A HISTORY OF NEGLECT: THE USE OF FEDERAL RECOVERY FUNDS TO
COMBAT VACANCY AND BLIGHT IN MUNCIE, IN

A THESIS SUBMITTED TO THE GRADUATE SCHOOL
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE
MASTER OF URBAN PLANNING

BY

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Chapter 1: Introduction

Vacancy and blight do not happen overnight. Muncie, Indiana has experienced a slow decline from the height of the 1980s manufacturing boom to today’s closed doors and shuttered windows at its Chevy, New Venture Gear, Borg Warner, and Indiana Steel & Wire plants. The city has experienced a 4.4 percent population decline from 2000 to 2009. Many of the homes that housed these residents and the businesses that supported their lifestyles have since been abandoned, a constant reminder of better times. In addition, the city’s central neighborhoods have been hard hit by an outmigration of residents to suburbs located on the outskirts of town. Many of the once-grand homes located on downtown thoroughfares like Main and Jackson Streets have been carved into apartments that have suffered from years of neglected maintenance.

Muncie’s vacancy rates skyrocketed as a result of outmigration during the 90s coupled with the sub-prime foreclosure crisis that struck the nation in 2007 at the collapse of the housing boom. At present there are over 900 documented vacant and abandoned structures in Muncie and a yet-to-be determined number of vacant parcels of land. Conferences, webinars, training sessions, and informal meetings have been held in cities across the nation to address the issues of foreclosure, vacancy and abandonment in order to determine best practices for combating their negative effects. This thesis will look at
how vacancy and abandonment play out in Muncie and how the city’s Community Development Department is using the entitlement funds it receives from the Department of Housing and Urban Development to combat this growing problem.

“Vacancy” has been defined as unutilized or underutilized parcels – perimeter agricultural or uncultivated land; recently razed land; derelict land; land with abandoned building and structures; brownfields; greenfields; small or irregularly shaped parcels; parcels virtually unbuildable due to steep slope or floor hazard; land in temporary use (i.e., storage, pasture).¹ According to the U.S. Census Bureau, in the first quarter of 2009

there were over 14 million vacant housing units, which is up from 12.6 million units in 2006. Vacancy is not a result of foreclosure in the vast majority of cases; however it lowers the values of surrounding properties in much the same way as does a foreclosure. Vacant properties may become abandoned properties as neglect quickly leads to disrepair.

Although a universal definition of “abandonment” cannot be found in research on the topic, it is generally accepted to describe a structure that is chronically vacant, uninhabitable, and has an owner that is taking no steps to improve the property. Abandonment has hidden costs that drain the resources of municipal governments. According to a study done by the National Vacant Properties Campaign, abandoned properties are fire hazards due to arson and accidental fires, as well as breeding grounds for crime that tie up an inordinate amount of police resources. Abandoned units are also considered public nuisances that attract vandalism, illegal dumping, and rodent and animal infestations.

The large supply of abandoned properties and empty lots that dot America’s urban landscape burden municipal governments with the costs of mowing and other maintenance costs and bring in little to no tax revenues to off-set these costs. In fact, tax delinquency has been referred to as “the most significant common denominator among...
vacant and abandoned properties.”\textsuperscript{5} A property owner that has no interest in retaining a property has no incentive to pay property taxes. Furthermore, an owner who has no interest in maintaining ownership has no incentive to ensure that the property is well kept.\textsuperscript{6}

Abandonment often depresses the property values of neighboring properties. According to a 2001 study done by researchers from Philadelphia, houses within 150 feet of vacant property experienced a net loss of $7,627 in value. Properties within 150 to 300 feet experienced a loss of $6,819 and those within 300 to 450 feet experienced a loss of $3,542 (see diagram at right). In addition, these same researchers also found “that all else being equal, houses on blocks with abandonment sold for $6,715 less than houses on blocks with no abandonment.”\textsuperscript{7}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.2.png}
\caption{Diagram illustrating the impact of abandonment on property values.}
\end{figure}

\textsuperscript{6} Whitaker. Working Paper.
A nationwide survey conducted in 2000 examined vacant land and abandoned structures in 70 cities. It found that on average 15 percent of land within cities was vacant and that cities in the south tend to have the most vacant land while cities in the northeast contained the least. Sunbelt cities with high growth rates were found to have high levels of vacant land and cities with low vacancy levels had high numbers of vacant and abandoned structures. Additionally, four out of five of the Midwestern cities that participated in the survey reported that their vacant land parcels were not large enough for development purposes.\(^8\)

**Housing Boom & Bust**

Without delving into the complexities of what caused the 2007 housing bubble and its eventual bust, it is important to understand how the crisis affected homeowners. Risky lending practices led many homeowners to sign onto mortgages at very high variable interest rates that left them with little equity when real estate values dropped. Furthermore, as prices began to drop in response to the bursting of the housing bubble and the resulting Great Recession many homeowners found themselves “underwater” on their mortgages, owing more than their homes were now worth. This loss of value is significant when one realizes that housing equity is a very important source of wealth for most households. In 2010, two-thirds of middle-class America’s wealth was derived from home equity. Between 2007 and 2010, Middle-class Americans saw their housing equity drop 44.6 percent. By 2010, on average households in the bottom 40 percent of the

wealth distribution had negative housing equity for the first time. At the same time, more than 1 in 5 households (22.5 percent) had either zero or negative wealth.⁹

<table>
<thead>
<tr>
<th>Year</th>
<th>Wealth fifth</th>
<th>Breakdown of top fifth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bottom two</td>
<td>Middle</td>
</tr>
<tr>
<td>1962</td>
<td>$3.5</td>
<td>$29.9</td>
</tr>
<tr>
<td>1983</td>
<td>5.4</td>
<td>46.5</td>
</tr>
<tr>
<td>1989</td>
<td>4.3</td>
<td>48.5</td>
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<tr>
<td>1998</td>
<td>5.4</td>
<td>48.0</td>
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<tr>
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<td>6.2</td>
<td>54.1</td>
</tr>
<tr>
<td>2007</td>
<td>8.0</td>
<td>71.0</td>
</tr>
<tr>
<td>2010</td>
<td>-0.1</td>
<td>39.3</td>
</tr>
</tbody>
</table>

Underwater mortgages, layoffs, foreclosures and unemployment became the norm for much of America as the economy struggled to find equilibrium after the 2007 economic collapse. A 2012 study done by ID Analytics (a consumer identity insight group) and research firm JZ Analytics, showed that 32 percent of U.S. adults believe that homeowners should be able to strategically default on their mortgages without any consequences. Foreclosure was once a hidden embarrassment. Today, it is a much more common event. According to Rick Sharge, executive vice president of Carrington Mortgage Holdings, LLC in Santa Ana, CA, the reasons for foreclosure have evolved. “In markets where home prices have dropped by 50 to 60 percent since the peak of the market, borrowers may decide that they’re never going to get back to a break-even point,


¹⁰ Ibid. (pg. 389)
much less build equity in their home, and they’re better off taking a short-term hit to their credit score.”

In November 2012, 180,817 homes in the U.S. received foreclosure filings, down 3 percent from October and 19 percent from the same month a year earlier. “The drop in overall foreclosure activity in November was caused largely by a 71-month low in foreclosure starts for the month, more evidence that we are past the worst of the foreclosure problem brought about by the housing bubble bursting six years ago,” said Daren Blomquist, vice president at RealtyTrac, the leading online marketplace for foreclosure properties. “But foreclosures are continuing to hobble the U.S. housing market as lenders finally seize properties that started the process a year or two ago – and much longer in some cases. We’re likely not completely out of the woods when it comes to foreclosure starts, either, as lenders are still adjusting to new foreclosure ground rules set forth in the National Mortgage Settlement along with various state laws and court rulings.”

Despite the fact that the overall market may be stabilizing, many cities and states hardest hit by the foreclosure crisis are still struggling with high numbers of mortgage defaults. In November 2012 Indiana experienced the third highest statewide foreclosure rate with 1 in every 684 homes receiving a foreclosure filing that month, up 31 percent

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11 Iannucci, Lisa. “Foreclosures are no longer a last resort, and a growing percentage of Americans think it’s ok to strategically default.” nwi.com. 24 November 2012. Web
from the previous year. The sluggish recovery of the housing market in Indiana may in part be attributed to the state’s foreclosure procedures. Indiana is one of twenty two states that use judicial procedures as the primary way to foreclose on a property. Banks seeking to foreclose on Indiana properties are required to file a lawsuit to enforce mortgage contracts.

“Judicial” and “non-judicial” are terms that refer to how individual states handle real estate foreclosure. In non-judicial states, attorneys usually follow a state-provided administrative process based upon mortgage documents that give the lender the “power of sale” outside of the court system in the event of a default. While prices are stabilizing in “non-judicial” states that have streamlined procedures, Indiana’s housing market is saturated with homes bogged down in the foreclosure process. Lender Processing Services estimates the inventory of properties in foreclosure to be three times higher in “judicial states”.

Furthermore, research shows that a lagging recovery in home prices coincides with backlogged foreclosure cases. Over the previous 12 months that ended October 2012, the general trend of rising home prices in non-judicial states include Phoenix whose prices rose 21.7 percent and Detroit where home prices were up 8.5 percent. In contrast, prices in judicial New York dropped 1.2 percent and Chicago prices decreased 1.3 percent over the same period. The length of the foreclosure process not only affects the delinquent property, but surrounding properties as well. A study released summer

2011 by researchers at the Federal Reserve Banks in Boston and Atlanta found that the longer properties languish in delinquency or under the ownership of a bank, the greater the negative effect on the value of surrounding properties.\(^{16}\)

By late 2012, consumer advocate groups were at odds with banks and mortgage servicers, pushing for legislation to protect homeowner’s rights throughout the foreclosure process. According to Paul S. Willen an economist and policy advisor at the Federal Reserve Bank of Boston, “The best outcome is to prevent the foreclosure. But if it’s clear that can’t be done, it’s in society’s interest to get the foreclosure done as soon as possible.”\(^{17}\) Based on a study conducted in 2012, Mr. Willen and his colleagues question whether it is appropriate to give borrowers more time to try to fix mortgage problems. In fact, the study showed that neither the lengthy judicial foreclosure process nor laws forcing lenders to wait 90 days before beginning foreclosure proceedings were very successful in avoiding foreclosure.\(^{18}\)

In wake of the housing bust, many homeowners felt as though they were victimized by predatory lending practices and now feel anger and outrage towards banks that are quick to foreclose on their mortgages. In 2011, investigation into the foreclosure process being conducted by many of the nation’s biggest lenders brought to light an extensive degree of negligence and fraudulence. The “robo-signing” scandal found that bank employees had been quickly filling out foreclosure paperwork without proper review. A landmark twenty-five billion dollar national mortgage settlement was signed in

\(^{17}\) Ibid.
\(^{18}\) Ibid.
February 2012 to provide relief for homeowners affected by negligent foreclosure proceedings. A portion of the relief funds will go towards cutting the mortgage principle owed by those affected by the scandal.\textsuperscript{19} Although thousands of borrowers may be able to salvage their mortgages and remain in their homes due to this settlement, the mediation process can be lengthy and requires a great deal of persistence on the part of the borrower. According to Michael D. Calhoun, president of the Center for Responsible Lending in Washington, “We agree that borrowers should be considered quickly for loan modifications. They’re more successful if they’re done early on.”\textsuperscript{20}

On the other hand, when negotiations fail, banks are better able to salvage their investment when they move quickly through the foreclosure process. Many judicial states are moving to pass fast-track foreclosure bills to help speed up the process. In December 2012 the Illinois House and Senate approved HA 8 SB 16, which should shorten the foreclosure process from more than twenty-one months to less than three months for properties defined as “abandoned”. The bill also permits mortgagees and their agents to enter a property for the purpose of securing or maintaining it.

A “faster foreclosure” bill proposed in Florida in 2012 was met with public outcry. A revised version, HB 87, was filed in January 2013 and is meant to speed up and clean up the foreclosure process. According to the bill’s author, Rep. Kathleen Passidomo, R-Naples, “We need to make sure the process is as efficient as possible while at the same time giving the borrower their due process rights. Unfortunately, if you don’t

\textsuperscript{20} Prevost, Lisa. “Upshot of the Foreclosure Backlog.”
have an income or you can’t afford to pay anything, the property can’t just sit in limbo forever.” Florida foreclosure cases currently take more than 600 days with new filings up twenty percent since last year. The sunshine state currently has the nation’s highest foreclosure rate with one in five mortgages in delinquency, and more than half of those have not yet entered the foreclosure process. The revised bill shed controversial provisions that would have allowed for faster foreclosures on homes that appear to be abandoned. Consumer advocates maintained that this would have resulted in people being thrown out of their homes without proper notice.22

Abandonment does occur, whether due to strategic default or a bank’s notification of foreclosure and impending sheriff’s sale. Some homeowners vacate property prematurely, believing that the bank will repossess and resell the home. On occasion, however, banks initiate the foreclosure process but do not complete it. This situation often occurs when a bank determines that the cost of completing the foreclosure is greater than the anticipated return if and when the property is resold. This situation results in an abandoned foreclosure. Although abandoned foreclosures accounted for only one percent of vacant homes between January 2008 and March 2010, they tend to involve borrowers with lower quality credit and low-value homes concentrated in economically distressed areas. A study conducted by the Government Accountability Office (GAO) in November 2010 found that lenders and servicers sometimes discontinue a foreclosure process without notifying the borrower or local authorities. These abandoned properties become a

21 Olorunnipa, Toluse. “House Foreclosure Bill would Speed up Process.” Tampa Bay Times. 05 January 2013. Web
22 Ibid.
strain on the community as homeowners are unaware that they still own the home and are responsible for paying the taxes and maintaining the property.  

Chapter 2: Methods

Policies and programs are in place in some municipal governments to manage vacant land and structures; these range from building code enforcement procedures and orders to vacate, secure, demolish or rehabilitate, to policies to combat illegal dumping, to boarding programs, to graffiti removal. However, a majority do not have effective, citywide, vacant property management strategies.

Unsafe Building Hearing Authority

The City of Muncie established the Unsafe Building Hearing Authority (UBHA) within the Community Development Department in the early 1980s to deal with the city’s growing inventory of vacant and abandoned properties. The UBHA holds monthly hearings that require the attendance of property owners whose vacant and abandoned properties have been scheduled to be heard by the five member authority. Since its inception, over a thousand properties have come before the UBHA. Although the policies and procedures of the UBHA have evolved over the last thirty years to meet changes in need and capacity, the authority’s goals have remained the same; to hold derelict property owners accountable for their vacant and abandoned structures and to reduce blight within the city.
The UBHA is staffed by an administrator who is a full-time city employee and its membership is comprised of five mayoral appointments, one of whom is the city’s Historic Preservation Officer; another must be a city council member. Meetings are held on the second Thursday of every month at 4:00 pm in the city hall auditorium. At any given meeting the number of new properties may range from 0-30 and the number of continued properties may vary from 30-80. Each property is called and its owner or interested party is asked to testify about the property’s condition and their intention to either demolish or rehabilitate the property. If the owner is present and wishes to demolish they are given additional time to comply with the demolition order. If the owner wishes to rehabilitate the property, he or she must present a reasonable rehabilitation schedule with a cost estimate in order for the demolition order to be modified to a rehabilitation order. The owner is then given additional time to rehabilitate the property.

In either case, the property is scheduled for a future hearing for the UBHA to assess progress. If progress is not being made, civil penalties may be imposed by the Authority. These penalties range from $1,000 for a garage to $2,500 for a house and $5,000 for a commercial property. The first civil penalty is placed on the property’s tax bill in an effort to move a property into a tax sale or to act as an incentive for an owner to demolish or rehabilitate. A second civil penalty may be charged as a personal assessment against the owner. If a property is demolished by the city, the entire cost of demolition, disposal, and processing is also charged as a personal assessment against the owner and may be collected by a collection agency. The threat of civil penalties and collections has worked in the city’s favor with seventy properties demolished by owners between
January 2008 and August 2010. In the same respect, fifty three houses have been rehabilitated and their orders released by the UBHA between September 2008 and January 2011.

The actions of the UBHA are authorized by Indiana Code 36-7-9 which is referred to as the Unsafe Building Law. IC 36-7-9 identifies the Enforcement and Hearing Authorities and the powers that they are allowed under this law. By Indiana Code an unsafe building and the tract of real property on which the unsafe building is located are identified by being:

(1) in an impaired structural condition that makes it unsafe to a person or property;
(2) a fire hazard;
(3) a hazard to the public health;
(4) a public nuisance;
(5) dangerous to a person or property because of a violation of a statute or ordinance concerning building condition or maintenance; or
(6) vacant and not maintained in a manner that would allow human habitation, occupancy, or use under the requirements of a statute or ordinance;

The enforcement authority may issue an order requiring action relative to any unsafe premises, including vacating, sealing against intrusion, extermination of vermin, trash removal, repair or rehabilitation, and/or removal of part or in whole.

The Delaware County Commissioners also adopted ordinance 2009-035, to address the issue of blight caused by vacancy and abandonment. Following amendments made to IC36-7-36-1, the ordinance defines an “abandoned structure” as follows:

1. Commercial real property or vacant structure on commercial real property that is used or was previously used for industrial or commercial purposes, and:
a. That the owner of the property or structure has declared in writing to be abandoned; or

b. For which the owner of the property or structure has been given a written order by an enforcement authority to rehabilitate or demolish, and the owner:

   i. Has not applied for a permit to rehabilitate or demolish the property or structure; or

   ii. Applied for and was granted a permit, but rehabilitation or demolition work has not commenced on the property or structure within thirty (30) days after the date the permit was granted.

   iii. Applied for and was granted a permit, and work began, but was not completed prior to the expiration of the permit and an application for a subsequent permit has not been submitted.

2. Real property that has not been used for a legal purpose for at least six (6) consecutive months and:

   a. In the judgment of an enforcement authority, is in need of completion, rehabilitation, or repair, and completion, rehabilitation, or repair work has not taken place on the property for at least six (6) consecutive months;

   b. On which at least one (1) installment of property taxes and/or an assessment for a civil penalty or penalties issued by a hearing authority is delinquent; or

   c. That has been declared a public nuisance by a hearing authority.

3. Real property that has been declared in writing to be abandoned by the owner, including an estate or a trust that possesses the property.

4. Vacant real property on which a municipal lien has remained unpaid for at least one (1) year.

Neighborhood Stabilization Program (NSP1)

In September 2008, Muncie was informed that it would receive $2,007,356 in Neighborhood Stabilization Program (NSP1) Funds from the federal Department of Housing and Urban Development (HUD) as part of the Housing and Economic Recovery
Act (HERA) of 2008. As required by the grant, the city’s office of Community Development obligated the money for specific activities, which included:

- $1.1 million to demolish 136 units
- $500,000 to purchase and rehabilitate residential property that has been abandoned or foreclosed upon for the purpose of providing low-income rental housing
- $250,000 to establish a land bank
- $200,000 for administrative costs

According to HUD, these funds were to be used to stabilize declining neighborhoods affected by high foreclosure rates. Using a program provided by HUD to determine the area of greatest need, the office of Community Development targeted the funds towards demolitions and rehabilitation projects within census tracts 1, 2, 3, 4 and 6, as these areas have the highest number of foreclosures and vacancies by population.
The city had hoped to use NSP funds to form a land bank to take possession of vacant and abandoned properties to facilitate disposition to a responsible property owner. However, it was determined early on that the land bank could not effectively utilize NSP funding if structured as an extension of the Muncie Redevelopment Commission (MRC). The Muncie land bank is subject to the laws and regulations that govern the MRC. As such, the land bank must follow statutory requirements to sell its properties for the average of a joint appraisal. However, NSP regulations state that a property cannot be sold for more than the land bank’s investment in the property. If, for example the land bank were to receive the tax sale certificate for a property from the County Commissioners and undertake the proper legal measures to perfect the deed, it would have spent only $200-500 on the property and, under NSP rules, that is what it must sell the property for. However, according to MRC rules if the property appraised for an average of $2,000 it must be offered for sale for that amount. It is not possible to
simultaneously meet the requirements of NSP to sell for $200 and the Redevelopment Commission to sell for $2,000. Therefore, the city chose to fund the land bank with the Mayor’s EDIT* funds and the NSP set-aside for the land bank was transferred to demolition of slum and blight (clearance).

Removal of the land bank from the NSP1 program left the city with only two projects: redevelopment of the historic Jackson & Vine and Graystone Apartments ($500,000) and demolition of slum and blight ($1,350,000).

* Economic Development Income Tax (EDIT) funds are allocated by the State of Indiana and are funded by individual county income taxes. These funds can be used at the discretion of the city’s Mayor and are meant to fund projects that will benefit economic development activities.
Indianapolis. This same developer is responsible for the successful construction and management of Muncie’s Millennium Place, Howard Square and Centennial Place, as well as the rehabilitation of historic Canopic Apartments. All of Flaherty & Collins’ Muncie properties have been developed with the use of federal funds and are under a period of affordability, during which time they must be rented to income qualified individuals. The type and total dollar amount of the federal funding dictate the renter’s maximum income. For example, a CDBG funded project must be rented or sold to persons at 80 percent of the Area Median Income. The chart below depicts Muncie’s 2013 HUD income limits by family size.

**FY2013 Income Limits – Muncie, IN**

<table>
<thead>
<tr>
<th></th>
<th>1 person</th>
<th>2 person</th>
<th>3 person</th>
<th>4 person</th>
<th>5 person</th>
<th>6 person</th>
<th>7 person</th>
<th>8 person</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI</td>
<td>$11,350</td>
<td>$12,950</td>
<td>$14,550</td>
<td>$16,150</td>
<td>$17,450</td>
<td>$18,750</td>
<td>$20,050</td>
<td>$21,350</td>
</tr>
<tr>
<td>50% AMI</td>
<td>$18,850</td>
<td>$21,550</td>
<td>$24,250</td>
<td>$26,900</td>
<td>$29,100</td>
<td>$31,250</td>
<td>$33,400</td>
<td>$35,550</td>
</tr>
<tr>
<td>80% AMI</td>
<td>$30,150</td>
<td>$34,450</td>
<td>$38,750</td>
<td>$43,050</td>
<td>$46,500</td>
<td>$49,950</td>
<td>$53,400</td>
<td>$56,850</td>
</tr>
</tbody>
</table>

The total development cost of Jackson & Vine Apartments was $4,563,609 of which NSP1 funds accounted for only $372,795 or 8.17 percent of the total cost. Much of the rehabilitation budget came from HOME Investment Partnership funds, an Indiana Housing and Community Development Association (IHCDA) Development Fund loan and Low-Income Housing Tax Credits (LIHTC). Flaherty & Collins was successful in its application for the LIHTC competitive round of federal funding, allowing the developer

*30% AMI is considered those living in poverty, 50% AMI are those with very low income, and 80% AMI are those with low income.
to fill the financing gap. The building contains twenty-six 1-bedroom apartments with rehabilitation costs averaging $117,000 per unit. Because the developer used federal funding to finance the project, it is required to rent the apartments at an affordable rate to income qualified residents. Per federal regulations, the program with the more restrictive rules and rent limits must be followed. As such, the rental mix for Jackson & Vine Apartments is as follows:

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>% Area Median Income</th>
<th>Unit Type</th>
<th>NSP Rent cap</th>
<th>HOME Rent cap</th>
<th>LIHTC Rent cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>30%</td>
<td>NSP1</td>
<td>$520</td>
<td>$568</td>
<td>$311</td>
</tr>
<tr>
<td>2</td>
<td>30%</td>
<td>HOME</td>
<td>$568</td>
<td>$311</td>
<td>$311</td>
</tr>
<tr>
<td>10</td>
<td>40%</td>
<td>HOME</td>
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<tr>
<td>4</td>
<td>50%</td>
<td>HOME</td>
<td>$568</td>
<td>$520</td>
<td>$520</td>
</tr>
<tr>
<td>7</td>
<td>60%</td>
<td>LIHTC</td>
<td>$568</td>
<td>$624</td>
<td>$624</td>
</tr>
</tbody>
</table>

Jackson & Vine Rental Mix

Jackson & Vine Apartments was originally constructed in 1939 as a modernist style structure. Due to its location in the Emily Kimbrough Historic District and the building’s age, rehabilitation work had to meet the Secretary of the Interior’s Standards for the Treatment of Historic Properties.\(^1\) Original floors, doors, woodwork, and other historic fabric were retained to the greatest extent feasible. Unfortunately, the building sat vacant for a number of years. During that time, vandals and thieves stripped the plumbing, wiring and roof flashing to sell as scrap metal. Water damage also caused

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buckling of the original parquet floors and severe mold growth. Construction took one year to complete and the transformation from a vacant eyesore to a beautifully rehabbed apartment building is evident in pictures.

Jackson & Vine Interior [fig. 2.4]             [fig. 2.5]               [fig. 2.6]  
[fig. 2.7]              [fig. 2.8]              [fig. 2.9]
Graystone Apartments was developed with a mix of funding sources similar to those used on Jackson & Vine. The total cost of development was $1,711,027 with NSP1 funds accounting for only 7.54 percent or $129,044. Low Income Housing Tax Credits again made up the bulk of the funding package, along with an IHCDA Development Fund loan and HOME funds that were provided by the city’s Community Development Department. Graystone contains nine 2-bedroom apartments that were rehabbed at an average price of $118,000 per unit. Graystone’s rental mix is similar to that of Jackson & Vine:

<table>
<thead>
<tr>
<th>Number of Units</th>
<th>% Area Median Income</th>
<th>Unit Type</th>
<th>NSP Rent cap</th>
<th>HOME Rent cap</th>
<th>LIHTC Rent cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>50%</td>
<td>NSP1</td>
<td>$520</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>50%</td>
<td>HOME</td>
<td>$687</td>
<td>$625</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>60%</td>
<td>LIHTC</td>
<td>$687</td>
<td>$750</td>
<td></td>
</tr>
</tbody>
</table>

[Table 2.3]

Although Graystone’s overall structure was in better condition than Jackson & Vine Apartments, it was filled with trash, its finishes and fixtures were outdated, and it was in peril of being vandalized due to its long-vacant status. Built around 1925, Graystone is a Renaissance Revival style building with touches of Art Deco. It is also located in the Emily Kimbrough Historic District and due to its location and the age of the building its rehabilitation had to meet the Secretary of the Interior’s Standards. Flaherty & Collins did excellent work in retaining the original character and charm of the building.
By January 2013, all 35 units of rental housing located in Jackson & Vine and Graystone Apartments were rented and inhabited by low-income residents. Flaherty & Collins had little difficulty finding qualified renters, evidencing a definite need for quality, affordable rental units. The developer is currently working to provide additional low-income housing opportunities at a development site on the east side of Muncie. Centennial Place includes both single family residences and multi-unit properties and is being funded through a grant provided by the Muncie Housing Authority and low-income
housing tax credits granted by the Indiana Housing and Community Development Authority (IHCDA).

**Clearance of Slum & Blight**

Demolition of blighted, unsafe structures has helped remove dangerous eyesores from the city’s central neighborhoods. The NSP1 clearance budget totals $1,429,782 and includes the $250,000 reallocated from the land bank and an additional $123,830 reallocated from general NSP1 administration. With 92 percent of the clearance budget spent by the end of 2012, the city has demolished 159 units.
Prior to being scheduled for demolition, a property must go through the city’s Unsafe Building Hearing Authority process. The administrator of the Hearing Authority must notify the owner that a bid will be solicited for demolition and the cost of demolition will be charged to the property owner. A legal ad is placed in the local newspaper notifying the owner of the city’s intention to demolish the property and the date and time that demolition bids will be opened by the Board of Public Works. Bids are solicited from local demolition contractors who have attended a mandatory pre-bid conference and their sealed bids are opened at a Board of Public Works meeting. Demolition bids are awarded to the lowest and best bidder with work to begin once asbestos inspection and abatement have been completed and after the demolition contractor has given the Indiana Department of Environmental Management ten day notice.

All of the city’s NSP1 funds must be spent by March 08, 2013. Demolition of several properties was delayed due to their location within historic neighborhoods. The city began the Section 106 environmental review process for 31 properties located within historic neighborhoods in spring 2010. The process generated controversy and a great deal of press. In January 2011, the Advisory Council on Historic Preservation (ACHP) chose to participate in the process along with the State Historic Preservation Office (SHPO) and a group of local consulting parties. A Memorandum of Agreement (MOA) was executed on November 18, 2011 to mitigate the loss of these historic structures. During the MOA process three of the houses burned, eleven of the demolitions have since been completed and another thirteen are still on hold. It is the city’s intention to
spend all of its NSP1 allocation, but due to delays caused by the MOA it is possible that not all demolitions will be billed in time to meet the federal deadline.

Neighborhood Stabilization Program 3

The city of Muncie received notice from the Federal Department of Housing and Urban Development in December 2011 that their Community Development Department would receive $1,148,363 in Neighborhood Stabilization Program 3 (NSP3) funds as authorized and appropriated under the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), American Recovery and Reinvestment Act of 2009 (Recovery Act) and the Housing and Economic Recovery Act of 2008 (HERA). Funding was
approved in March 2011 with 50 percent of funds to be expended by March 2013 and 100 percent of funds to be expended by March 2014.

The city’s first task was to determine where the funding could and should be spent in order to fulfill the federal guidelines and requirements. The third round of NSP funds was intended to have a greater impact on neighborhood stabilization and was therefore to be targeted towards a smaller geographic area(s). HUD provided a mapping tool on its website and required all grantees to use it to determine areas with high numbers of foreclosures, percentages of homes with high cost mortgages and vacancy rates.

Community Development staff identified several census tracts and block groups that the mapping tool identified as having a “foreclosure need score” of 17 or greater based on the criteria identified above. Scoring 19 points, the 400 to 700 blocks of West Main St. were chosen as the NSP3 target area because of the area’s nearness to downtown, which has experienced recent reinvestment. The target area was also determined to be significant due to its proximity to the river, location on State Road 32 and its high visibility level, and the stable and supportive base of current homeowners.

Community Development staff held two neighborhood meetings in February 2011 to garner feedback on what types of development the area could support. Priorities identified during the meeting included:

- Establishing off-street parking
- Improving sidewalks & streets (removal of utility poles & lines)
- Maintaining green space & establishing urban gardens
- Developing and cleaning-up of the river bank
- Addressing the fire-damaged Council St. apartment building
- Establishing a neighborhood grocery store
- Demolishing 723 W. Main St.
- Balancing homeownership with rentals
- Funding homeowner occupied façade rehab

Weighing neighborhood feedback with the requirements of the grant, City staff developed the NSP3 Action Plan and submitted this to HUD in March 2011. The Action Plan identified the target area and established the budget and uses of the funding. The total grant amount of $1,148,363 was broken down as follows:

- Administration: $114,836 (10%)
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties: $953,527 (25 percent of which would be spent to provide housing for persons at or below 50 percent of the area median income)
- Redevelop demolished or vacant properties: $80,000
HUD approved Muncie’s NSP3 Action Plan and allocated funding in July 2011. The Community Development Department quickly worked to identify eligible properties and to write a Request for Qualifications for potential developers interested in participating in the program. Three property types could be acquired and rehabilitated or redeveloped using NSP3 funds. In order to qualify for funding a property must meet the definition of abandoned, foreclosed or vacant.

According to NSP3’s eligibility requirements, a home or residential property is *abandoned* if:

- a mortgage, tribal leasehold, or tax payments are at least 90 days delinquent; or

- a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies; or

- the property is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state, local or tribal law or otherwise meets a state definition of an abandoned home or residential property.

A property is considered *foreclosed* upon if:

- the property owner is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency; or
• the property owner is 90 days or more delinquent on tax payments; or

• under state, local, or tribal law, foreclosure proceedings have been initiated or completed; or

• Foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or servicer that is not an NSP3 Department, contractor, Subrecipient, developer, or end user.²

Vacancy is not clearly defined by HUD, but is presumed to include unoccupied structures or vacant land that was once developed. Using the definitions of abandoned, foreclosed and vacant, Community Development staff identified 14 eligible properties within the NSP3 target area.*

² NSP Toolkits. “Guide to Property Acquisitions in NSP Programs.” hud.gov. PDF (pg. 4-5)
* Detailed map with pictures of eligible properties is located in the Appendix.
The city did not receive response to the Request for Qualifications due 28 October 2011. Community Development staff began communicating with local non-profits experienced in utilizing HUD funding to rehabilitate property. Four projects were accepted and contracts were signed between the City of Muncie, the Board of Public Works & Safety and the individual developers. Projects include:

615 W. Main St.

Habitat for Humanity signed a contract on 7 March 2012 for the construction of a single family home located at 615 W. Main St. The contract totaled $74,004 in NSP3 funds. Habitat purchased the property in the March 2011 certificate tax sale for $300. Construction began in November 2012 after the abandoned structure located on the site was demolished by the city. A local architect developed new plans for the home that mimicked the steeper roofline of neighboring historic properties. The home’s set-back was also moved closer to the street to keep it in-line with its neighbors. Habitat had difficulty marketing the property for sale due to the two abandoned properties located next door, but in February 2013 a buyer was approved by the Board of Directors. Construction continues on the home and is expected to be complete by summer 2013.

615 W. Main St. Habitat new build (front) [fig. 2.20]                                           (side) [fig. 2.21]
Muncie Home Ownership and Development Center (MHODC) signed a contract on 18 March 2012 for the rehabilitation and rental of 5 units located at 703 W. Main St. The contract amount totaled $400,000 in NSP3 funds. The historic property was originally built in 1898 and remained a single family property until the late 1970s when it was converted into 4 rental units. MHODC purchased the foreclosed property from Mutual Bank for $20,000 and hired local contractor Homes by Karen to rehabilitate it while making sure to retain the historic character of the home. Original windows were repaired, original hardwood trim and doors were stripped, sanded, stained and sealed, and the broken banister was restored to its original condition. When the project is complete in summer 2013, MHODC intends to rent the units to persons at or below 120 percent AMI. Those eligible to rent an apartment include households that earn less than:
FY2012 Income Limits – Muncie, IN*

<table>
<thead>
<tr>
<th></th>
<th>1 person</th>
<th>2 person</th>
<th>3 person</th>
<th>4 person</th>
<th>5 person</th>
<th>6 person</th>
<th>7 person</th>
<th>8 person</th>
</tr>
</thead>
<tbody>
<tr>
<td>120% AMI</td>
<td>$45,000</td>
<td>$51,450</td>
<td>$57,900</td>
<td>$64,300</td>
<td>$69,450</td>
<td>$74,600</td>
<td>$79,750</td>
<td>$84,900</td>
</tr>
</tbody>
</table>

511 W. Main St.

EcoREHAB of Muncie, Inc. signed a contract on 21 March 2012 for the rehabilitation and sale of the single family home located at 511 W. Main St. The contract totaled $175,000 in NSP3 funds. 511 W. Main St. sat vacant and abandoned for more than five years and during that time it had been tagged by the building commissioner as unsafe and fines were placed on the taxes by the Unsafe Building Hearing Authority. EcoREHAB purchased the building from the owner for less than $10,000 and began construction in spring 2013. The building’s transformation from a derelict eyesore to a neighborhood asset was quite profound, garnering a lot of positive attention from the neighborhood association and local press. The property was sold for $64,900 to an income qualified homebuyer even before the for-sale sign was placed in the front yard. Once the sale is finalized, 20 percent of the proceeds will be repaid to the Community Development Department and used to fund development of another NSP3 project.

* FY2013 Income Limits for households at 120% AMI have yet to be released by HUD.
Bridges Community Services signed a contract on 3 October 2012 for the rehabilitation and rental of 4 units located at 109 S. Council to persons at or below 50 percent AMI. The contract totaled $350,000 in NSP3 funds. Unfortunately, the acquisition process took longer than expected due to an inability to locate the owner and once found, his reluctance to sell for the cost of the land. However, the appraisal concluded that the building actually had a negative value and NSP3 requirements would not allow Bridges to pay more than the building was worth.

A fire consumed one of the upstairs apartments in 2010 and no effort was made to rehabilitate or secure the structure after the fire. The property was tagged by the building commissioner’s office as unsafe and $5000 in civil penalties were imposed on the property and, in accordance with state law, added to the tax bill. Bids were opened by the city for demolition, but the building was salvaged by the owner’s decision to sell to Bridges for use as a NSP3 project. Homes by Karen has been retained as the contractor and Taylor Architects is currently working to modify the floor plan to transform the studio apartments into one-bedrooms. When complete in March 2014, four units will
provide rental housing for homeless veterans who make less than 50 percent of the area median income.

109 S. Council St. (front) [fig. 2.25]
Chapter 3: Tools Used in Other Communities

Communities across the country have implemented programs to combat local vacancy and blight. These programs often involve an ongoing learning process as new problems are discovered, issues addressed, and successes benchmarked.

Land Bank

In 2009, the federal department of Housing and Urban Development (HUD) amended its definition of a land bank to read as follows: “A land bank is a governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.”¹ The cities of Cleveland, Flint, Baltimore, Philadelphia, St. Louis and Atlanta maintain land banks considered to be amongst the most successful in the nation.² The operations of these land banks were reviewed and synthesized into a list of best practices, including:

• The goals and objectives of a land bank should be narrowly focused on vacant land reutilization;

• City departments coordinate and cooperate with external partners;

• Expedited judicial foreclosure processes provide key maintenance for acquisition of marketable titles;

• Independent, corporate land bank structures allow for flexibility in property distribution;

• Information management systems that contain data at the parcel level;

• Strategic city-wide planning integrated with land bank policies;

• Streamlined eminent domain process;

• Ability to determine the terms and conditions for sale of properties; and

• Funding that is diverse, flexible and innovative.³

Land banks have the ability to effect real change to a community by taking possession of and repurposing abandoned property and derelict land. Cleveland’s land bank has excelled at property disposition, winning it an Innovation in American Government award in 1993. By May 2005, the Cleveland land bank had sold 6,420 parcels, more than two thirds of the parcels it had held since the early 1970s. Cleveland’s success cannot be attributed entirely to numbers of properties sold. The city land bank’s

³ Ibid. (pg.5)
real achievement is in its ability to move property to redevelopment and new uses.⁴

According to the land bank’s website, the mission of the organization is to “contribute to
the economic, social and environmental betterment of the City” by making land bank
parcels available for residential side yard expansion and development proposals.⁵

Cleveland’s Mayor White emphasized that “Our redevelopment strategy begins with the
reutilization of vacant land, particularly for new housing construction.”⁶

To expedite the transfer of land for redevelopment, the land bank’s policies,
procedures and politics are transparent and clearly stated. Application forms, parcel
pricing, written policies, and stated procedures are all available on the land bank’s
website. Land bank property is valued at $200 for a residential yard expansion and $200
per parcel for new housing construction. Lots acquired for interim uses such as
community gardens can be leased under negotiated terms and property requested for
other uses require an appraisal to determine the fair market value. The land bank’s
pricing policy encouraged development in its understanding that vacant properties have
nominal value.⁷ The purchase procedure involves seven steps:

1. Applicant submits a land bank application that includes a site plan
2. Applicant must show that they can afford the proposed improvements,
   must be current on property taxes and cannot have any outstanding code
   violations

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⁴ Dewar, Margaret. “Selling Tax-Reverted Land: Lessons from Cleveland and Detroit.” Journal of
⁵ City of Cleveland. city.cleveland.ohio.us (last accessed 13 March 2013).
⁶ Margaret. “Selling Tax-Reverted Land.” (pg.174)
⁷ Ibid. (pg.175)
3. The proposal is evaluated to determine neighborhood suitability; may be subject to City design review

4. The area Councilperson is informed of the proposal and any relevant comments from the Planning Commission and neighborhood groups; Council votes on the sale

5. Applicant is notified of decision; if approved, conditions may be included

6. Fair market value is determined and prospective buyer is notified

7. Administrative approvals are gathered, a deed is signed and the property is transferred

The City of Cleveland’s land bank has had over thirty years to establish itself by creating systems that facilitate the disposition of land for redevelopment. Cuyahoga County, which includes Cleveland, has only recently developed a land bank authority to acquire, manage and dispose of the thousands of vacant properties that dot the county. Unlike Cleveland’s land bank, which is primarily a passive repository for vacant land, the Cuyahoga County land bank has more powers, a bigger budget and a dedicated staff. It is organized as a government corporation funded by penalties and interest on unpaid real estate taxes. It buys properties wholesale from banks and loan servicing companies and also acquires them through tax sales.

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8 City of Cleveland. city.cleveland.ohio.us (last accessed 13 March 2013).
Cuyahoga County is one of a new breed of land banks taking advantage of sweeping tax foreclosure laws that allow land banks to gain possession of tax-foreclosed properties in as little as 45 days.\textsuperscript{10} Its overall “aim is to strategically acquire foreclosed, vacant or abandoned residential or commercial properties and see them rehabilitated when possible or demolished where necessary – with the aim to reduce blight, increase property values and improve the quality of life.”\textsuperscript{11} Following the examples set by the Genesee County (MI) land bank, Cuyahoga County has assembled thousands of parcels for future redevelopment and interim uses. According to Dan Kildee, former head of Genesee County’s land bank, the Cuyahoga County land bank has the potential to do far more because it is the first to be modeled after the Michigan example and with a population three times the size it will take the concept and apply it on a much grander scale.\textsuperscript{12}

In its first year of operations, the Cuyahoga County land bank acquired 212 vacant houses and lots, demolished 24 structures, and transferred 15 properties to suburban communities, nonprofits and private owners.\textsuperscript{13} In its second year, the land bank was awarded in conjunction with the city of Cleveland $41 million in Neighborhood Stabilization Program 2 funds to demolish and renovate blighted homes in 20 targeted neighborhoods throughout Cuyahoga County.\textsuperscript{14} By 2011 the county land bank’s successes in reducing blight, stabilizing neighborhoods, and helping to halt the cycle of

\textsuperscript{10} Ibid.
\textsuperscript{11} Livingston, Sandra. “Cuyahoga County Land Bank Marks First Year with Series of Accomplishments.” \textit{Plain Dealer}. 4 July 2010. Web
\textsuperscript{12} Litt, Steven. “Cuyahoga County Land Bank.”
\textsuperscript{13} Livingston, Sandra. “Cuyahoga County Land Bank Marks First Year.”
\textsuperscript{14} Mazzolini, Joan. “Cleveland, Land Bank and Others get $41 Million to Demolish, Rehab and Improve Neighborhoods.” \textit{Plan Dealer}. 14 January 2010. Web
abandonment were gaining it national accolades. Due to its proven track record, the land bank was able to negotiate ground-breaking agreements with Fannie Mae and HUD to acquire foreclosed properties for nominal sums in order to eliminate speculative property “flipping” by investors for a quick profit. In addition, mortgage lenders Wells Fargo and Bank of America agreed to donate properties to the land bank. These agreements have helped to further stabilize neighborhoods, as property speculation was a major factor in the collapse of the area’s real estate market.\textsuperscript{15}

During its four years of operation, the Cuyahoga County land bank has established several successful reuse and redevelopment programs and relationships. A $500,000 loan to the Cleveland Housing Network is providing mortgage down-payments for 150 to 200 families participating in the nationally recognized lease-purchase program.\textsuperscript{16} A garden recycling program allows urban gardeners to salvage flower beds, planting materials and landscaping stones from properties that it intends to demolish.\textsuperscript{17} Regional fire fighters are allowed training opportunities in abandoned, collapsed buildings and minor offenders are provided work training in a supervised setting while cleaning up vacant properties.\textsuperscript{18} The land bank is innovative in its multi-faceted approach and intends to continue in its rebuilding efforts through new programs, strategic demolitions, and housing rehabilitation and redevelopment. Perhaps its greatest achievement is the catalytic effect it has had on neighboring communities; five Ohio

\begin{flushleft}
\textsuperscript{15} Keating, Dennis. “Cuyahoga County Land Reutilization Corporation: The Beginning, the Present, and Beyond, 2009-2011.” cuyahogalandbank.org. PDF
\textsuperscript{16} Cuyahoga County Land Bank. Cuyahogalandbank.org (last accessed 16 March 2013).
\textsuperscript{17} Ibid.
\textsuperscript{18} Keating, Dennis. “Cuyahoga County Land Reutilization Corporation.”
\end{flushleft}
counties have established land banks and localities in other states are looking to the Cuyahoga County land bank as a model for successful development.\textsuperscript{19}

Philadelphia, is moving forward with the formation of a land bank to deal with its 40,000 vacant parcels concentrated in the city’s poorest neighborhoods. Legislation that will give cities permission to form land banks passed in the statehouse in December 2012. Philadelphia’s city council is now charged with formulating a bill to govern how the land bank will operate, as well as to set its goals and priorities. According to Rick Sauer, executive director of the Philadelphia Association of Community Development Corps., the land bank will provide “…a real strong opportunity to do something that’s going to dramatically change the way we deal with abandoned properties.” He notes that the process of acquiring and disposing of land in Philadelphia “needs to be predictable, accountable, and transparent.”\textsuperscript{20}

Cook County, Illinois, which includes Chicago, is also working to establish a land bank to help deal with the county’s growing number of vacant housing units. Currently, 10 percent of county properties are vacant and another 85,000 are pending foreclosure in circuit court. County officials are asking Attorney General Lisa Madigan for $20 million of the $70 million state set-aside for community foreclosure aid that the state was allocated from the March 2012 national foreclosure settlement. These funds will be used mainly to acquire vacant property.\textsuperscript{21} The Cook County land bank will base its methods

\textsuperscript{19} Ibid.
\textsuperscript{21} Rodkin, Dennis. “Cook County Land Bank Gets Underway.” \textit{chicagomag.com}. 13 February 2013. Web
and systems on the best practices set by the early land banks and Genesee and Cuyahoga counties. The strengths of Cook County, Illinois’ newly formed land bank include:

1. Clarity of purpose based on the land bank’s sole mission to address the issues of vacancy, abandonment, and redevelopment;

2. Governance by an independent, Board of Directors experienced in property acquisition, maintenance, and disposition;

3. A focus on being market-driven with the capacity to leverage the private sector;

4. An ability to apply for and receive funding from private, foundation and government sources with an end goal of self-sufficiency.²²

One of the most critical elements to creating a successful land bank is community engagement and participation.²³ The Genesee County Land Bank has successfully utilized an Advisory Committee since 2002. This committee is comprised of members appointed by Flint, Michigan’s City Council members and each county Commissioner. Cook County proposes to create a similar advisory committee to help:

1. Ensure the land bank’s programs meet the needs of the communities;

2. Market the land bank’s programs;

²² Gala, Breann. “Not Just Another Agency: How the Cook County Land Bank Authority is Racing Ahead.” Metroplanning.org. 8 February 2013. Web

3. Align the land bank’s policies with the community’s values;

4. Provide community feedback to the land bank;

5. Identify possible opportunities for collaboration between the land bank and the communities.²⁴

In addition to a Board of Directors and an Advisory Committee, Cook County’s land bank will have an Executive Director. This individual will be responsible for coordinating all activities of the land bank and as such must be well versed in the various legal and administrative requirements of property acquisition, maintenance and disposition. The Board of Directors and Executive Director may also choose to contract out specific functions including demolition, rehabilitation, property management and inspections (i.e. asbestos, lead based paint, mold).

In the short run, the land bank will develop a stock of rental housing to help offset its operational costs. In the long term, it will be responsible for finding ways to move its holdings back onto the tax roll. According to Bridget Gainer, the Cook County commissioner who led the county’s research on land banks, the Cook County land bank “…will have clarity of purpose. It’s an entity whose whole focus is, What are we doing about vacant properties in Cook County?”²⁵

Demolitions

²⁴ Gainer, Bridget. “Cook County Land Bank Proposal”. 2012. PDF (pg. 3)
²⁵ Rodkin, Dennis. “Cook County Land Bank Gets Underway.”
Communities across the nation have enacted local demolition programs to combat growing numbers of vacant and unsafe structures. At its inception in 1996, the City of New Haven, Connecticut’s Livable City Initiative (LCI) recorded 1,400 vacant, blighted structures. LCI removed 700 properties through demolition, dropping its number of vacant structures by 2006 to 300. City officials continue to deal with blight through an active and aggressive demolition program. The city blew up New Haven’s Veterans Memorial Coliseum in 2007 and city officials are currently working with a developer to negotiate a deal to build apartments and possibly a hotel on the 4.5-acre site.

Meridian, Mississippi initiated a Housing Condemnation Project that operates through an inter-local agreement with the county to use county equipment and personnel to demolish vacant, dilapidated houses. The City pays for asbestos inspection and abatement through contracts with outside servicers. By 2007, the city had demolished 156 units with another 71 units to be demolished during 2008.

The Mayor of Buffalo, NY initiated a “5 in 5” plan to demolish 5,000 structures in 5 years. According to Mayor Byron Brown, “With an affordable cost of living, nationally recognized architecture and leisure attractions, many Buffalo neighborhoods are experiencing a resurgence and revitalization. In order to accelerate our economic revival, removing blight and opening up shovel-ready sites for new investment are

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29 Ibid. (pg. 26)
critical.”

Pledging a minimum of $20 million to help accomplish this goal, Mayor Brown expects the entire project to cost over $100 million. In addition to the city’s funds, the program is anticipating $60 million to come from the state’s “Restore New York” grant program, which allocated over $300 million to cities for demolition, deconstruction and rehabilitation of blighted properties. $15 million is expected to come from federal funds and the remaining $5 million from a community-city matching contribution plan.

The housing foreclosure crisis exacerbated the nation’s vacant property problem and cities across the country began looking for new sources to fund demolitions. The city of Milwaukee estimates that an average house costs $15,000 to demolish, leaving the lot ready for redevelopment. In 2012, the city did 50,000 inspections of its 8,000 vacant or foreclosed properties. The city struggles to keep these properties secured, finding that empty houses quickly attract the attention of “scrapers”. According to Art Dahlberg, Commissioner of Milwaukee’s Department of Neighborhood Services, “What (scrapers) do is they come in there looking for all copper, all of the electrical, sometimes the electricity hasn’t even been turned off yet. The water may still be on as they’re cutting plumbing out, so that creates a pool of water in the basement that fills the house with humidity that causes all of the plaster to start dropping, causes all of the floors to buckle, and then when you look at how much it costs to repair that property, it’s not an economic

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30 City of Buffalo. ci.buffalo.ny.us (last accessed 16 March 2013).
viable alternative.”

The city will request $750,000 from the state over the next three years to remove 150 severely blighted structures.

The 2012 national foreclosure settlement provided at least $25 billion in consumer relief distributed in the form of principal reductions, loan modifications, refinancing, and direct payments to those who lost their homes to foreclosure between Jan. 1, 2008 and Dec. 31, 2011. Individual payments were made to the 49 states that signed the settlement. Lawmakers in Ohio made the decision to use $75 million of the $330 million it received from the settlement to demolish homes. Although some argue that this money should benefit those who either lost their homes or are at risk of losing them, attorney general Mike DeWine argued that removal of slum and blight is a key component to Ohio’s economic recovery. Grants will be made to communities and organizations that work to rid neighborhoods of blighted structures.  

Indiana chose not to allocate any of its share of the foreclosure settlement money to demolition of vacant and abandoned properties. Instead the state’s direct payment of about $45 million will go to help fund consumer protection as well as state foreclosure prevention efforts and related programs. In addition, $28.8 million of those funds are being diverted to assist low-income Hoosier homeowners with paying utility bills in order to avoid disconnection. Indiana Attorney General Greg Zoeller defended his decision in stating, “Low income homeowners who were most at-risk to be foreclosed upon are also the most likely to have difficulty paying electric and gas bills and face disconnection. The mortgage lending institutions that preyed upon borrowers and engaged in illegal practices

33 Ibid.
are paying millions of dollars in settlement money to Indiana, and the Legislature wisely channeled this flow of dollars into a fund where at-risk homeowners can be helped.”

Hope for future demolition funding remains as several legislators in Ohio jointly introduced H.R. 656: Restore Our Neighborhoods Act. The 2013 Act permits the United States Treasury to allocate $4 billion in bonds to states that will be sold to investors with the proceeds to be used to finance demolitions. $40 million will be allocated to each state and another $2 billion will be divided among Qualified States. The bill’s authors point to the Flint, Michigan’s successful demolition program as basis for the bill. Research shows that 60 percent of Flint’s housing stock is directly affected by the city’s demolition efforts, resulting in an increase in property values for neighboring properties of 10.17 percent. The $3.5 million spent on demolishing abandoned structures between 2002 and 2005 resulted in an estimated total property value increase of more than $112 million.

According to Congresswoman Marcia L. Fudge of Ohio’s Eleventh District (serving an area from Cleveland to Akron), “This legislation provides a strong, sensible and cost-effective tool to meet the immediate need of rebuilding our communities. The sheer volume of foreclosed and abandoned properties continues to lower property values in neighborhoods across the nation. These blighted structures invite crime and negatively impact the quality of life for residents who work hard to maintain their homes.”

Homeowner Counseling

HUD approved housing counseling agencies are staffed by highly-trained, experienced professionals who can guide individuals through all stages of homeownership, from pre-purchase to foreclosure mitigation. Counselors are available to help individuals make repairs to their credit, create and follow a budget, decide what mortgage options are best suited for them, and help to prevent foreclosure. These organizations also provide the HUD approved eight hour homebuyer education courses required for many HUD loans and grant programs, including down-payment assistance.

The city of New Haven, Connecticut, has formed a ROOF (Real Options Overcoming Foreclosure) Task Force to reach out to the 4,000 residents currently at risk of losing their homes to foreclosure. The task force includes representatives of the City, Yale Law School’s Legal Services Unit, the Greater New Haven Community Loan Fund and Neighborhood Housing Services. It is targeting the hardest hit neighborhoods by using a 211 hotline to refer homeowners to local nonprofit agencies for help in renegotiating loans. The task force hopes that by making homeowner counseling services more accessible for those in need, more will take advantage of these services to prevent foreclosure.\footnote{City Policy Associates. “Vacant and Abandoned Properties.” (pg. 10)}

In fiscal year 2011, Congress eliminated HUD’s entire $88 million budget in direct grant funding for housing counseling agencies. This budget cut marked a significant shift in priorities from the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act’s emphasis on housing counseling. Although Dodd-Frank

\footnote{City Policy Associates. “Vacant and Abandoned Properties.” (pg. 10)}
outlined the creation of the Office of Housing Counseling (OHC) to provide support for the 2,700 HUD approved counseling agencies located throughout the country, HUD lacks the funds to create the OHC.

Although demand for pre-purchase counseling has dropped significantly since 2006, the need for foreclosure mitigation counseling rose from 171,000 in 2006 to 1.4 million in 2010. Studies have shown that borrowers who received foreclosure mitigation counseling had a fifty-three percent better chance of “bringing their mortgages current.”

Direct funding from HUD allowed housing counseling agencies to provide their services for free or at a minimal cost. Budget cuts led many to fear that if legitimate agencies were forced to close, scam artists would fill the void and prey on desperate consumers seeking approval for such things as down-payment assistance and reverse mortgages.

**Vacant Property Registration**

There are over 840 vacant property registries across the country that are maintained in efforts to reduce blight and protect neighborhoods by helping to keep property owners, lenders, and mortgage servicing companies accountable. In cities where registries are present, vacant properties and/or properties going through foreclosure are required to register in a city-wide database. The registry provides a central contact and information point through which the city and a borrower can obtain information about the vacancy status of a property and/or the status of the mortgage.

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foreclosure. Property owners may also be required to carry a minimum amount of
insurance, to secure the property, and to maintain its exterior by cutting the grass, etc. In
addition, owners of registered properties are often required to pay a periodic registration
fee that may increase depending on the length of time the building has remained vacant.41

Vacant property registries are governed by vacant property registration ordinances
(VPROs) enacted by localities. Milwaukee passed a VPRO on January 1, 2010 to deal
with the growing number of vacant properties located across the city. For many years
Milwaukee’s property owners had been allowed to keep well-maintained buildings
vacant. The city found, however, that these buildings attracted criminal activity and often
required re-boarding at the city’s expense. Any property left vacant for more than 30 days
must be registered with the Department of Neighborhood Services (DNS) and the owner
is required to pay a fee if the building remains vacant after 6 months. The registration
must be renewed every 6 months at a cost of $250. However, if there are outstanding
code violations against the property it is subject to an escalating renewal fee in increasing
increments of $250 up to $1,000.42

In an effort to ensure that vacant properties remain secure and are properly
managed, the city of Minneapolis enacted a VBR that requires registration of properties
that are unoccupied and unsecured for 5 days or more or unoccupied and secured for 30
days or more. In addition, if a property has code violations and is vacant for 30 days or
more or 365 days or more vacant with a nuisance violation it must be registered. The city

41 Immergluck, Dan, et al. “Local Vacant Property Registration Ordinances in the U.S.: An Analysis
of Growth, Regional Trends, and Some Key Characteristics.” 12 August 2012. PDF
42 City of Milwaukee. city.milwaukee.gov (last accessed 7 March 2013).
encourages rehabilitation by suspending the VBR fee for up to 6 months if the owner is actively rehabbing the property according to conditions set forth in a Restoration Agreement.43

As evidenced in the examples above, there is a clear lack of uniformity in ordinances governing vacant property registries. Variations amongst policies make it difficult for mortgage servicing agencies to comply with the individual regulations. Maryland and Georgia are working to rectify this situation by establishing statewide guidelines. In addition, Connecticut, New Jersey and Illinois have passed statewide laws regulating vacant property and foreclosure registration.44

Not only do registries maintain contact information on property owners, but also on the mortgager and/or servicing agency. Registration provides a responsible party in the event of an abandoned foreclosure. Lenders and servicers often neglect to inform a borrower of their right to occupy their property until a sale or other title transfer action occurs. There are instances where homeowners move out of a property when first notified that a sheriff sale has been set, not realizing that that sale may be cancelled and never rescheduled. Although the Federal Reserve recommends that lenders and servicers notify borrowers and local authorities when they decide to discontinue a foreclosure process, there is no requirement that this notification occur. Several states are in the process of rectifying this shortfall. In January 2013 Hawaii introduced Senate Bill 960, which would prohibit cancelling a public sale on a property at any time before the date of the public

43 City of Minneapolis. minneapolismn.gov (last accessed 7 March 2013).
sale without written notification of the cancellation delivered to the mortgagor, the borrower, and other specified persons.

**Vacant Lot Strategies**

Vacant Lot Strategies are meant to benefit the environment and engage passerby, to provide short-term reuse, to create vibrant, economically diverse neighborhoods, to put the process of decline in reverse, to turn vacant lots into community assets, to aide in marketing existing buildings and to encourage community pride. The first step to planning the reuse of vacant land is researching the site. This begins with determining ownership and whether the lot is available for reuse. It is also important to identify the soil condition and whether there may be pollutants in the ground. This is especially important if the land will be used to grow food. Determining whether there is contamination, demolition debris, or compacted soil will have an effect on a lot’s reuse potential. Identifying how water will be accessed is another important factor in site selection. Also important is development of a budget and maintenance plan as well as finding enough manpower and financial support to make the project successful.45

Communities across the country are working to create positive uses from once blighted, vacant lots. These uses are varied and the programs associated with each are unique to the people and the environments that support them.

**Pocket Parks**

45 Zautner, Lilah, ed. “Re-Imagining Cleveland: Ideas to Action Resource Book.” Kent State University’s Cleveland Urban Design Collaborative & Neighborhood Progress, Inc.: Cleveland, OH. January 2011. PDF (pg. 5-9)
Also known as mini-parks or vest-pocket parks, pocket parks are smaller in scale, usually no larger than a few house lots. They can be tucked in between houses or commercial buildings, serving the local population by providing small event spaces, places for children to play or friends to meet, as locations for a lunch break or a refuge from the hustle and bustle of urban life. Stewardship is the key to making pocket parks successful. Not only do they rely on neighborhood support for their use, but also for their upkeep; in today’s budget climate, few local parks departments seem to be willing to undertake the relatively high maintenance costs of these small parcels. A community development corporation, a foundation, a block club, a church group, or an informal alliance of neighbors can assume responsibility for the maintenance of a pocket park.

The city of Philadelphia recognized as early as the 1960s that its citizenry could benefit from the addition of urban green space. The city acquired vacant land through Sheriff’s sales by writing off municipal liens. These once “left-over” spaces have become a network of over 60 pocket parks ranging in size from 900 sq. ft. to 9,000 sq. ft. The city involved each community in the design of these neighborhood amenities. Areas were provided for both play and passive activities that included climbing structures, basketball courts, flower gardens, and benches. Philadelphia’s network of pocket parks are maintained by the city’s Neighborhood Park Program.46

“Los Angeles and the L.A. Parks Foundation are taking advantage of the real estate downturn and home foreclosures, to create a host of new small parks.”47 National Public Radio recently covered this “trend in urban development” by speaking with Darryl

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46 Blake, Alison. “Pocket Parks.” depts.washington.edu. PDF
Ford, an employee of the City of Los Angeles’ Department of Recreation and Parks. According to Ford, the city believes its urban communities are in need of more park space and is building 50 small public parks in dense communities as part of the city’s 50 Parks Initiative. The 49th Street Park project is being developed as part of this initiative and will be situated on what was once a residential home. The city purchased the home using federal funds and demolished it with the intention of making it into a community park space. The 49th Street Park will be less than 5,000 square feet in size with a new playground. Located in South L.A., this park will provide much needed play space for the community. According to Frederico Cordoba, a third grade teacher for the local elementary school, South L.A. is “…an area full of crime, unfortunately, and the neighborhoods are rough. And there’s often police presence here in this area. And so the kids really look forward to a place like these. Most of the time they don’t have a place to go and they stay home. So this pocket park provides a chance for kids to go to new places, explore.”

Not only do pocket parks provide a safe place for children to play, they provide an opportunity for community engagement. Since 1995, the city of Indianapolis, in partnership with Keep Indianapolis Beautiful, Inc. (KIB), and the Indianapolis Power & Light Company (IPL) has helped neighborhoods, schools, churches, and community-based organizations transform unloved places into community assets. Groups interested in creating pocket parks may apply for assistance. Keep Indianapolis Beautiful will

48 Ibid.
provide plant material, tools and project management expertise. The grant applicant will create a maintenance plan and bring volunteers to do the work. 49

In 2012, KIB sponsored the creation of ten new green spaces and pocket parks. Among these projects was the addition of a park in the Englewood neighborhood that included the addition of “nature play” elements. Another pocket park was added to the entrance of the Pennsy Trail and included a covered open-sided rest area with benches and trash receptacles. KIB also helped develop a pocket park alongside an established community garden to provide a safe place for children to play while their parents are tending their garden plots. Plans are already in place to develop three additional pocket parks in the Mapleton Fall Creek neighborhood on Indianapolis’ mid-north side. A resident-led task force held several community forums to gain feedback on what type of designs would best suit resident’s needs. 50

Community Gardens

Community gardens can be urban, suburban, or rural and can be used to grow flowers, vegetables or community. They can range in size from a single lot to several and can be maintained by schools, hospitals, neighborhoods, or any group of individuals who have come together to garden. The American Community Gardening Association identifies the many benefits to community gardening. These include:

- Providing a catalyst for neighborhood and community development
- Stimulating social interaction (cross-cultural and intergenerational)
- Beautifying neighborhoods

49 Keep Indianapolis Beautiful. kibi.org (last accessed 3 March 2013).
50 Ibid.
- Producing nutritious food and reducing family food budgets
- Reducing crime
- Creating opportunity for recreation, exercise, therapy and education
- Creating income opportunities and economic development

Genesee County (Michigan) land bank’s Adopt-a-Lot Program allows any individual to enter into a no-cost, yearly lease agreement to garden and/or maintain land bank owned property. Alternatively, groups or individuals can sponsor maintenance and gardening on lots by making a donation to the program. Adopt-a-lot programs empower neighbors, businesses, individuals and groups to care for property in their neighborhood, which improves property values, reduces crime, and encourages others to care for their own property.

Genesee County’s land bank also sponsors a Clean and Green Program that enables neighborhood associations, churches, non-profits and others to play an important role in maintaining, planting and caring for gardens and greenspaces in their neighborhoods. The objective of the program is to support these innovative community-based efforts to convert vacant properties into neighborhood assets. The Clean and Green Program started as a pilot project during the summer of 2003 with two community groups maintaining 45 land bank owned properties on Flint’s east side. During the summer of 2006, twelve community groups maintained over 600 land bank properties. The land

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52 Genesee County Land Bank. landbank.org (last accessed 16 March 2013).
bank plans to further expand the program into new neighborhoods and provide additional resources to encourage creative and innovative gardening projects.\textsuperscript{53}

The city of Jacksonville, Florida, has considered leasing city owned lots to groups interested in starting community gardens. City councilwoman Lori Boyer believes, “we have some properties in inventory . . . which in this market really have very little market value. We don’t have anything good we can do with them. It’s not something we can go out and sell on a surplus property sale and bring in substantial revenue for the city.”\textsuperscript{54} Leasing the land to community groups relieves the city of the cost of maintaining the land until it can be developed. Jacksonville’s urban gardeners are eager for the city to support gardening on city-owned property, as it would provide a more stable environment for the ongoing development of gardens.

At present, gardens are located on idle lots throughout the city, including the Garden at Jackson Square which sits on land that once held a car dealership. The unincorporated group that tends the garden helps Burmese refugees who have relocated to Jacksonville stretch their food budgets. Master gardeners wrote instructions on preparing the ground, a yard service company donated 36 cubic yards of compost, and a local foundation donated more than $2,000 to aid five Burmese refugee families in developing their gardens. Each of these families will mentor another family once their plot is developed.\textsuperscript{55}

\textsuperscript{53} Ibid.
\textsuperscript{54} Patterson, Steve. “On Recession’s Vacant Lots, Jacksonville-area Gardeners Hope to Set Roots in City’s Land.” \textit{The Florida Times-Union}. 18 March 2012. Web
\textsuperscript{55} Ibid.
Community gardening gained support in Jersey City, New Jersey, by recent amendments to the City’s Adopt-A-Lot ordinance. The new ordinance allows community groups to turn vacant city-owned lots and under-used park lands into flower and vegetable gardens for the cost of $1 for a two year lease. According to Mayor Jerramiah Healy, “this is a great program for everyone who loves their neighborhood, loves the outdoors, and wants to improve their community. Gardening is not only beneficial for the environment, but it’s also an extraordinarily healthy activity. Whether you’re planting vegetables for a better diet or growing your favorite flower, working in a community garden is a great way to meet your neighbors and get a little physical activity.”

Response to the new ordinance has been very positive, though community gardening is not new to Jersey City. The city has at least a dozen well-established community gardens, including the Brunswick Community Garden, Sgt. Anthony Park Garden and the Riverview-Fisk Garden, all of which are maintained by as many as 500 volunteers.

Native Plantings

Native landscapes provide habitat, carbon sequestration, pollination, water filtration, erosion control, and increased wildlife. They can be established affordably using seed mixtures of grasses and perennials, along with trees and shrubs. Once established, native plant materials are hardy and low-maintenance. A native landscape offers local color and provides habitat for birds, butterflies, and other wildlife. In order to convert vacant property to a native landscape it is important ensure that local ordinances support this type of lot greening. Many communities have restrictive weed ordinances.

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56 Jersey City website. cityofjerseycity.com (last accessed 5 March 2013).
57 Ibid.
that may limit native plantings with relatively low height requirements and prohibitions on plants other than grasses; such ordinances may need to be amended prior to planting.58

Youngstown, Ohio, is experimenting with turning undeveloped urban land into native wildlife gardens. The city has found that wildlife gardens are more easily accepted when grasses and wildflowers are less than four feet tall and the area is set apart by fencing like split rail, or by a border, such as mowed grass. The largest prairie garden in Green Bay, Wisconsin, was recently planted by an alderman and a small group of volunteers. Encircled by a split rail fence, the area is utilized for alternative education classes.59

In an effort to combat the issues surrounding vacant urban land, the Earth Day Coalition has expanded its programming to include “Naturehood.” “This program conserves resources by using recycled and reclaimed materials, promotes energy and water conservation by using native Ohio plants, and contributes to a healthier environment by not using fertilizers or pesticides. Naturehood restorations will also decrease the city’s costs of maintenance of abandoned lots by eliminating mowing.”60

Earth Day Coalition partnered with Tremont West Development Corporation, Tremont gardeners and community partners to redevelop a vacant lot in Cleveland’s Tremont neighborhood using native plantings. Volunteers prepared the lot by applying cardboard, straw, mulch and topsoil in layers. Over 700 native plants were planted and a brick path

59 Ibid.
60 Trepal, Chris. “People + Native Plants = Naturehood.” ecowatch.org. 4 March 2013. Web
and interpretive signs were installed to identify the native prairie, shrubland, and woodland habitats and plants.\textsuperscript{61}

\textsuperscript{61} Ibid.
Chapter 4: Recommendations for Muncie

Muncie has benefited from its Federal Recovery Act allocations and the rehabilitation and redevelopment projects that they have funded. In total, over 46 units of low to moderate income housing were created, increasing the city’s stock of quality, affordable housing. In addition, the properties that were salvaged from abandonment have had a stabilizing effect on their surrounding neighborhoods. The developer responsible for the rehabilitation of Jackson & Vine Apartments has since purchased the adjacent tax foreclosed property that had been scheduled for demolition by the city of Muncie. The long abandoned property is currently being stabilized and will be rehabilitated and reused as management offices.

In addition, future planning for continued redevelopment of the NSP3 target area has identified several locations for infill housing and a pocket park. The lots located at 609 and 611 W. Main St., which were recently cleared by the city, have been targeted for potential infill housing by Habitat for Humanity and the Home Center. The vacant lot at 507 W. Main St. is the potential future site of a net-zero infill property to be developed by ecoREHAB of Muncie, inc. in conjunction with grant funding from the Ball Brothers
Foundation. If the house located at 503 W. Main St. is demolished, the lot could be the site of a future pocket park.

The city has made a concerted effort to target funding towards the redevelopment of West Main St. It has set aside $50,000 in 2011 HOME funds for the rehabilitation and rental or sale to an income qualified buyer of a property located in the NSP3 target area. The city intends to combine any funding left in the NSP3 program with program income from the sale of 511 W. Main St. to this same project. $150,000 in Tax Increment Financing (TIF) has also been set aside by the Muncie Redevelopment Commission to install new sidewalks within the NSP3 target area. In addition, a $30,000 contract has been signed between the city and Habitat for Humanity to improve the facades of homeowner occupied housing. These projects should begin to take shape during Spring 2013.

The West Main St. NSP3 target area can be a model for redevelopment in Muncie. By concentrating its efforts in small pockets, the city can focus its funding to areas that will have a catalytic effect on the rest of the neighborhood. Starting with the neighborhoods directly surrounding downtown, the city can focus CDBG and HOME funding to rehabilitate and redevelop housing in Gilbert, McKinley, Old West End, East Central, and South Central neighborhoods. These same areas were targeted for demolition funding through NSP1 and selective demolitions should continue to be funded through the CDBG clearance allocation. The wheel tax funds that the city may use to pave streets should be used to first repave the streets in these neighborhoods. Starting with one block in each of these neighborhoods, city-funded projects can help jump start private investment and halt the tide of neglect and decay.
**Land Bank**

Muncie requires a comprehensive strategy for the disposition and repurposing of vacant structures and lots. A land bank would help the city holistically manage these low-value assets. The land bank’s portfolio of properties could be utilized for future development projects or a variety of interim uses.

Property acquisition is one of Muncie’s greatest challenges when dealing with vacant and abandoned properties. Researching ownership often leads to an owner who is dead or impossible to locate and to a lender that has long ago written off the mortgage. Many of these properties have been through several tax sales, have been sold to out-of-town purchasers, and have never been taken to deed*.

Two examples of this scenario include 609 and 611 W. Main St., Muncie both of which have been vacant for more than 4 years. These once-rental properties were owned by a local police officer who believed he lost both in foreclosure. The bank, however, cancelled the sheriff’s sale on both and never took the properties to deed. The properties were sold in the 2010 certificate sale to a purchaser in Arizona who believed he could resell both at a profit. The tax sale buyer, when informed of their long-vacant status also chose not to take the properties to deed. The city intends to demolish these properties using NSP1 funds.

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* A tax sale buyer may buy a tax sale certificate with the intention of following through with the legal requirements to obtain ownership but choose to forfeit their payment at any point prior to recording the property in their name.
Another scenario involves an elderly woman who died while in ownership of 615 W. Main St. The property sat vacant for over ten years, during which time it did not accrue enough taxes to put it into a tax sale due to exemptions on the tax bill. The property eventually went through the Unsafe Building Hearing Authority process and was assessed a $2,500 civil penalty that went unpaid, placing it in the 2010 certificate sale where Habitat for Humanity purchased it for the price of $250.00. Transfer of ownership took over a year due to the 6 month redemption period and subsequent legal process. During this period, the property continued to sit vacant, a neighborhood eyesore.*

In both of the above cases, the city was left with the responsibility of mowing these properties and neighbors were forced to live next door to ugly, dangerous structures for years. It is clear that Muncie needs a land bank in order to facilitate the transfer of ownership and to provide interim maintenance until a new owner can be identified. In 2012, Indiana lawmakers passed House Bill 1249, mandating that more studies on land banks were needed before legislation would be considered. The city of South Bend’s Vacant and Abandoned Properties task force finalized a report in December 2012. The task force is in support of legislation that is currently before the General Assembly that would give municipalities and nonprofit corporations the authority to create land banks, which could acquire, manage and sell properties for redevelopment.

The 2013 Indiana Property Tax Sale and Land Bank Reform Legislation proposes several statutory changes, including certification of properties that meet the Indiana

* See Appendix A for a detailed timeline of events concerning the abandonment and redevelopment of 615 W. Main St.
Code’s definition of vacant and abandoned. Certified properties may be transferred into
the name of a new owner in 120 days, rather than the 365 days required of properties that
are not vacant or abandoned. Once tax-foreclosed, land banks may take possession of
these properties, thereby significantly shortening the period of time in which a property
will sit abandoned. The Delaware County Commissioners adopted ordinance 2009-035
not only to provide a local definition of “vacancy”, but also to allow the County
Auditor’s office to hold a special “Vacant & Abandoned” tax sale that could facilitate
properties moving into a land bank. Aside from a special “Vacant & Abandoned” sale,
land banks may also bid at regular tax sales and accept direct transfers of property that do
not sell at a tax sale. Property may also be donated or purchased by the land bank.

Although the city of Muncie established a land bank in 2010, in two years of
operation the land bank only took possession of four properties with structures and one
vacant parcel of land. The land bank operated as a quasi-governmental organization
staffed by one person whose operations were overseen by the city of Muncie’s
Redevelopment Commission. Procedures and guidelines for acquisition, redevelopment
and disposition were not drafted. Articles of incorporation, by-laws, rules and policies
governing administration and operation were not established. If HB-1249 is passed by the
Indiana legislators, establishing general operating procedures for a land bank will be
required by law.

Early in 2012, Muncie’s newly elected mayor Dennis Tyler suspended the
operation of the land bank and is working with a task force to determine how it can be
restructured to best meet the city’s needs. It might behoove the current administration to
follow the lead of several other cities and counties that are currently establishing land banks based on the successful models operating in Cuyahoga County, Ohio and Genesee County, Michigan. Muncie’s land bank must establish policies and procedures that allow it to perform in a predictable and accountable manner. It must also make every effort to be transparent in its actions.

In addition, Muncie’s land bank needs to remain a-political. It must be allowed to fulfill its mission without fear that its progress will be stagnated due to the tides of change that come with each election year. The land bank’s Board of Directors should include persons experienced in the tax sale process, property disposition and marketing, real estate management, residential and commercial financing, rehabilitation and redevelopment, urban planning and community development, grant writing and management, and property law. In addition to subject matter experts, the Board of Directors should include a nominal number of elected officials to represent the interests of their constituents.

Much like the Cook County land bank, Muncie’s version should focus its initial efforts on neighborhood stabilization and establishing a sustainable revenue source.\(^1\) Property acquisition will likely occur through tax sale, bank foreclosure and donation, private donation, and purchase. The land bank must make the determination whether properties should be demolished and the vacant property retained for future development, if the property should be rehabilitated and rented or sold, or if the property can be sold as-is. Its initial funding sources could come from the Mayor’s EDIT funds, the City’s

\(^1\) Ibid. (pg. 4)
Unsafe Building funds, federal Community Development Block Grants, and private foundation grants. Long-term revenue sources may include scattered site single-family and multi-family rental income, developer fees through participation in real estate development projects, land sales, and Community Development and private foundation grants. In addition, if supplemental legislation were passed in Indiana there is potential for the land bank to take advantage of tax increment revenues. Michigan law allows land banks to receive 50 percent of the tax generated by properties sold by land banks for five years after property transfer occurs.²

The land bank could be instrumental in developing programs to help manage vacant lots located throughout the city’s most economically depressed neighborhoods. It could be the responsible party for adopt-a-lot programs and vacant lot greening strategies. Neighborhood groups and non-profits who are currently working to develop pocket parks and urban gardens could partner with the land bank to expand their efforts.

*Pocket Parks*

Muncie’s Old West End Neighborhood Association is currently working to purchase several adjacent lots in the 500 block of W. Howard St. through the tax sale to create a neighborhood pocket park. They have been in contact with the director of the city’s Parks Department who is in support of their plan to manage the land privately. Unfortunately, acquisition through the tax sale process is time consuming and ownership of the lots comes with liability and insurance issues. Leasing property through an

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² Gainer, Bridget. “Cook County Land Bank Proposal”. 2012. PDF (pg. 6)
agreement with a land bank would be a viable alternative for neighborhood associations interested in developing pocket parks.

_Urban Gardens_

Muncie has an active Urban Gardening Initiative (UGI) that has resources available to the public including books, tools, a roto-tiller, straw, compost, seeds, plants and experienced gardeners that help teach people how to grow their own food. The UGI network includes 11 gardens totaling over 1.75 acres. Located throughout Muncie these gardens include: North Street Urban Garden, Maring Hunt Community Gardens, Urban Light Community Garden, Riverside UMC Community Garden, Boys ‘n Girls Club Children’s Garden, Motivate our Minds Children’s Garden, Roy C. Buley Center Children’s Garden, First Fruits Garden Project, Youth Opportunity Center Youth Garden, Inside Out Community Garden, and Howard Street Community Garden.³

³ Urban Gardening Initiative. beautifulmuncie.org (last accessed 31 January 2013).
These gardens are currently located on privately and publicly owned property (i.e. schools and libraries). There is a great opportunity for interested individuals and organizations to lease land bank owned property and use it to plant vegetable and flower gardens. The Urban Gardening Initiative could expand its services to provide tools and education to church groups, neighborhood associations, and any others who wish to lease land bank owned property. In addition, UGI in conjunction with the land bank could develop programs with organizations in Muncie that support residents as they transition out of homelessness and poverty, such as Bridges Community Services and Teamwork for Quality Living.
There are locations within city limits large enough to accommodate orchards, vineyards, and other small scale farming operations. At present, Muncie’s municipal code does not promote urban agriculture. If the citizenry wishes to develop urban gardening on a larger scale to provide for urban agriculture, changes would need to be made to allow for urban chickens and other livestock, large scale urban farming, commercial urban farming, greenhouses in the city, and large scale composting. Again, land bank owned property could be utilized for these purposes through a lease agreement.

Native Plantings

Once formed, the land bank could utilize native plantings to cut down on the costs associated with mowing and maintaining vacant lots. Native plantings are allowed in Muncie when they are contained within a planting bed or behind some type of fencing. According to Joyce Dicks, Code Enforcement Officer, there have been only two occasions in Muncie over the last five years in which property owners who were cited for weed violations argued that they were growing native plantings.4 Although the city’s municipal code defines weeds as “any vegetable matter which exceeds the height of 12 inches,”5 the building commissioner’s office will allow the growing of native landscapes if the property owner has certified the area as wildlife habitat. An application for certification through the National Wildlife Federation is available online.6 One individual who was cited for weeds was in possession of this certification and his violation was immediately rescinded.

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4 Dicks, J. (31 January 2013). Personal interview.
6 Habitat Certification Application. wdfw.wa.gov (last accessed 13 February 2013).
Partnerships with Ball State University

Through collaboration with Ball State University’s landscape architecture and natural resource management departments, Muncie could become a center for remediation research and development. Experimental soil and water remediation techniques can be created here and tested on vacant sites throughout the city. The most effective techniques can then be commercialized for use in other cities. This could include studies on phytoremediation, a technique that uses plants to extract lead, arsenic, and other heavy metals, petroleum substances, and pesticides from the soil.

Landscape architecture students may also be invited to create interim landscapes meant to last from 3-6 months to several years depending on the site and its future development potential. This approach could provide a low-cost solution for beautifying vacant lots. An example of this approach can be seen in Boston’s “Urban Arboretum” created by Wolfe Landscape Architecture. The low-cost interim landscape was developed between two highway ramps and has since developed into an inviting urban passageway.7

Demolitions

Properties that are too dangerous to live in and too costly to fix need to be torn down. The city of Muncie has benefited greatly from the Neighborhood Stabilization Program grant’s allowance for demolition. The 159 housing units that were demolished between 2009 and 2012 were vacant eyesores that greatly affected the value of surrounding properties and the overall quality of life of the city’s residents. Continuing to make progress on removing dangerous structures should be a priority for the city’s

7 Wolfe Landscape Architecture. tobiaswolflandscape.wordpress.com (last accessed 31 January 2013).
leadership. It is imperative that the city advocate the importance of blight removal to its state and federal representatives in order to ensure future funding is made available for these efforts.

**Homeowner Counseling**

At present there are two HUD approved housing counseling agencies located in Muncie, IN. Pathstone and the Homeownership Development Center. Using Community Development Block Grant (CDBG) funds, Muncie’s Community Development Department regularly funds down-payment assistance grants to income-qualified, first-time homebuyers. The services provided by HUD-approved housing counseling agencies are necessary for maintaining a healthy housing market and their continued support should be managed through private foundations, lending organizations and local CDBG allocations.

**Vacant Property Registration**

The city of Muncie does not require vacant properties or properties going through foreclosure to be registered in a city-wide database. Muncie would greatly benefit from a centralized database of vacant properties tied to a responsible and responsive owner. Although Muncie’s Unsafe Building Hearing Authority currently tracks properties that have been tagged by the city’s Building Commissioner, there is no regulatory requirement that proactively registers properties when they first become vacant. In addition, fees paid by property owners can help off-set the administrative costs of the UBHA and work as incentives for redevelopment.
Conclusion

Job losses and population decline across the Midwest resulted in struggling economies that have exacerbated the inventory of deteriorating houses. Many cities in this region are dealing with the same issues and may look to Muncie for methods at combating their own vacant and abandoned property problems. It is important to address a vacant property as soon as it is vacated. This requires pro-active code enforcement and a process in place to move the property to either rehabilitation or in instances where the property is beyond salvage, demolition. Muncie’s Unsafe Building Hearing Authority has streamlined the process of dealing with blighted and unsafe structures. In many cases, the partnership between the Community Development department and the Building Commissioner’s office has shortened the time period between initial vacancy and city-ordered rehabilitation or demolition.

The issue then becomes, if a property does not have a responsible owner, how can the city facilitate the transfer of that property into the hands of an individual or organization that will maintain it? Many communities are looking to land banks to fill this void. In instances where the authority to form a land bank is not expressly written in the state’s statute, it may be possible to transfer property using powers already granted to local redevelopment commissions. Creative management strategies may also be utilized by establishing partnerships with community groups and non-profit organizations. Whatever the method, responsible property ownership and/or maintenance is key to the revitalization of blighted neighborhoods.
Furthermore, strong leadership is needed to focus community efforts towards a concentrated redevelopment effort. Every successful land bank or vacant property re-use program has had a champion(s) working tirelessly to move the vision forward. Muncie has benefited from the visionary leadership of many champions: presidents of neighborhood associations, executive directors of non-profit organizations, volunteers for the Muncie Action Plan, and city and county employees.

Vacancy and blight in Muncie are the result of over thirty years of economic decline. Turning the tide on abandonment will not happen overnight. The city of Muncie must build on its strengths. It must work to keep homeowners in their homes and entice new employers to the city. The city’s neighborhoods can be slowly improved through a concerted and systematic effort to spend municipal dollars on projects and in areas that will have a catalytic effect. Muncie can once again be a beautiful and thriving city. It will take time and focused leadership, but one house, one block and one neighborhood at a time it can be done.
Appendix A: 615 W. Main St. – Timeline of Events

09/13/96 – Grace Eller (Owner) 615 W. Main deceased

10/06/09 – House tagged by Ty Goodpasture; building commissioner orders house to be demolished (2009R21026)

11/17/09 – First hearing on house by Unsafe Building Hearing Authority; Property continued to January 2010 hearing

01/19/10 – Demolition Order Affirmed and $2,500 Civil Penalty placed on taxes for failure to comply with the order

08/18/10 – Bids taken for demolition of house

08/24/10 – Asbestos Inspection completed (no asbestos present)

08/30/10 – Utilities disconnected

09/01/10 – Contract for demolition signed by BOW and Brook Linton

10/28/10 – The State Historic Preservation Office (SHPO), the Advisory Council on Historic Preservation (ACHP), and other consulting parties were notified that demolition of properties would have an adverse effect on historic properties

01/27/11 – A press release for a public meeting to discuss the NSP3 program was emailed to various individuals and to the Star Press; a flyer was distributed to all occupied housing units in the target area

01/30/11 – The Star Press published a notice of the public meeting

02/03/11 – CD holds public meeting to discuss use of NSP3 funds in 500-700 blocks of West Main St. (15 citizens & three CD staff attended)

02/07/11 – NSP3 public hearing published in article on front page of the Star Press

The Advisory Council on Historic Preservation elected to participate in consultation on the demolition of historic properties

02/09/11 – CD holds public meeting to discuss use of NSP3 funds in 500-700 blocks of West Main St. (15 citizens & five CD staff attended)

02/13-28/11 – NSP3 Action Plan comment period; Bruce Frankel (Ball State Urban Planning professor) submits comments to which Connie Gregory (CD
Director) replies and all are included in the Citizen Participation portion of the plan.

03/08/11 – NSP3 Action Plan approved by HUD; plan specifically states under (3.) Summary of Distribution and Uses of NSP Funds: “Redevelop demolished or vacant properties = $80,000. The City of Muncie will partner with Habitat for Humanity and/or other entities to construct at least one new single-family home with attention to design that will complement the historic neighborhood context. Vacant properties may also be redeveloped to include pocket parks and/or community gardens.”

03/18/11 – Habitat buys 615 W. Main at certificate sale ($300)

06/20/11 – Muncie requests release of NSP3 funds

08/06/11 – Muncie receives NSP3 release of funds from HUD

10/28/11 – Request for Qualification due (published in Star Press, emailed to local developers, publicized on APA website)

11/18/11 – Memorandum of Agreement was executed between the City, the ACHP, the SHPO, and other consulting parties; Demolition of the 24 properties may proceed subject to the stipulations of the MOA; pertaining to 615 W. Main St. the MOA states:

Stipulation II.D.5. Acquisition and Rehabilitation of Foreclosed or Vacant Properties:

The City will devote $953,527 in NSP3 funds to the acquisition and rehabilitation of vacant, abandoned, and/or foreclosed properties in the target area (see Appendix C). Specific properties to receive assistance will be determined through a Request for Qualifications (RFQ) and Request for Proposals (RFP) process, beginning with the 600 and 700 blocks, with an emphasis on properties that are contributing resources to the historic district (including 503, 609, 611, and 615 W. Main as listed in Appendix A, and the following additional properties: 424 W. Main (Wittmore Apartments), 511, 606, 610, 703, and 723 W. Main, and 109 S. Council (Martin Apartments).

11/21/11 – Article in Star Press – no response to RFQ

11/22/11 – Bill Morgan & Heather Williams present NSP3 project at Old West End Neighborhood Association meeting
11/23/11 – House is inspected by Bill Morgan & Heather Williams (pictures taken); substantial termite damage noted

11/30/11 – Habitat takes deed to the property

12/06/11 – Cynthia Brubaker’s Historic Preservation undergraduate students present class project documenting properties located in the NSP3 target area

01/31/12 – Fourth Quarter Progress Report submitted to HUD and posted on the Community Development website; pertaining to Activity 4 – Redevelop demolished or vacant properties: NSP3 Coordinator communicated with Habitat for Humanity to finalize the development of a new home located within the NSP3 target area. Demolition of the existing structure is expected to be completed during the next quarter with a contract between the City of Muncie and Habitat to be signed and construction to begin during summer 2012.

02/01/12 – Email received from Cynthia Brubaker asking that the city not demolish or deconstruct 615 W. Main St. at this time

02/02/12 – Response from Bill Morgan explaining that the city has met its obligations pertaining to the Section 106 MOA per 615 W. Main St. and that “we cannot support any further time or energy expended on 609 or 615 W. Main St.”; The Historic Preservation Officer offers a list of 33 other “structures throughout the city, all in various stages of peril, all far more important than 609-615 and/or more viable in some way” for Ms. Brubaker’s students to study

02/17/12 – Demolition Permit pulled by Solid State LLC; Deconstruction follows (materials salvaged for resale and 160 hours completed by trained DCC deconstruction workers)

02/22/12 – Email received from Cynthia Brubaker recommending re-use by Habitat of the foundation and sill beams, as well as retention of the outbuilding

03/05/12 – Footer/Foundation Demolition inspected by Building Commissioner’s office; Final inspection to be completed in Spring after final grade, seeded & straw placed on lot

03/07/12 – Contract signed between City of Muncie and Habitat for Humanity for redevelopment of 615 W. Main St. site

04/05/12 – Final demolition inspection approved by Building Commissioner’s office
10/11/12 – City of Muncie receives letter from James Glass, Deputy State Historic Preservation Officer, stating “stipulation III. D. of the memorandum of agreement has been satisfied in regards to the property at 615 W. Main St.”

11/01/12 – Habitat for Humanity begins construction of a new home at 615 W. Main St.
Appendix B: Detailed Map of NSP3 Eligible Properties
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