estate Department, LRA, 2012). Though the price is very low, the LRA does impose restrictions on who can purchase a property (Table 4). In addition to filtering out those with code violations and tax delinquency (in most instances), the LRA requires potential buyers to submit a development plan and agree to repairs. It does not, however, require them to be either residents of the city or owner-occupants (Interview with official from Real Estate Department, LRA, 2012). The LRA also requires buyers to submit a credit history and sales are subject to written input from the relevant alderperson, who can veto the sale in extreme cases.

In short, the Saint Louis management regime for abandoned land places substantial restrictions on buyers, but the overall system still has openings for speculators. Property is available at three separate auctions and then the remnants go to the LRA. The LRA does not, as in some cities, have purchase priority or a role in selecting which properties go to auction. This makes it difficult for the LRA to plan strategically. Being in a complicated financial situation, the LRA then attempts to sell much of the property at a highly discounted rate. Overall, the Saint Louis land abandonment regime is more restrictive than that of Detroit, but less restrictive than proceedings in Cleveland or Flint.

5.2 Limited managerialism land abandonment approaches

Though the land banking movement has led to state law changes in a number of cases, in others it has not. In the latter contexts, cities must often rely on piecemeal and indirect measures to combat land abandonment and speculation. Three cities—Buffalo, Rochester and Pittsburgh—were chosen for examination because they have serious land abandonment problems but do not have a comprehensive land bank designed to directly address the situation. Despite this limitation, municipal officials in each city have devised ways of mobilizing existing authorities to deal with land abandonment without land banks. Their imaginative, indirect approaches embody a scenario in which a rationalized, government-centered approach is adopted by some government officials, while resisted by others (usually at the state level).

5.2.1 Buffalo

Buffalo is a city in the early stages of forming a land bank, but which has a lengthy record of inhibiting speculative investment and exploitative ownership. Recent changes in New York State law have enabled the formation of a pilot land bank in Erie County, which includes Buffalo. In recent years, Buffalo has intervened actively in the tax foreclosure process to ensure the demolition of housing that has little chance of being productively returned to the market. The city also cooperates effectively with the existing county-level institutions in charge of tax disposition.
Compared to the other cities in this study, Buffalo has experienced a substantial decrease in its population since 1950, and a more moderate (yet alarming by most cities’ standards) decrease since 2000. Since 1950, it has lost 55 percent of its population; since 2000 it has lost 10.7 percent (Table 1). In the past 12 years, this has consisted of decreases in both owners and renters, especially the former. There has been a substantial decrease (8.3 percent) in the number of housing units during the same period (Table 2). This, in part, explains a stable vacancy rate in the face of a shrinking population. Buffalo’s admittedly high vacancy rate of 15.7 actually decreased slightly during the first decade of the century. Also likely attributable at least in part to the vacancy rate are substantial price increases in recent years. The city housing price average actually jumped 17.5 percent during a period when prices slid by over 15 percent nationally (Table 3). The actual average price level, though, is notable for being well below replacement cost. In short, Buffalo has experienced substantial population loss that has only slightly slowed in recent years. It has, however, thinned its housing stock substantially enough to achieve not only stability in the vacancy rate but actual increases in sales prices.

In 2012, it was announced that Erie County would be one of five counties able to operate a pilot land bank under recently (May 2012) approved state-wide legislation (Besecker, 2012). Many Buffalo city officials were elated, as this would rationalize existing strategies for inhibiting the speculation that hampered planning and market recovery efforts. Even before this announcement, though, Buffalo had processes in place to inhibit the flow of cheap property back to market. The city organized (and still does) an annual tax auction. Properties two years in arrears are subject to this process. The auction is primarily a vehicle for acquiring properties in tax arrears, but it can also be used in cases of delinquent fees such as water bills (Baird, 2011). The first auction price is the value of the tax debt. There is a second auction, but it is not heavily discounted as in some other cities. Also unlike other cities, Buffalo intervenes at both auctions to strategically acquire properties, particularly those which officials want to demolish or which they believe have some market value and can feasibly be resold quickly (Baird, 2011). At either stage (auctions or property sold by the city), there are restrictions on buyers with tax delinquency and/or code violations elsewhere in the city (Table 4). Buffalo also carefully checks the credit histories of potential buyers and attempts to ensure that they have a responsible development plan for the land (City of Buffalo, 2011).

In summary, while the city of Buffalo only recently secured approval to create a land bank, it has been restricting access to abandoned property for years. Due to a beneficial arrangement with its host county, the city can bid on properties at an earlier stage. It then does not automatically resell the property to the highest bidder. The city has demolished more structures than any other in this sample. Those properties that it does resell are chosen strategically and sold with specific conditions. Though the land abandonment management process in Buffalo is less centrally organized than some city officials would desire, the regulated approach inhibits entry of speculators and creates a de facto viscosity for problematic properties returning to market.

### 5.2.2 Pittsburgh

The city of Pittsburgh does not have a land bank but nonetheless may be as restrictive to predatory investors as any city considered in this study. Pittsburgh’s land regime is characterized by strong nuisance law enforcement and close cooperation with county-level officials. But because the state of Pennsylvania does not allow (yet) the formation of land banks, Pittsburgh does not have direct control over the tax reversion process. Partly because of this, the city simply avoids foreclosure on hundreds of known delinquent property owners because it lacks the powers to manage and dispose of the properties. This is hardly ideal, but it has the beneficial effect (in combination with its nuisance laws) of slowing the wheels of speculation. Though the regime has the effect of retaining some less-than-ideal building owners, it does inhibit the entry of potentially problematic new investors.
Pittsburgh has lost over 50 percent of its population since 1950, but the rate in the past decade does appear to be slowing, at least compared to other troubled cities like Detroit, Gary and Flint (Table 1). Pittsburgh has lost 54.8 percent of its population since 1950; it lost 8.6 percent between 2000 and 2010. Much of the recent decline in population has been due to the departure of owner-occupiers. Pittsburgh lost 13.5 percent of its owners in the 2000s, while actually gaining 3.8 percent more renters during the same period. During the past decade, the city has shed 7,201 units of housing, or about 4 percent of its 2000 stock level, much of this through an aggressive demolition program (Table 2). Despite these efforts, the city has struggled to keep up with population loss. Though Pittsburgh compares favorably with other study cities in terms of both level and rate of change, the level of excess housing increased slightly during the 2000s (Table 3). Perhaps in part because the level of over-supply is holding steady, sales prices and their recent rate of change have compared favorably to the other cities in the sample. Pittsburgh actually saw a 7.7 percent increase in house values between 2007 and 2010—far in excess of both the national level and the other cities in this sample. In short, Pittsburgh’s basic statistics indicate a fairly aggressive demolition program, stabilizing demographic problems, and better than average recession-era price house price changes.

Tax sales are handled by the City of Pittsburgh Treasurer’s Office. Property owners who fail to pay taxes for one year are subject to a lien that is almost automatically placed by both the city and the school district (City of Pittsburgh, 2011). In the 1970s, when thousands of properties were tax delinquent, the city then followed through with acquiring the properties by foreclosing. With time, however, they realized they could not easily sell the properties, and soon had a stock exceeding 7,000 parcels (Pittsburgh Today, 2011). As tax delinquency has once again increased in the past five years, the city has been more judicious in what it pursues formally for foreclosure. Because of the expense and the lack of adequate buyers, the city openly acknowledges that there are hundreds, if not thousands, of parcels at a level of arrearage sufficient to foreclose, but they refuse to execute the process. If a neighboring property owner shows interest in a side-lot, or a nonprofit proposes an affordable-housing plan, the city will proceed with repossession and transfer the lot. The city chooses this ad hoc pathway over possessing the thousands of properties it is legally authorized to auction or acquire.

This leaves the crucial question of what happens to the land owners who are effectively allowed to stay in business and in possession of their property even after nonpayment of taxes. Working with Allegheny County officials, the city deals with this problem differently than most cities. It aggressively enforces nuisance restrictions and uses a newly-formed “property receivership law” to fine and eventually dispossess the most egregious and irresponsible investors (Parrish, 2011; Pittsburgh Today, 2011). The county works closely with the city and even uses its eminent domain powers to remove certain property owners. The situation is less than ideal in the sense that tax law is effectively unenforced in certain parts of the city. Many city officials were thus supportive of state-wide efforts (currently delayed) to create the capacity for land banking, which might rationalize these powers. Whatever its deficiencies, the current regime inhibits turnover. Derelict properties do not easily make their way to the county tax auction, and when they do, buyers with code and tax violations are eliminated (though there are no requirements to demonstrate development plans or agree to repairs) (Table 4). Problematic land owners who do find a way into the market face a relatively strict set of code restrictions and enforcements.

In short, the Pittsburgh situation could certainly be rationalized by a land bank, but its current configuration does inhibit the flow of very inexpensive properties back to market. Pittsburgh has been impacted less dramatically by the recent recession than some cities being compared here, and the restrictions the city has in place are certainly helpful in limiting irresponsible property investing in the city.

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5.2.3 Rochester

Like Buffalo, Rochester currently has no land bank, but it has employed techniques in recent years that inhibit the most problematic forms of speculative investment in troubled neighborhoods. First, Rochester (along with Monroe County) does not offer properties at open auction to unregulated buyers. Rather, they sell tax liens to one company, American Tax Fund Services. Second, the city does not sell all tax liens. In the most problematic cases, they acquire properties and demolish them before they have a chance to make their way onto the market. Finally, Rochester is one of the few cities in the U.S. that has openly embraced the principles of smart shrinkage; it has proposed the formation of green corridors, partially with acquired land (City of Rochester, 2009). In short, Rochester officials have a clear plan for defining, locating and acquiring “non-market” land.

Rochester exhibits a demographic pattern similar to Pittsburgh in that it has experienced large population decreases since 1950, but more modest drops since 2000 (Table 1). The city lost 36.7 percent of its 1950 population by 2010. The decline since 2000 has been 4.2 percent—cause for concern, but much better than the figure for some cities in this sample. Since 2000, Rochester has lost 8.4 percent of its owners, but actually gained 1.9 percent more renters, which troubles city officials. During the same span (2000-2010) the city shed about 2.7 percent of its housing units, which led to a small but notable reduction in its vacancy rate (Table 2). Rochester and Buffalo are the only cities in this study to actually experience a decrease in “excessive housing” (vacancy) during the 2000s. Still, years of disinvestment have taken their toll on the average house value (Table 3), which is substantially lower than the replacement cost, although there has been a considerable increase in values during the recession. In short, Rochester’s problems pale in comparison to those in Flint, Detroit and Gary, but are comparable in scale to those in Pittsburgh, Buffalo and by some metrics, Saint Louis.

Rochester lacks a land bank and Monroe was not among the five counties chosen for a pilot version under the state’s newly enacted enabling framework (Besecker, 2012). But city officials are hopeful that a land bank will eventually be formed (City of Rochester, 2009). Despite the lack of a centrally controlled land management regime, however, the city has exhibited certain policies in recent years that have inhibited speculative investing. Like Buffalo, the city of Rochester has the power to intervene at several stages in the abandonment process to further its own planning agenda. The city is not simply given left-over property from the county that would not sell at auction. Property one year in arrears can legally have a lien placed on it by the city, but the city does not indiscriminately place liens and then sell to the general public at auction. First, it inspects the properties and tries to acquire first those that appear to be abandoned (to discourage speculative investment). It acquires 300 to 500 of the “absolute worst” properties per year and tries to demolish them as quickly as possible (City of Rochester, 2012). It then bundles the remaining tax liens and sells them to a single company—American Tax Fund Services (Interview with official from City Law Office, 2012). Essentially, individual investors do not have direct access to inexpensive tax foreclosed property, because the city regulates the supply. ATFS is willing to buy the liens because they have been pre-selected for higher likelihood of repayment. There are no official restrictions on individual investors because the city does not grant them direct access to the property.

Rochester’s system minimizes the pernicious property churning that occurs when speculative investors are granted full access. But the approach is less than ideal in other ways. ATFS now owns millions in tax liens—$36 million as of 2010—in the city of Rochester (American Tax Fund Services, 2012), a burden city officials will eventually need to address. Whatever its deficiencies, the unique system of selling debt-only tax liens to a single company creates an indirect viscosity for land returning to the private market. Combined with a relatively aggressive demolition policy and its openly stated policy to remove certain land from the market to create green corridors, Rochester has created a surprisingly centralized system of land management without the presence of a land bank.
5.3 Market-only land abandonment approaches

As argued earlier, there are no pure examples of the three categories of land abandonment regimes. Government is involved in some capacity in even the most market-oriented American cities. But there are examples where the government is impeded from regulating speculative investment and land abandonment. Much of the time, this is part of a conscious effort by state-level officials to limit the power of municipal government. The most pertinent result is to reduce, if not eliminate, impediments to speculative investment, as cities are not legally authorized (or politically able) to prohibit certain types of buyers. Though this political pressure is present in almost all American cities, two examples (Detroit and Gary) were selected for examination because of how open access is to foreclosed land there. Municipal officials in both cities have publicly expressed a desire to enact restrictions on property speculation, but they are prohibited or inhibited from doing so by state-level officials.

5.3.1 Detroit

Detroit is widely considered the most troubled large city in the United States. It is difficult to summarize the problems it faces, but a chaotic land disposition regime has been singled out as unhelpful for both planning and growth purposes (Dewar, 2006; MacDonald, 2011). Thousands of parcels go into tax delinquency each year and are reverted to the county, which has a relatively lax system of auctioning them to potential investors. The city and county are often at odds in this management regime.

Detroit’s slide from being one of the largest American cities in 1950 has been famously documented already. It is worth revisiting a few of these numbers. Since 1950, Detroit has lost over 60 percent of its population (Table 1). Between 2000 and 2010 alone, it shed over 25 percent of its population. The city’s 13.2 percent loss of renters is exceeded only by an even more substantial loss of owners (25.4 percent). Though Detroit has embarked on an extensive demolition program that has, in part, led to a 6.9 percent decrease in the housing stock (2000-2010), this has not even come close to keeping up with the level of population loss (Table 2). In 2000, its risky but manageable vacancy rate was 10.3 percent; by 2010 this had leapt to almost 23 percent—a 12.5 point gain in only 10 years. These fundamentals have contributed to a serious crisis in Detroit’s housing market—by far the worst in this sample (Table 3). Between 2007 and 2010, the average house value dropped by over 40 percent (more than double the national rate and 14 points higher than the next largest drop in this sample). In short, Detroit has lost and continues to lose people at crisis levels. This has translated into crisis-level numbers in its housing market that city and county officials are scrambling to manage.

The Wayne County (which includes Detroit) tax reversion process has a number of features that open the door to outside investors. First, foreclosed property that goes unsold during the first auction migrates to a $200-minimum-bid second auction (Wayne County Treasurer, 2012). Second, there are few restrictions on who can bid on property. Tax delinquency and code violations that impede bidding by investors in some cities are not considered or seriously enforced. There is some required documentation aiming to ensure that investors repair or demolish properties within two years, but they are considered relatively challenging to enforce (Table 4). Third, investors need not even be present at the auction, much less residents with a development plan, to bid on properties. The auction itself occurs online and is managed by a private firm, Bid4Assets. Much of the property goes unsold through the first auction, but more speculators become interested during the second (Bailey et al., 2006). The Detroit News (MacDonald, 2011; MacDonald and Wilkinson, 2011a, 2011b) published an expose on speculators who have purchased hundreds of properties this way. Many, like Michael Kelly, the city’s most notorious speculator, have hundreds of code violations and copious tax delinquency elsewhere in the city but are able to buy property freely (Dewar, 2009). Their speculation is in buying properties that could later become part of economic development schemes. The city of Detroit—which has its own land
bank and itself owns over 40,000 parcels—is thus generally very displeased with the lax nature of the Wayne County structure and often refuses to take possession of the virtual archipelago of troubled properties that results after this process is complete.

The city of Detroit has a more interventionist posture toward land abandonment matters. Detroit and Wayne County both possess and have used “spot condemnation” procedures in the recent past to acquire and demolish houses that are of particular nuisance to neighborhood safety (City of Detroit, 2012). Under the current mayor, Detroit has already demolished over 7,000 structures and wants to demolish another 10,000. The city also has a strong property receivership law that can be used to crack down on delinquent slumlords (Biersdorf and Associates, 2012a). But Detroit cannot control and enforce such a regime at a meaningful level. In addition to its own famously severe financial constraints, the city is frequently unable to restrict access to investors who purchase through the Wayne County auction process. Wayne County officials often eventually try to transfer ownership of unsold properties to the city, but Detroit and its land bank are often uncooperative, in part because the inventory of properties has regularly been scavenged by investors first. With its eminent domain powers severely restricted by recent legislation, the city must compete for properties at the auction in order to keep them from speculators—a difficult task for a city as cash-strapped as Detroit.

In short, while there are some loosely enforced requests for repairs, the Wayne County process of tax reversion is particularly open to investors who have little intent of returning property to tax-paying status. The arrangement is characterized by scavenging investors and a lack of cooperation between city and county-level entities. Though many in Detroit would like much stronger restrictions on who can purchase tax delinquent property the city, the pathways for less-than-honorable investors are relatively unimpeded.

5.3.2 Gary

Officials in Gary, Indiana also openly pine for a more regulatory land management regime. They feel that speculative investment is doing little to improve urban planning or market growth in their city. But the city does not control the levers of this process and is forced to deal with the externalities of county-level management. Property that eventually does end up in city hands has significant restrictions placed on it. And there are several openings for speculative investors to bid on and hold property before the city takes title to it. The resulting speculative quagmire has intensified since the onset of the recession.

Though much smaller than Detroit, Gary has experienced similar levels of recent and long-term population loss. Since 1950, it has lost 40 percent of its population; since 2000 alone it has lost over 20 percent (Table 1). Gary has 12 percent fewer renters and almost 23 percent fewer owners than it did in 2000. Despite a demolition program that has contributed to a 9.4 percent decrease in housing units (between 2000 and 2010), Gary was unable to keep up with the outflow of population—the city’s vacancy rate jumped 8.4 percent during the same period (Table 1). Its sales prices, among the lowest in the sample at the beginning of the recession, dropped even further as national housing woes worsened (Table 3). Its 2007 average sales price of just over $66,000 dropped by more than 25 percent during the sharpest part of the recession—a rate of decline exceeded only by Detroit in this sample. Gary, in short, is a small but very troubled city. It is losing population much faster than demolition can mitigate. Its price levels, already below replacement level, continue to fall precipitously.

Similar to Detroit, Gary suffers from a lack of cooperation between city and county-level land disposition entities. Lake County is responsible for property tax collection and delinquency issues in the first instance. After three years of unpaid taxes, it is legal for the county to place a lien on property and send it to auction (Interview with official from Department of Zoning, City of Gary, 2012). As in other cities, the minimum bid to buy the lien is the tax debt accrued. If purchased by an investor, the original
owners have a set period of time in which to make payment or lose title to their house. Many liens go unsold at this stage because the debt accrued exceeds the market value. Unsold properties pass to a radically price-reduced Commissioner’s Certificate Lien Sale where the minimum bid becomes $200 (Interview with official from Department of Zoning, Gary, 2012). Bidders can purchase these properties provided they have no outstanding tax debt to the county and they agree not to transfer said property to someone who does within one year. Unsold properties are transferred to the city’s Department of Redevelopment, which focuses on returning the properties to the tax rolls (City of Gary, 2007). There are more restrictions at this stage, namely that a potential owner not owe back taxes, not have existing code violations, and submit a plan to the Department of Redevelopment (City of Gary, 2011) (Table 4). Additionally, sales under $5,000 can be vetoed by the mayor if perceived as not beneficial to the city.

In short, the city of Gary attempts to impose restrictions on property sales, but only after the county has opened a wide door to investors of all kinds. Thus, the best parcels are consumed by investors at earlier stages, leaving Gary with a scattered set of troubled properties. Legally and pragmatically (revenue is an urgent priority), Gary’s mandate is to return the properties to the tax rolls as soon as possible. Safety considerations are the only grounds on which properties are demolished. The city even lacks a side-lot program, which would not technically remove properties from the market, but would reduce the possibility of inexpensive houses flooding the market. Gary is thus one of the cities more open to investment among the selection considered here. City officials would like to take a more managed, restrictive approach to land management, but they do not have the resources, legal authority, or negotiating position to adopt such a strategy at this point.

6. Measuring property investment in declining cities

The empirical intent of this study is to assess how well the three outlined models of land management have fared at inhibiting abandonment and speculation and encouraging productive investment. Unfortunately, there is no perfect metric of land abandonment or the problems it spawns, so proxy measures are required. Most studies evaluate abandonment impacts at the level of a broad survey of city managers (Accordino et al., 2000; Bowman and Pagano, 2000) or utilize local datasets like tax or property records (Hillier et al., 2003; Silverman et al., 2012) that are difficult to reliably replicate for comparative purposes between cities. There are, however, a number of metrics designed by Mallach (2011, 2012a, 2012b) that assess the acute neighborhood distress that is both a symptom and a cause of land abandonment. Several of these metrics have been adapted for this study, but because they are used here in a manner that differs slightly from their original design, some explanation is required.

6.1 Sales prices

Sales price is perhaps the most straightforward metric of housing investment, but it is worth noting salient features of the data and approach used here. I derived the data from the real estate data firm, Boxwood Means, and retrieved it through the company PolicyMap. The Boxwood Means data reveal annual figures at the census tract level for the number of home sales (2006-2010) and the total sales value. I divided the total sales value by the total number of sales in a given year for each tract to derive the average sales price for single-family homes.

Two barometers are of particular importance in this study: absolute sales figures (values) and change over time. Absolute figures are important in declining economic contexts because house values often fall well below thresholds that might be thought of as “replacement value”, or the cost of labor and materials to replicate a similar home in a given area. Scholars have suggested that when the replacement value is significantly above the average sales cost for a given area, the incentive to renovate disappears, since any money put into a structure would not sustain itself as equity (Glaeser
and Gyourko, 2005; Mallach, 2012a). Unless owners are likely to be able to recoup at least part of their investment by selling their house, they are less likely to renovate.

Calculating replacement value is tricky. Glaeser and Gyourko (2005) identify a generalized replacement value figure of $97,794 in 2000 dollars. Updating that figure using a CPI adjustment, the replacement value in 2010 dollars would be $122,565. The concern here is not to engage in the debate about what constitutes replacement value and how much it is likely to influence investment and renovation behavior. My own perspective is that owners (particularly owner-occupiers) are not so rigid that they will only invest if they are confident of recouping their investment completely; many owners, for example, might upgrade their kitchen simply to have a nice kitchen (regardless of how it might affect resale value). But there are limits to this, and owners (non-resident investors especially) have little incentive to invest in property if there is minimal chance of recouping even a portion of the investment. From this perspective, the deliberately conservative, if somewhat arbitrary, replacement value of $50,000 was chosen as a barometer for this study. Tracts with averages below that value were considered “distressed”; above it, “not distressed”.

The second barometer is change over time. House values in the U.S. fell precipitously during the recession. In some parts of the country they continue to drop as of this writing. I compared total house sale figures to city-wide and nationwide changes. Nationally, house prices began to stagnate in 2006—sooner in some areas—but definitive across-the-board price decreases did not begin until 2007. The steepest decline occurred between 2007 and 2010. According to the U.S. Census (2010), the average new house cost in 2007 was $313,600; by 2010 it had fallen 13 percent to $272,900. According to a different source that takes into account a wider variety of housing, the Federal Housing Finance Agency (2012), house prices were stagnant in 2006 but dropped precipitously through 2011 and finally showed a modest increase in the first quarter of 2012. The Policy Map data are only available until the end of 2010, so it is useful to measure the decline during the 2007-2010 period as a reference. According to the Federal Housing Finance Agency (2012), the drop between the second quarter of 2007 and the fourth quarter of 2010 was 18.4 percent. I used these changes as reference points for sales price decline in the selected cities and tracts.

6.2 Sales-to-property ratio

The ability of a market to absorb the properties being sold at a given time can be a useful proxy for market stress and even collapse. This study calculated a sales-to-property ratio at the census tract level for each city. I derived sales data from Boxwood Means, while the “total properties” figures were derived from the American Community Survey (ACS). Mallach (2012a, 2011; derived from Faboozi, 2005) has suggested that approximately 6 percent (1 out of 16) of properties are normally offered for sale in a given year. In places where the number of sales, as a percentage of total properties, is lower than 6 percent, the logic suggests that the market is not absorbing properties offered for sale. Instead, they are becoming ripe for abandonment in a context of low demand. In declining cities, genuine demand for property often collapses to the point where sales-to-property rates can sink as low as 1 percent (or zero) in some areas, indicating a high likelihood that any property that does go up for sale will remain unsold (and the equally likely possibility that many current owners will not bother to try to sell, but will simply abandon their property).

The recent recession is an admittedly complicated time from which to withdraw and analyze such statistics. Many properties in relatively healthy markets went unsold. But by the same token, many potential sellers refrained from placing their property on the market during this time period.

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10 Specifically, I used the estimate for single-family housing units for 2005-2009 because: a) Boxwood Means data only apply to single-family housing units; and b) there are major differences between ACS estimates and U.S. Census counts, so I made an effort to be consistent with the denominator.
because they feared it would not sell. Mallach (2011) found a nationwide ratio of 1 sale to 17.2 properties in 2009—a level that suggests only a slight difference from historical patterns. That said, I am sensitive to the critique that this is an abnormal period in which to assess this statistic, so I selected a deliberately conservative threshold—3 percent of total properties—as a marker of “distress”. This level would indicate that 50 percent or more of houses that would normally go up for sale are not selling. In this situation, many houses would become abandoned, tax delinquent, and eventually enter the tax foreclosure system.

6.3 Mortgage-to-sales ratio
Declining urban contexts often exhibit abnormally high levels of absenteeism. Not only are the majority of residents renters, but their landlords are often not based locally. Absentee landlords are less likely to respond to tenant concerns and to renovate or repair properties. They are more likely to abandon property once their initial investment is recouped (which can occur very quickly in declining environments where sales prices are only a few thousand dollars). The result is a drag on property values and a hastening of existing processes of abandonment. Unfortunately, absenteeism is very challenging to measure and those measures that do exist fail to account for the location of investors, or, importantly, their intentions. Declining cities have witnessed an influx of investor-driven real estate activity during the recession. Some of this has created a sense of stability, while in many cases it has hastened decline.

At this scale of analysis, the most feasible metric for assessing absenteeism is the ratio of mortgages originated for purchase to the total number of sales. I secured tract-level mortgage data from the Home Mortgage Disclosure Act (HMDA) summary data, and total sales figures from Boxwood Means (both retrieved through PolicyMap). Following Mallach (2012a), the logic of the metric is that the vast majority (77 percent) of investor home acquisitions are cash purchases and thus will not appear in HMDA datasets. In contrast, most owner-occupier purchases (Mallach [2012b] estimates 70 percent) use a mortgage and are thus likely to appear in HMDA datasets. For the U.S. as a whole, Mallach (2011, 386) identifies a ratio of 2,785,000 (mortgages) to 5,531,000 (sales) for 2009 (50.4 percent). Troubled areas of declining cities can register mortgage-to-sales ratios of less than 25 percent. I calculated a 25 percent threshold of distress (at the census tract level) for this study.

6.4 Vacancy
Housing vacancy is both a proxy for, and a generator of, the erosion of market demand in shrinking cities. Researchers have shown that abandoned housing decreases nearby land values. It is also a clear indicator for distress, and as such, declining cities tend to have higher vacancy rates than the rest of the country. Though the U.S. Census and ACS do gather vacancy statistics, it has become standard in shrinking city studies to use United States Postal Service (USPS) data to measure vacancy, because it is up to date, among other reasons (among other studies, see Hollander, 2011 and Mallach, 2011). This study gathered USPS data from PolicyMap and calculated vacancy rates using the U.S. Census total housing units for 2010 as the denominator (for all years). PolicyMap has this data for 2008 to 2010, so the timeframe differs slightly from that of the other metrics, but still covers the critical span of descent during the recession. I used two USPS measures—addresses that have been vacant for over 12 months and addresses that have been undeliverable (“no-stat”) for 12 months—as the numerators for 2008 through 2010 at the tract level.

It is difficult with PolicyMap to calculate nationwide statistics using the USPS data, but the U.S. Census (2011) provides useful estimates as reference points. According to the U.S. Census (2011), the vacancy rate in 2011 was 9.5 percent for rental units (2.5 percent for homeowner units). Between 2008 and 2010 (the span of time for which data were available in PolicyMap), the increase to the rental...
vacancy rate was only 0.5 percent nationally (9.7 percent in 2007 to 10.2 percent in 2010). To assess “distress”, I chose a figure significantly higher than this: 25 percent. Again, the number is somewhat arbitrary, but it is almost unheard of for economically healthy areas to have a vacancy rate in excess of 25 percent. It is more common in declining regions of the U.S.

6.5 Assessing change during the recession: extent versus depth

This study evaluated two dimensions of change during the recession in the eight sample cities: extent of distress and depth of distress at the census tract level. Distress in general was assessed by identifying the number of census tracts that exceeded one of the aforementioned thresholds of market failure. Those tracts that exceeded none were deemed to have “no signs of distress”; those that exceeded one were deemed “at risk”; those exceeding two were deemed “moderately distressed”; and those that exceeded three or four of the thresholds were deemed “severely distressed”. Extent of distress in a given city was assessed by measuring the percentage of census tracts that fell into each of these four categories. Change in the extent of distress during the recession was assessed by evaluating the shifts in these percentages between 2007 and 2010. Depth of distress was assessed by dividing each city into the aforementioned categories and comparing how levels of investment changed in each during the recession. For example, the change in sales price between 2007 and 2010 in “severely distressed” Buffalo tracts was compared to the sales price changes in “at risk” tracts.

Land banking and other efforts designed to address abandoned land are typically mobilized toward moderately and severely distressed tracts, so the task of assessing changes in those tract categories in relation to the rest of each city and to the country during the same time period was prioritized. The aforementioned land management regime categories—conscious managerialism, limited managerialism and market-only—are used here to organize the discussion.

7. Evaluating distress under different land management regimes

Tables 5 to 9 provide numerical summaries of the data gathered for this study. Many patterns and processes are revealed, but this discussion focuses on several of the most salient. First, whatever other patterns are revealed, the numbers that suggest regionally based differences in the severity of the recession should be taken into account. Regional variations arise from a number of factors, many having no connection to the type of land management regime, so they will be used to temper comparisons of each city’s approach to abandoned land. Detroit, Flint, Gary, and to a lesser extent Cleveland, all appear to have had the harshest experience with the recession. This period (2007-2010) corresponds to the nadir of the auto industry collapse, and great uncertainty about the future existed in each of these cities. None had particularly strong housing markets at the beginning of the recession—after years of decline. Yet all experienced incredible relative drops in the 2007-2010 period. By 2010, Gary was at the point of collapse—100 percent of its census tracts were experiencing some form of distress, most of them multiple forms (Table 6). Detroit was not far behind, while Flint was faring only marginally better. Cleveland’s experience on all variables was markedly negative, but less so relative to this group.

The eastern Rust Belt cities—Buffalo, Pittsburgh and Rochester—by contrast, experienced a comparatively light recession (compared to the other study cities and the rest of the country). To be sure, all three cities have intense pockets of distress, and house values in many census tracts remain well below replacement value, but the relative change during the recession was lighter. In the case of Buffalo, there were actually notable increases in house value and decreases in vacancy. Saint Louis seems to be an outlier, entering the recession with relatively low levels of distress (similar to the eastern Rust Belt examples) but experiencing high relative decline (similar to the western examples) during the
recession. Whatever Saint Louis’ level of distress (and its rate of increase during the recession), however, it is in a different category from Gary and Detroit.

The second notable point that can be made about the data regards the depth of collapse in some cities studied. Sales-to-property levels—an expression of sales activity vis-à-vis total properties—declined everywhere to the point where large portions of each city are now distressed (Table 5). Though sales levels were very unevenly distributed in 2007, by 2010, distressingly low (under 3 percent) values were recorded in over 30 percent of all but Rochester and Saint Louis. In Gary, the entire city was in this position by 2010. The extent of low sales prices increased in every city except Buffalo. The prevalence of investor-led house purchases expanded in all but Gary and Rochester. Vacancies were uneven but distressingly prevalent and increasing in all the cities during the recession. Whatever differences exist between the eight cities due to regional economic variation, it should be noted that all of them have sizeable areas in which the market has effectively collapsed. By 2010, all eight were experiencing some form of market distress in at least 50 percent of their census tracts (Table 6). In Gary and Detroit, the entire cities were in distress, and the situation was only slightly better in Flint. To suggest that if only government were out of the way the market would solve such problems appears to be quixotic. By 2010, a functioning market had effectively disappeared from portions of all eight cities, arguably including the entire cities of Gary and Detroit. Market activity that did exist was dominated by speculative investors, not owner-occupiers. People were leaving and vacancy rates were increasing—effective demand was collapsing. In all eight cities, the level of market collapse was distressing at best, and in some cases it was utterly crushing.

Still, there are clear variations between cities in how contained this collapse was. A third pattern can be observed in the increase of distressed census tracts in the eight cities (Tables 5 and 6). Buffalo, Pittsburgh, Rochester and Saint Louis seem to have had the most contained experience with the recession. Though all but Buffalo experienced an increase in some form of housing distress during the recession, at least a third of each city remained unscathed (in relative terms) during the same period. Cleveland, Detroit, Flint and Gary, by contrast, began the recession with more widespread distress than the other cases, and were unable to contain the recession’s effects. Even more disconcerting for these cities is the jump in the magnitude of distress. The greatest increases in each case were registered in the most severely distressed tracts—those exhibiting three or more thresholds of distress in 2010.

Considerable variation is also revealed by dividing each city into segments and investigating how various metrics of distress changed during the recession (Tables 7 and 8). Table 7 illustrates changes in sales price and sales volume during the recession. Of the eight cities, Cleveland exhibited the most severe deepening of distress, in its already-distressed tracts. Other cities were mixed but exhibited a pattern in which non-distressed or at risk tracts often declined the most rapidly in terms of house value during the recession. However, it should be noted that while the greatest relative decreases in price and volume were generally not felt in the most distressed tracts, the 2007 values were hardly healthy to begin with. House values in moderately and severely distressed tracts in all sample cities were well below replacement value in both 2007 and 2010. Likewise, the volume of sales in all severely distressed tracts during this span was well below the rate necessary to counteract abandonment. The sales-to-property ratio change for moderately distressed tracts was more mixed, in some cities (Cleveland, Flint, Rochester and Saint Louis) initially at a rate sufficient to find replacement buyers, but dropping precipitously below this rate during the recession. Only Buffalo exhibited notable increases in both sales price and volume during the recession in moderately and severely distressed tracts.

Table 8 provides a portrait of changes in investor activity during the recession using the same segmentation as above. Though variations exist, the largest increases in investor-led activity (measured by a decrease in the mortgage-to-sales ratio) were generally (though not exclusively) found in non-distressed tracts and those at risk. But here again, the absolute figures are highly meaningful. Though
**Table 5**: Percentage of census tracts meeting thresholds of distress in selected U.S. cities, 2007-2010 (Sources: Boxwood Means; HMDA; U.S. Census; U.S. Postal Service)

<table>
<thead>
<tr>
<th>City Name</th>
<th>Sales Prices Under $50,000</th>
<th>Sales-to-Property Ratio &lt;3%</th>
<th>Mortgage-to-Sales Ratio &lt;25%</th>
<th>Vacancies &gt;20%</th>
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<tr>
<td>Buffalo</td>
<td>48.9</td>
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<tr>
<td>Rochester</td>
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</tr>
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<td>Saint Louis</td>
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<td>19.5</td>
<td>6.2</td>
<td>21.2</td>
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</table>
Table 6: Percentage of census tracts meeting thresholds of distress in selected U.S. cities, 2007-2010 (Sources: Boxwood Means; HMDA; U.S. Census; U.S. Postal Service).

<table>
<thead>
<tr>
<th>City Name</th>
<th>No Signs of Distress</th>
<th>At Risk</th>
<th>Moderately Distressed</th>
<th>Severely Distressed</th>
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<td>15.6</td>
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<tr>
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<td>47.1</td>
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<td>Rochester</td>
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<td>Saint Louis</td>
<td>47.4</td>
<td>62.3</td>
<td>-14.9</td>
<td>17.5</td>
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</tbody>
</table>

Notes:
1. This scheme refers to the percentage of tracts that meet the "distressed" criteria expressed before; "no signs" = none of the four criteria; "at risk" = only one criteria; "moderately distressed" = two criteria; "severely distressed" = three or four criteria.
A critical examination of market-centered land abandonment policies

Table 7: Changes in house sale activity in selected U.S. cities categorized by 2007 levels of distress (Sources: Boxwood Means; HMDA; U.S. Census; U.S. Postal Service)

<table>
<thead>
<tr>
<th>City Name</th>
<th>Non-Distressed Tracts</th>
<th>At Risk Tracts</th>
<th>Moderately Distressed Tracts</th>
<th>Severely Distressed Tracts</th>
<th>All Tracts</th>
<th>Sales Prices</th>
<th>Change</th>
<th>Sales-to-Property Ratio</th>
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<th>2007</th>
<th>Change</th>
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A critical examination of market-centered land abandonment policies

Table 8: Changes in mortgage-to-sales ratios in selected U.S. cities, categorized by 2007 levels of distress (Sources: Boxwood Means; HMDA; U.S. Census)

<table>
<thead>
<tr>
<th>City Name</th>
<th>Non-Distressed Tracts</th>
<th>At Risk Tracts</th>
<th>Moderately Distressed Tracts</th>
<th>Severely Distressed Tracts</th>
<th>All Tracts</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2007</td>
<td>Change</td>
<td>2010</td>
<td>2007</td>
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<td>35.9</td>
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<tr>
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<td>14.9</td>
<td>-12.8</td>
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<tr>
<td>Moderately Distressed Tracts</td>
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<td>-4.0</td>
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<tr>
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<td>25.1</td>
<td>-19.8</td>
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<td>Gary</td>
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<td></td>
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<td>28.1</td>
<td>-3.2</td>
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<tr>
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<td>17.3</td>
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<tr>
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<tr>
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<td>-6.5</td>
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<tr>
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<td>19.5</td>
<td>6.8</td>
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<td>Pittsburgh</td>
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<td>57.7</td>
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<td>54.6</td>
<td>-28.1</td>
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<tr>
<td>Moderately Distressed Tracts</td>
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<td>20.7</td>
<td>2.6</td>
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<td>Severely Distressed Tracts</td>
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<td></td>
</tr>
<tr>
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<td>-4.2</td>
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<tr>
<td>Rochester</td>
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<tr>
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<td>-16.1</td>
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<tr>
<td>All Tracts</td>
<td>39.8</td>
<td>58.7</td>
<td>-18.9</td>
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</tr>
</tbody>
</table>
the implied percentage of investor activity increased more slowly (and even decreased in several cases), the absolute level indicates that in all eight cities the level of investor activity was already alarmingly high in 2007. Moderately and severely distressed tracts were almost exclusively dominated by investor activity at the outset of the recession, with partial exceptions in Buffalo, Pittsburgh and Saint Louis, which exhibited this trait only in moderately distressed tracts. In Detroit and Saint Louis, there was effectively no mortgage activity in severely distressed tracts by 2010. A corollary to this focus on absolute figures can be observed by focusing on what “non-distressed” and “at risk” mean in each city. In Buffalo, Cleveland, Detroit, Pittsburgh and Rochester, there was a great deal of mortgage-led activity in non-distressed tracts in 2007, indicating the presence of at least some healthy, owner-occupant-led investment. In Flint and Gary, in contrast, the absolute levels of mortgage-to-sales in 2007 indicate that even “non-distressed” areas were thoroughly dominated by investors.

Table 9 illustrates changes in vacancy rates during the recession. Major increases in vacancies were felt more intensely in moderately and severely distressed tracts across the sample. Vacancy changes reveal both relative and absolute deepening of problems in the most severely distressed tracts. The highest absolute figures in 2008 and the most rapid increases in vacancy rates were observed in the most severely distressed tracts. On the other hand, Buffalo, a city that has emphasized demolition in severely distressed tracts, actually experienced a decrease in its vacancy rate (but again, it is difficult to celebrate this change, as the rate was still over 20 percent in 2010).

Given all of the sources and dimensions of variation, it is difficult to attach each of the aforementioned land management regimes to a particular pathway. The recession affected each city differently based on factors well outside the purview of any existing land bank. Moreover, those land banks and city offices in charge of distressed properties were also understandably focusing on the most distressed properties (thus, it is impossible to link their activities to processes occurring elsewhere in the city). And yet, there are observable connections between recession impacts and land management typology. Detroit and Gary—the two most “market-only” systems—experienced the worst impact from the recession. Virtually all indicators of distress were notable in Detroit and Gary at the outset of the recession and increased more rapidly than in other cities or the rest of the country as the recession progressed. In Flint, a city that has taken a more “consciously managerial” approach, no stark contrast to Detroit and Gary was evident. Flint’s distressed housing sub-markets grew even more distressed during the recession. But the relative changes and absolute levels were less severe there than in more deregulated contexts (Detroit and Gary).

In contrast, those cities embodying “limited managerialism”—Buffalo, Pittsburgh and Rochester—all experienced a mild recession. The extent of distress either remained similar or decreased (in Buffalo). The severest deepening of distress in those cities occurred in previously non-distressed and at risk tracts (both rarely a focus of land management officials). In short, distress remained relatively contained in all three cities. It did not deepen considerably during the recession. But the relative difference of Buffalo is worth noting here. Though its economy is quite similar to that of Rochester, its emphasis on demolition appears to have made real strides in dampening (and even reversing) the recession, and lowering the vacancy rate.

Cleveland and Saint Louis are the most difficult to place in this scheme either geographically or institutionally. They both have first-generation land banks, both have struggled before, during and after the recession to discourage speculative investment, and both have many properties available through means other than tax reversion. It is challenging to draw a direct line between a particular practice in these cities and their recession-era housing investment trends. They have both struggled to contain distress, and the previously existing stress therein deepened considerably during the recession. Clearly, the land management regimes in Cleveland and Saint Louis were unable to make meaningful strides in addressing these problems during this very challenging period. Whatever their deficiencies, though, it is
A critical examination of market-centered land abandonment policies

### Table 9: Changes in vacancy in selected cities, categorized by 2007 levels of distress (Sources: U.S. Census; U.S. Postal Service)

<table>
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<th>City Name</th>
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<th>Change</th>
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<td>1.8</td>
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<td>Severely Distressed Tracts</td>
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<td>-2.1</td>
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<tr>
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difficult to conceive of how either would benefit from a less rationalized system, or a system that pumped even more properties onto the market, as market-only arguments would have them do. If anything, these cities appear to be reselling too many properties through their existing regimes.

8. Conclusions

Urban population shrinkage, economic decline and land abandonment are nothing new to most American Rust Belt cities. Many large cities have lost half their peak population from the 1950s and have absorbed thousands of derelict property parcels in central areas long since abandoned. Though there was a spate of scholarly interest in these themes during the 1970s, it is only recently that land abandonment and related challenges have begun to make a significant return to urban planning scholarship. One focus of this literature has been exploring the theoretical implications of and practical solutions to land abandonment. Land banking—an idea that dates at least to the 1960s—has reemerged as a potential approach. Central to this idea is the view that the market will not magically return declining cities to prosperity if only it is left alone to do its work. Land bank strategies are founded on the belief that government can play a meaningful role in acquiring and assembling parcels as part of an economic development scheme. Government can also have a role in removing troubled parcels from the market to limit over-supply and encourage green spaces. This notion has come under scrutiny by market-only advocates and economic interests who benefit from the rapid and repetitive turnover of inexpensive inner-city parcels. This opposition has directly delayed, and even derailed, land banking legislation in a few states. Indirectly, it contributes to assumptions about the inadequacy of government and the benevolent omnipresence of the market that color urban policy in real but difficult-to-measure ways. This study is an attempt to explore various land management regimes in declining cities and assess whether a market-only approach actually achieves the outcomes that its proponents proclaim and that many others casually assume.

There are genuine operational obstacles to assessing the relationship between land management regimes and outcomes in cities. It is impossible to completely isolate the impact of land management regimes from other factors influencing investment in a particular market. Investors can acquire inexpensive property through mechanisms over which cities have very little control. Moreover, there are no ideal-types of regimes, as every actualized example is a hybrid of managerial and market-oriented impulses. But groupings can and have been made for this study, and meaningful findings emerge. First, while there is no evidence that a consciously-managerial approach will automatically stave off recession and return a city to vitality (an unrealistic standard used primarily by market-centered advocates), there is also no evidence suggesting that a market-only approach in distressed markets (to the extent it even exists) works better. If anything, the market-only outcomes are worse. Detroit and Gary have the most relaxed environment for investors, and have been pummeled by the recession. The results for more regulated environments vary, but none are as distressed as these two examples.

Second, the variation of examples studied here illustrates that land banks are not a panacea that will automatically inhibit or prohibit speculation in cities. Many land banks are the result of highly controversial legislation pitting government-centered urban representatives against more rural market-first advocates. The resultant legislation often emphasizes returning properties to the tax rolls as soon as possible—a goal that counties also tend to support for obvious material reasons. Some land banks are legally inhibited from holding properties for long periods of time, and most are politically inhibited from doing so. Many are also structurally tied to this logic, as their main source of funding is land sales. In short, land banks alone do not serve as a sufficient mechanism for inhibiting the flow of cheap properties back to the market. In fact, cities like Rochester, Buffalo and Pittsburgh actually have a regime that is more restrictive to property speculation without a land bank in place. But this is no
reason to suggest that the land bank model, ipso facto, is flawed. Land banks are a product of the political environment in which they were born. The wider battle between “market-only” and “consciously managerial” policies in statehouses across the United States has amplified the market-only tendencies of such institutions in a number of states. Moreover, it is problematic to venerate the “limited managerial” cities without many caveats. Most by necessity adopt an ad hoc approach to enforcement and tax delinquency. Most without a land bank openly covet one. The exact policy approach is a more important determinant of market and planning success than the presence of land banks per se, but land banks do rationalize the existing land management framework in a way that improves efficiency and policy transparency.

Third, the scale of the problem in declining cities is much more severe than market-only theorists imply. The market is not simply waiting around the corner for government to get out of the way. The market for distressed properties is now composed almost exclusively of predatory capital—investors who acquire inner-city property with no intent of refurbishing it for productive use. The market, to the extent that it has been “unleashed”, is flooded with investors who contribute to both the planning frustrations and economic development woes of troubled cities.

Fourth, there is a meaningful distinction between whether an outcome is beneficial for planning versus being good for the market. An extensive, convincing literature shows that a market-first policy creates challenges for city planning. Land assembly, code enforcement and revenue collection are more difficult when one’s city is dominated by investors with little interest in investing productively in the community. But the corollary to the market-first logic is that a more open policy is good for the market. Though it is unquestionably “good” for real estate agents who benefit from the repetitive turnover of property, it is not at all clear that openness benefits the rest of the market or a wide range of other institutions and investors within urban markets. The notion that an open policy is good for markets is at best debatable. At worst, it is a myth.

We should be cautious about interpreting the “success” of a city via its real estate prices. High land values may indeed be a reflection of economic vitality, but they also make it more challenging to build and maintain affordable housing. But rather than think of land value and affordability as diametrically opposed, it is useful to consider ways to mobilize existing policies to both stabilize markets and increase opportunities for affordable housing. This challenge will be central to a meaningful land management research program in the years to come.

The existing Section 8 voucher program is a potentially promising mechanism and merits further study. It is deployed in a variety of ways and can be a useful stabilizer in environments facing high levels of land abandonment. Rather than simply turning housing over to speculators, cities can target responsible landlords who are willing to buy troubled properties and rent to voucher recipients. Responsible investors generally prefer this mechanism over other low-income scenarios, because it provides payment security. Cities stand to gain because the standards for qualification as a purchaser are higher; owners must have their housing inspected, and thus the overall housing stock benefits. But Section 8 is almost continuously under assault by conservatives and the current program is not nearly large enough to address cities’ needs. A potentially fruitful future research path would be to examine how government can work with non-profits and responsible investors to expand Section 8 opportunities to create affordable housing where structures can be salvaged. Part of this exploration will be to scrutinize the role for demolition planning in cases where potential sales prices fail to exceed the tax debt associated with particular properties.

In conclusion, market-only approaches to land management are more common as fringe think-tank platforms than they are accepted by on-the-ground practitioners or mainstream academics. Yet, market-only ideas, however fringe they may be, have an impact. They inhibit the ability of cities to cope with land abandonment and population loss. It has long been known that market-only approaches
inhibit responsible planning, but the findings of this study suggest that there is no evidence that they even have a market benefit. If anything, such strategies appear to make matters worse by increasing property supply in contexts of shrinking populations, inviting predatory capital, and failing to generate tax revenue. Market fundamentalism may be di rigueur in the wider political sphere, but it appears to have little to no benefit for the shrinking American cities forced to abide by its dubious precepts.
A critical examination of market-centered land abandonment policies

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