REHABILITATING MIDDLETOWN: COMBATING MUNCIE’S VACANT AND ABANDONED HOUSING PROBLEM

A CREATIVE PROJECT

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Introduction

“Like sprawl, abandonment becomes most insidious when it becomes accepted as part of the status quo. Too many communities have ‘learned to live with’ vacant buildings and lots for so long that they seem like a “natural” part of the development process.”

– John Bailey, “Vacant Properties and Smart Growth: Creating Opportunity from Abandonment”¹

Abandoned and vacant properties represent opportunities to renovate communities and rebuild their economic and human value. For Muncie, the renovation and reuse of currently abandoned properties also contributes to the fulfillment of local policy and community goals related to preserving and producing affordable housing and reestablishing attractive residential opportunities throughout the City of Muncie.² A popular interpretation of a thriving community is one that is characterized, in part, by diverse and complementary use of space. That is, a thriving community mixes residential, commercial, recreational, cultural, and other uses of space. Strong

² Based on the Muncie Action Plan, the continuation and enhancement of “blight removal programs” as well as “promot[ing] and enhancing community-based neighborhood enhancement programs” were rated as some of the most important goals to Muncie residents., Delaware-Muncie Metropolitan Plan Commission. Muncie Action Plan: Principles for Development, 2010. 4-5.
residential communities serve to enhance the diversity of the city and, subsequently, its economic, cultural, and social value.

Reclaiming and reusing abandoned residences is merely a strategy of reinvesting in areas where people already live and work and play. Muncie has an opportunity to take advantage of the recent improvements in the heart of our city and to revitalize neighborhoods that surround it. Revitalization in one area can often spur the same in adjoining neighborhoods. That is, renovation of currently abandoned properties can serve as a catalyst for economic and neighborhood development.³

One does not need to spend a great deal of time perusing census data to understand exactly how prevalent the problem of abandoned housing in the City of Muncie has become. Abandoned residential structures, some with significant structural or even fire damage, litter the area in and around the downtown, serving as a constant reminder of the city’s decline in both economy and population.⁴ This problem is further complicated by the frequent practice of demolition. The vacant lots created by demolition leave palpable “holes” in neighborhoods and confirm the trend of disinvestment, rather than reverse it. According to estimates provided by Hometown Demolition Contractors, a local demolition contracting company, the average cost of demolishing a home in Muncie is anywhere from $9,000 to $11,000 and can climb even

⁴ Ibid.
higher based on on-site complications and waste removal.\(^5\) This places an incredibly conservative estimate of the cost to demolish just the documented abandoned residences in the city, not commercial or industrial structures, at $41,175,000. A more realistic estimate, given the inevitable complications that come with any sort of construction project places the cost well over $50 million.\(^6\) Such a large figure represents a huge sum of money to any city, let alone a smaller city like Muncie. Unfortunately, Muncie has limited options when it comes to dealing with dilapidated and unsafe buildings other than demolition. Without the introduction of new tools into Muncie’s arsenal, the pattern of disinvestment is likely to remain.

The issue behind the problem of disinvestment is not a lack of interest in Oremoving or repairing these structures on the part of local residents, but a lack of will to tackle the overwhelming scale of the problem. To address the vacant and abandoned housing problem in the Muncie, then, we must look to other, more appropriate options for solutions. Among these options are a number of “tools” that Muncie could and should be taking advantage of, including establishing a land bank, and the pursuit of HoTIF and other funding sources. The tools discussed in the pages of this report are tailored to the goals established in the Muncie Action Plan and can all be implemented as per the directives of Indiana Code. Finally, an applied synthesis of these tools in the


form of a redevelopment project is provided at the end of this document. This project applies the tool recommended in the paper in a targeted, neighborhood-level revitalization effort that will encourage and then maintain investment. The McKinley and Gilbert neighborhoods would make an excellent location to start as they have the highest vacancy rate and lowest property values in the entire City
Executive Summary

Chronically vacant and abandoned homes physically represent the issue of neglect and neighborhood decline. Vacant structures themselves contribute to neighborhood instability, diminished public safety and the devaluation of nearby property. Muncie, like many post-industrial communities of the Midwest, faces a significant challenge in dealing with vacant and abandoned properties. Based on 2010 census data, the City of Muncie currently has 4,458 abandoned residences and an unknown number of abandoned industrial, commercial structures and vacant lots. This vacant housing alone constitutes a potential $3,012,267 in uncollected property tax revenue annually. The 47305 zip code, Muncie’s “downtown”, is by far the worst area with a 22.3% vacancy rate, compared to an average of 8.1% through the rest Muncie’s limits. The McKinley-Gilbert Neighborhood in particular, which lies near the heart of

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8 Figures based on combined assessed value of all known vacant, tax delinquent structures in Muncie’s limits multiplied by the 1.00% tax rate. ESRI 2011. ArcGIS Desktop: Release 10. Delaware County, Indiana. Ball State University Geographic Information Systems Laboratory.
Muncie’s urban core, suffers a 31.5% vacancy rate, making it by far the area in most need of help.⁹

At the heart of the effort to control the vacant and abandoned housing problem in Muncie is the idea that the future can be better than the present. There must be a will to affect change among both policy makers and common citizens alike before any successful rehabilitation effort can begin in earnest. After seven years as a student in Muncie, is my opinion that such will exists in students, lifelong residents and officials. As important as strength of will is, there are several other steps that must occur if these efforts are to be successful. This paper will address these steps in the following themes:

**Understanding the Nature of the problem**

Very little data exists about Muncie’s vacant and abandoned structure problem. As with any field, officials must know what they are up against before preparation, research or action can take place. The first step, then, is understanding the nature of the problem as it exists today and how it came to be in the first place. This includes improving on current data collection methods and creating sound methods of collecting data in the future. This paper will provide a basic collection of data to give the reader an idea of what the problem looks like. However, a much more thorough effort will be necessary. Accurate, easily accessible and readable data are the eyes and ears of any successful redevelopment effort.

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Understanding the Resources Available to Solve the Problem

This includes an understanding of the financial and legislative resources available to the City of Muncie as well as how current trends in these areas can be altered or better understood.

Make an Informed Decision on Action

Once sound data has been gathered and an understanding of the financial and legal tools available has been achieved, plans for redevelopment can be created, assessed and, after thorough scrutiny and official support, implemented effectively.

Preservation and Containment

After a project has been successfully implemented, it is up to the local government as well as local development organizations to maintain investment and contain the spread of blight and disinvestment. This includes continuing to keep data up to date, implementation of homeowner education programs and the sound management of development.
History of Abandonment in Muncie

In the early 1920s, Muncie, Indiana drew the attention of Robert and Helen Lynd who were looking for a place where they could study the impact of industrialization on a small, typical American city. Years of research and writing between the two of them produced two seminal sociological studies: *Middletown* (1929) and *Middletown in Transition* (1937). The two works chronicled life in the City of Muncie, focusing on themes of work, family, religion, leisure, government and education. The Lynds’ books made Muncie a famous as a representative of the “common town”. Their work has spawned several follow-up and spin-off studies for planners and sociologists alike and has even led to the creation of the Center for Middletown Studies at Ball State University. In recent years, however, the historians at the Center for Middletown Studies seem to be focusing on the documentation of deindustrialization rather than industrialization.\(^\text{10}\) It is in this deindustrialization that the problem of vacant and abandoned properties is born.

\(^{10}\) Based on reading recent material on the Center for Middletown Studies’ website. Specifically, the article “Changing Gears” which addresses the most recent phase of deindustrialization after the flight of Borg Warner. Center for Middletown Studies. *Changing Gears*. Accessed October 2012. [http://cms.bsu.edu/Academics/CentersandInstitutes/Middletown.aspx](http://cms.bsu.edu/Academics/CentersandInstitutes/Middletown.aspx)
From early in its history, Muncie was identified as an industrial city. In the late 19th century, the discovery of natural gas in the area fueled the city’s first industrialization, as a concentration of glass manufacturing sprung up to take advantage of the cheap energy. The early glass industry left a lasting impression on the city through the Ball Brothers glass company, a household name for its canning jars at the time, which was founded in Muncie but has since relocated both its production facilities and headquarters. The Ball family also left an indelible mark on the city as patrons and philanthropists, lending their wealth and name to Ball State University and Ball Memorial Hospital (now Cardinal Health Systems) among others. Along with the Ball Corporation, numerous manufacturing concerns started in the city, especially in the auto industry. The longest lasting of these Muncie startups was Warner Gear, which later became Borg Warner, a leading auto parts supplier to this day, though its rather large Muncie plant is now closed. These industries led Muncie’s economy, and helped shape it into an auto-manufacturing city.\(^\text{11}\) However, over the past few decades Muncie has seen dramatic deindustrialization, as all the leading manufacturers have left town. This has led to a sharp rise in the number of vacant and abandoned industrial buildings and, specific to this essay, vacant residences and residential parcels.

**Influence of Vacant and Abandoned Properties**

Currently, the City of Muncie has no specific definition of what qualifies as a

\(^{11}\text{Borg Warner Oral History Project (2009) Audio and video recording from Center for Middletown Studies, Ball State University. Articles on file at Ball State University.}\)
vacant or abandoned residence. For the purposes of this project then, a vacant structure shall be defined as one that has been uninhabited for 90 days or more. Vacancies tend to be common in commercial areas, and oftentimes a property is vacant simply because a property owner is holding on to it as a long-term investment.

Abandonment, on the other hand, is a far stronger concept. This project shall define an abandoned property as a property that is both vacant and is the subject of an order issued by the Unsafe Building Hearing Commission. An abandoned property suggests that the owner has ceased to invest any resources in the property, is forgoing all routine maintenance, and is making no further payments on related financial obligations such as mortgages or property taxes. Though the property has been abandoned by the owner, tenants may still occupy it, or squatters may live there without permission.

Properties that are vacant and abandoned are often tax delinquent as well. In fact, property tax delinquency is the most significant common denominator among vacant and abandoned properties. Tax-delinquent properties are problematic for local governments primarily because of their negative impact on tax revenues but also because of the likelihood that these structures are vacant and/or abandoned. While it is true that some property owners fail to pay property taxes due to a lack of financial means, others choose to take advantage of the equity from a property before they abandon it. The prolonged periods of time necessary it takes an antiquated property tax foreclosure systems only further discourage property owners to invest in their

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property.\textsuperscript{13}

In the vast majority of cases, the failure to pay property taxes signals the eventual fate of the property as it has long been recognized as a precursor of abandonment.\textsuperscript{14} However, tax delinquency is only a shared characteristic. Even occupied properties in excellent condition may be tax-delinquent, usually by negligence though occasionally by design. The dramatic rise in the number of mortgage foreclosures from 2007-11 has presented yet another challenge in the increasing inventories of properties that are vacant, substandard and possibly abandoned. In some jurisdictions, the mortgage foreclosure process is hampered by the lack of clarity on the identity of the mortgage lender and standing of the lender to conduct a foreclosure. In other jurisdictions, the very attempt to modify mortgage loans is constrained by conflicting incentives between loan servicers and the investors in the loans. In all jurisdictions, loan servicers and lenders are extremely reluctant to invest additional funds in vacant residential properties, preferring to minimize holding costs in the face of declining markets.\textsuperscript{15}

\textsuperscript{13} Alexander, Frank. \textit{Land Banks and Land Banking}. Flint, MI Center for Community Progress 2011. 8-12.
\textsuperscript{14} Ibid.
\textsuperscript{15} Ibid.
Defining Today’s Problem

Currently, the City of Muncie is home to 70,085 citizens. There are 32,433 housing units within the city limits, 27,975 of which are occupied. This leaves 4,458, or 13.7% of all housing units vacant and or abandoned.\(^\text{16}\) Compared to the national average of 10.2% residential vacancies and/or abandonment, Muncie’s situation does not seem too terribly out of control.\(^\text{17}\) In fact, many of Muncie’s neighborhoods are well below national averages of vacant residences. The Westridge and Riverside neighborhoods, for instance, each enjoy a vacancy rate of about 8%.\(^\text{18}\) The areas in the City with the highest vacancy rates are, unsurprisingly, located near Muncie’s downtown. The neighborhoods of East Central, Industry, Old West End, South Central and most notably McKinley and Gilbert represent these troubled, “downtown” neighborhoods. As mentioned in this essay’s executive summary, these neighborhoods have a combined residential vacancy rate of 22.3%. The McKinley and Gilbert


Neighborhoods in particular, which lie near the heart of Muncie’s urban core, suffer 30.5% vacancy rate and are far and away the areas in most need of help.¹⁹

**Target Neighborhoods**

As with most municipalities, the largest obstacle in combating the problem of vacant and abandoned residential properties is the availability of capital. As such, a targeted approach, where available funds are directed toward comprehensive revitalization of single areas, is most effective. With such an approach, single neighborhoods are revitalized to a certain level of quality while preventing gentrification. The success of such revitalization will lead to improvement in quality in nearby areas, and so on.²⁰ In following these principles of targeted revitalization, I have compiled data from an in-depth analysis of Muncie’s most troubled neighborhoods.²¹ Such data will allow for a more coherent and effective application of revitalization “tools” that will be discussed later in this essay.

**East Central**

The East Central neighborhood is located directly east of Muncie’s central business district.²² While most of this neighborhood is zoned as commercial or industrial, it nevertheless has 88 abandoned residences and 82 vacant residential...

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²¹ See Figure 1.0 for a map of the neighborhoods in question.

²² See Figure 1.1 for a map of this neighborhood and its vacant/abandoned properties.
parcels. East Central has a total of 553 residential parcels giving the neighborhood a vacancy rate of 30.7%. The age of the structures in this neighborhood is also noteworthy: 82% of all residential structures were built in 1939 or earlier making it one of the “older” neighborhoods in Muncie.

Industry

The Industry neighborhood is located directly south of East Central and to the south-east of Muncie’s central business district. It is home to 173 vacant houses and 236 vacant lots, giving it the most vacant properties of any neighborhood in Muncie. It has a residential vacancy rate of 30%. 42% of the residences in the Industry neighborhood were built before 1940.

Old West End

The Old West End neighborhood extends west from Muncie’s central business district. It contains 159 vacant houses and 78 vacant residential lots with a large number of vacant and abandoned commercial or industrial properties. Its residential vacancy rate is 28.6% and 68.7% of its residential structures were built before 1940.

24 See Figure 1.2 for a map of the Industry neighborhood and its vacant/abandoned properties.
27 See Figure 1.3 for a map of the Old West End neighborhood and its vacant/abandoned properties.
**South Central**

The South Central neighborhood is located directly south of Muncie’s central business district and directly west of Industry. It contains 84 vacant homes and 45 vacant lots.\(^{29}\) It has a residential vacancy rate of 30.8%. 70.5% of its residential structures were built before 1940 but 14.7% were built between the years 2000 and 2012, making it the most “modern” of the target neighborhoods.\(^{30}\)

**McKinley and Gilbert**

The Gilbert neighborhood is located directly north of Muncie’s central business district.\(^{31}\) Directly north of this neighborhood is the McKinley neighborhood whose northern-most border is the White River.\(^{32}\) These two neighborhoods are the smallest of the troubled downtown neighborhoods and, for the purposes of the “targeted” redevelopment approach mentioned earlier in this section, I will be combining them into a single redevelopment area known henceforth as McKinley-Gilbert. There are 74 vacant and/or abandoned residences within the two neighborhoods and 57 vacant residential parcels, giving it a residential building vacancy rate of 31.5%.\(^{33}\) 69% of the

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\(^{31}\) See Figure 1.4 for a map of the Gilbert neighborhood and its vacant/abandoned properties.

\(^{32}\) See Figure 1.5 for a map of the McKinley neighborhood and its vacant/abandoned properties.

residences in the neighborhoods were built before 1940.\textsuperscript{34}

McKinley-Gilbert is one of the strongest choices for Muncie’s first “target” neighborhoods for residential revitalization for a number of reasons. First, the two neighborhoods are relatively small. The investment in a smaller area would require a smaller investment and could serve as a “testing ground” for Muncie’s overall redevelopment strategy. Second, the neighborhood’s proximity to Muncie’s central business district and the social and economic hub that is Walnut Street make it an excellent area for new resident to live and invest in their community. Finally, McKinley-Gilbert is perhaps the most desperate of all the Muncie neighborhoods for some sort of revitalization effort. It is home to the lowest income residents in the city\textsuperscript{35}, it has the highest rate of vacant and abandoned residences and vacant parcels and has the lowest home values in the city with an average value of $46,700.\textsuperscript{36} Investment in a successful revitalization effort in this neighborhood would have to take steps to prevent gentrification as an increase in property values would certainly force most current resident to leave.


\textsuperscript{35} 78\% of McKinley-Gilbert residents are in the bottom 33\% income bracket. Based on census data from \textsuperscript{35} U. S. Census Bureau. \textit{American FactFinder fact sheet: General US Statistics}. Retrieved August 2012, from http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_09_5YR_DP5YR4&prodType=table

\textsuperscript{36} Ibid
Where to begin?

The remainder of this essay is dedicated to an explanation of some of the more effective “tools” Muncie should have in its residential revitalization toolbox. For each “tool” mentioned, I will provide examples of Muncie-specific implementation strategies. It is my hope that this will be able to provide a solid foundation of knowledge for Muncie residents who would like to be involved in improving their community but simply do not know where to begin.

Before any revitalization effort can be implemented efficiently and effectively the City of Muncie must have an understanding of the current vacant and abandoned property problem within its limits. Successful markets and effective governments alike depend on access to quality, timely information to inform their decisions, and this situation is no different. Unfortunately, data exists about Muncie’s land supply in limited, albeit various forms. This data, however, has not been compiled in a form that is readily available or interpretable to the public, potential developers and, in some cases, local decision makers. As Muncie begins to pursue different avenues of combating its vacant and abandoned property problem, it is crucial that it has easy access to detailed information for the purpose of code enforcement, identification of delinquent properties, abandonment prevention and redevelopment.

Improve Existing Data

First, a database of parcel-level geographic information about abandoned properties will have to be established and updated regularly by Delaware County GIS.
The U.S. Census does a quality job of recording such information in Delaware County, as mentioned earlier in this paper. Unfortunately, such data is only updated once per decade. For a city that is looking to stay abreast of its vacant property problem, a once-in-a-decade update on the situation is not sufficient, nor is it tailored to Muncie’s self-defined goals. As an example, the Department of Metropolitan Development in Indianapolis conducted its first vacant housing inventory in 2003. It included parcel level, detailed descriptions of each property followed by a “condition” rank according to an “A” through “E” rating scale. In this way it was able to collect data in a form that was tailored to their goals and use it to establish a methodology—that is, they would target “E” rated buildings before “A”s. Additionally, the Department of Metropolitan Development worked with Indianapolis’s Department of Public Safety and the Indianapolis Police Department to identify and document which areas of the City were experiencing the highest levels of crime and which buildings in particular were known crime havens. These structures were then given priority on the City’s demolition and redevelopment list. Finally, Indianapolis worked to integrate the data acquired with private and public organizations through a website. This allowed for increased public participation on the issue and provided up-to-date data for any party interested in the acquisition of vacant properties.

38 Ibid.
Land Banking

If America’s cities and towns are to realize their greatest potential as attractive and welcoming places—and as drivers of the new American economy—they must be able to repurpose their vacant, abandoned and foreclosed properties. Those properties—whether the product of the current foreclosure crisis or the remnants of the old economy—diminish the sense of community among neighbors, erase the value of lifelong investment in a home, and make it nearly impossible for cities and towns to attract and keep the creative, innovative, entrepreneurial citizens who will build the next economy.

-Frank S. Alexander, *Land Banks and Land Banking*[^1]

Perhaps one of the most effective tools Muncie could and should be taking advantage of is the establishment of a land bank. Efforts have been made in the past but, unfortunately, none have yet been successful in creating a permanent land bank. Currently, a task force is meeting regularly with the intent of implementing an effective, functional land bank in Delaware County.

Land Banking Basics

Contemporary urban land banks were first created in response to large numbers

experiencing deindustrialization. They function by acquiring properties primarily through tax foreclosure, but also through intergovernmental transfers, nonprofit transfers and open-market purchases. They allow state or local taxing authorities to recoup delinquent back taxes by imposing a lien on a property without the necessity of the owner’s consent. These properties are then sold in a public auction and those properties not sold are deeded to the land bank. After the acquisition, land banks promote the redevelopment of blighted properties by using powers authorized by state and local governments. Specific to Muncie, the Unsafe Building Law gives the power to waive taxes and clear titles from property, which encourages sale of the property. A land bank would also be responsible for the vacant lots and abandoned properties under its control. Such maintenance activities can include the demolition of unsafe structures and routine maintenance and landscaping of vacant lots.

The Benefits of Land Banking

Land banks are an effective tool for stabilizing communities that are burdened with a large number of vacant or abandoned structures. Similar to receiverships mentioned later in this essay, land banks allow local governments to overcome barriers that inhibit the redevelopment and improvement of said structures. In the case of Muncie and the residential properties around its downtown, many land owners are likely holding on to existing vacant property in the hopes that someday it will be bought

41 IC 36-7-9
by the city or a private developer. Without a means of legally acquiring and controlling this property, very little can be done to address such problems. This is where land banks come in.

**Getting Started**

As mentioned at the end of the previous section of this paper, any community seeking to establish a land bank must first have an understanding of the problem they face. Gathering an inventory of existing abandoned, vacant and foreclosed properties that identifies their specific location, condition and ownership information will help inform local and state policy-making. Once data has been collected and an adequate picture of the problem at hand has been painted, a municipality must have an understanding of state land bank enabling legislation. In the case of Muncie, having an understanding of relevant code will enable the city to effectively and legally organize an effective land bank.

**Organization**

Indiana Code 23-17 establishes the powers of and activities permitted to land banks. In Indiana, land banks can be established as a non-profit entity. In the case of Muncie, such an entity would likely be formed as a 501(c)(3). The advantage of this comes from the fact that non-profit status grants the entity the ability to seek grants and other private contributions that will expand its potential resources into areas not
available to land banks operated through a public municipality.\footnote{Frank S. Alexander, \textit{Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks}. New York, Local Initiatives Support Corporation, 2005.} The Land Bank of Indianapolis, a nearby model which Muncie could consult, was formed in a similar fashion. Once established legally, determining the specific functions of the land bank will ultimately be up to the people of Muncie and mayoral leadership from Mayor Tyler.

\textbf{Acquiring and Disposing of Properties through a Land Bank}

Once the Muncie land bank is up and functioning, it will acquire property through nonprofit transfers, market transactions and tax foreclosures. From here, IC 36-7-14 and IC 36-7-15 give the land bank the authority to waive back taxes, clear titles and make improvements to the acquired properties. Clearing titles and taxes from a property allow the land bank to sell the properties to private developers, transfer the properties to a receivership, or generally transfer the property to a private group for improvement. It also allows the land bank to hold the property and maintain it for a future use.\footnote{U.S. Department of Housing and Urban Development. \textit{Revitalizing Foreclosed Properties with Land Banks}.} To simplify, a land bank in Muncie can acquire property through:

\begin{itemize}
  \item Acceptance from county of “surplus” property not sold at tax sales;
  \item Donations to the land bank from private entities;
  \item Strategic acquisitions.\footnote{IC 23-7}\end{itemize}
It is worth mentioning that it should be the goal of the land bank to dispose of as many properties in an effective and beneficial manner as possible. If left unchecked, a land bank could become overburdened with hundreds if not thousands of properties throughout Muncie and become unable to maintain them all. Again, according to Indiana Code, a land bank in Muncie would be able to dispose of property through:

- Donation of properties to the county, other units of government, nonprofit entities, and any other entity;
- Sale of properties to the county, other units of government, nonprofit entities, and any other entity;
- Sale of properties directly to the private market;
- Conversion of property into rental units;
- Conversion of properties into shared-equity home ownership units;
- Lease to purchase for properties
Code Enforcement

Owners of chronically vacant properties can generally be divided into two categories: those who choose not to comply with basic code requirements and those who lack the means to bring their properties up to code. Both kinds typically own vacant buildings in healthy neighborhoods. Traditional code enforcement remedies run into dead ends with owners in each of the two categories.

– James J. Kelly, Jr., Journal of Affordable Housing

Indiana Code: An Overview

By law, property owners in Indiana must keep their houses – vacant or occupied – in compliance with fire, building, and safety codes. State law allows for a variety of methods to be applied to ensure that owners, including absentee owners, are held accountable for the condition of their properties. If owners refuse to keep their properties in a state of good repair, the law provides mechanisms to board, aid in the repair of or demolish abandoned properties. In Indiana, the primary legal tools which can be used to address abandoned property are as follows:

1. IC 6-1.1 establishes procedures for the collection and management of property taxes.\textsuperscript{46}

2. IC 36-7-9. Also known as the Unsafe Building Law, this piece of Indiana code establishes a state-wide standard building code and enforcement system.

3. IC 36-7-14 and IC 36-7-15.1 establish the authority of a local government to acquire, manage and dispose of properties as a part of redevelopment initiatives.

The Unsafe Building Law is currently one of the more important legal tools available the City of Muncie to tackle its abandoned building problem. Adopted in 1973, the Enforcement of Building Standards Act (IC 36-7-9) allows City to take action to address and correct unsafe buildings. Now referred to simply as the Unsafe Building Law, IC 36-7-9 permits the City to take action if a building has been determined to be unsafe in that it is a fire hazard, a hazard to public health, a public nuisance or is in an impaired or dangerous structural condition. Any structure that does not meet or even appears not to meet these legal standards can be identified by health inspectors or simply cited by citizens.

After an unsafe structure has been identified an order is issued by the Unsafe Building Hearing Authority to board, repair or demolish the structure. The order sets a

\textsuperscript{46} Specifically IC 6-1.1 chapters 22-25. In relation to land banks, these chapters establish procedures for general property tax collection, collection of delinquent property tax, sale of real property in the event of delinquency and the redemption of real property sold for delinquent taxes and special assessments.
date for compliance and for the hearing. If the owner still has not complied with the order by the established date, a hearing is conducted where an officer hears the case from the perspective of an inspector, the owner and any other parties who might have an interest. At the conclusion of said hearing, the officer affirms, modified or rescinds the original order. In addition to these procedures, the Unsafe Building Law also allows requests for judicial action such as receivership, injunction and civil penalty. With the exception of complaints filed to compel the repair of a house, however, these remedies are rarely used.

Overall, Indiana State code, specifically the Unsafe Building Law, provides valuable tools to municipalities seeking to solve their vacant and abandoned building problems in the form of both administrative and judicial solutions. Substantial changes in state law are not necessary to address the abandonment of property.

Orders to Repair and Orders to Demolish

An order to repair can be issued if a building is considered unsafe because of its physical condition. The issuance of an order to repair usually begins with an administrative hearing conducted by a hearing officer from the Muncie Metropolitan Plan Commission. However, the Unsafe Building Law does not require an administrative hearing. The pace of enforcement usually depends on the responsiveness of the property owner. When property owners attend a hearing, this administrative process

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47 IC 36-7-9
often leads to completed repairs.\textsuperscript{48} When an owner does \textit{not} appear for an administrative hearing, one of two actions can be taken: either the order to repair is sent to court or an order to demolish is issued.

Such a decision to demolish may be issued when longstanding repair orders have been issued in relation to a building and that building has deteriorated to the point where repair is no long feasible. In some cases, initial inspection may also reveal demolition to be the most necessary and skip repair orders all together. A building is then demolished if it is not stable and may compromise adjacent properties or threaten the safety of nearby residents. An order to demolish proceeds through the same administrative process as an order to repair. Once a demolition order is affirmed, the project is bid and demolition occurs. In most cases, a lien against the property in question is then issued for the total cost of demolition.

\textbf{Alternatives to Demolition: Receiverships}

According to the Unsafe Building Law, the court may appoint a “receiver” to an abandoned property. The purpose of the receiver is to take temporary ownership of an abandoned property with the intent of making repairs. Upon the end of a pre-determined amount of time, the property is then sold to pay the receiver. Receivers can be anything from a nonprofit corporation or “any other capable person residing in the county”, which includes private companies. Because of this flexibility, implementing a receiver program is relatively easy.

There are several characteristics of receiver programs that make them valuable tools in the mitigation of property abandonment. First, they serve as an *in rem* method of code enforcement, since they focus on the abandoned property itself and not the owner of the property. Most of the legal powers of the court to enforce the many components of the Unsafe Building Law are *in personam* enforcement, which requires the presence of the owner to enforce. In cases where the owner of a property is anonymous, receiverships are incredibly effective and do not require an owner’s presence in court to transfer their property. Second, receiverships privatize nuisance abatement, as the court can appoint a receiver to make repairs on a problem property. The State of Indiana has a very liberal receivership process in that the court has broad discretionary powers to appoint a receivership to any person residing in the county or a nonprofit corporation, provided the appointee has the demonstrable ability to efficiently and sufficiently renovate the appointed property.

Finally, a receivership serves as a title clearing mechanism. Similar to tax foreclosure, receivership can be used as a method of releasing abandoned properties from and preexisting private claims on the title. Private developers and individuals will be much more inclined to renovate, reuse and purchase abandoned property if they can secure a clean title to said property. Receiverships free the market to redistribute the property from owners who have intention of bringing up their property to code.

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50 Ibid
51 Ibid.
Tax Sales

“...the existence of the property tax lien is a valuable public asset which can become a tool for community development activities. With appropriate revisions in state and local laws on tax foreclosures, future abandonment of properties can be stopped far more quickly, and existing vacant and abandoned tax delinquent properties conveyed to those who are willing to undertake reinvestment in the community.”

– Frank S. Alexander, “Renewing Public Assets for Community Development”\(^{52}\)

Collection of the property tax carries with it an important power that is not associated with any other form of tax or debt – a property tax lien on the property. This lien represents a liability for payment of the annual property tax which takes priority over all other claims and liens that may exist against the property. Other types of liens, such as mortgages, establish the relative rights of different claimants to the property in the order in which they were imposed. This is not true of the property tax lien. It is a first-priority claim on a property if taxes are not paid when due. Property tax liens, then, are considered to have a “super priority status” which facilitates the collection of

property tax revenues by local governments and, most pertinent to this essay, tax lien sales to investors.  53

**Tax Lien Sales**

Delinquent property tax liens are often viewed by private investors as lucrative investments, since the liens from the unpaid property taxes, special assessments, interests, and other penalties can, in approximately half of the cities and counties in the country, be purchased by investors who receive high rates of return.  54  Indiana happens to be just such a state. Of course, property tax liens represent an important public tool for governments seeking to collect tax revenues. Furthermore, they can be used as a community development tool by facilitating the transfer of property to owners, whether individual or institutional, who will invest in the community. A delinquent property tax lien can also be a strong sign that the owner of the property may either be willfully neglecting their property may be financially unable to maintain their property.

For this tool to be used for its ideal value, the purchaser of a property tax lien should be able to redevelop the property in a way that is consistent with the public and private development strategies of the Muncie Action Plan. This is key, as it will allow the City of Muncie to have more control over future developments. When private investors are allowed to purchase tax liens as investments, their incentives are not necessarily aligned with the policies of the local governments, and they may choose to speculate on future

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54 Ibid.
payments of interest and penalties that may occur, or on acquiring property simply to hold for passive investment.\textsuperscript{55} When a tax lien is sold to a private investor, the local government receives revenues in the form of cash payments. However, the local government also loses the ability to control the enforcement of tax foreclosure as a method to return the property to productive new uses. The sale of tax liens is a major impediment to the revitalization of abandoned properties and to the operation of land banks.\textsuperscript{56}

Currently, the purchase of a property tax lien occurs in a tax lien sale which is held annually by the Delaware County Treasurer. A property is eligible for sale if taxes have not been paid for at least three cycles. A final notice is mailed to property owners prior to the sale. If the delinquency is not addressed, the property enters the tax lien sale. Indiana state law allows for a redemption period that follows the sale of a property. If an abandoned property is purchased by a new owner at a tax sale, the delinquent owner has twelve months to redeem the property by paying the tax bill and penalties in full. This redemption period is far too long and serves as a disincentive to purchase abandoned houses as it encumbers prospective short-term renovation projects. A solution to this problem would be the implementation of Expedited Tax Sales.

\textsuperscript{55} Alexander, Frank. \textit{Land Banks and Land Banking}. Flint, MI Center for Community Progress, 2011. 25.
\textsuperscript{56} Ibid.
Authorized in 1991 in Indiana Code 6-1.1-24-1.5, an expedited tax sale provides a quick and easy method of assembling vacant, tax-delinquent properties with quick transfer to non-profit organizations intending to develop the properties. Under such a system, the Delaware-Muncie Metropolitan Plan Commission would submit a list of tax-delinquent properties to the County Auditor and request that they be placed on a list for expeditious transfer to the City of Muncie. Each property must meet the conditions of spot eminent domain\(^57\), be developed parcels and be used for the one of the same purposes designated for properties acquired under spot eminent domain. To acquire a property from this list, a CDC would have to approach the DMMPC with a redevelopment plan. If approved, the property would then be sold to the CDC with a redemption period of 120 days, rather than the twelve months under a normal tax sale.\(^58\)

**Problems with the Tax Sale Process**

One of the objections to the formation of land banks comes from how they alter the traditional tax sale process. Local governments receive revenue from traditional tax sales and the creation of a land bank reduces this revenue. Ineffective and inefficient property tax foreclosure laws make the problems posed by this loss of revenues worse.\(^59\) Educating local governments on how this meager loss of revenue produces a great number of benefits through a land bank could be

\(^{57}\) As defined in IC 32-24-1.
\(^{59}\) Alexander, Frank. *Land Banks and Land Banking*. Flint, MI Center for Community Progress 2011. 29.
beneficial, but there are also certain reforms of existing tax foreclosure laws that could help reduce the amount of revenue lost.

One of the first steps that can be taken to help reduce revenue loss is to shift the focus of foreclosure procedures from seeking a judgment of personal liability against the property owner to seeking to enforce a lien against the property itself. Proceedings against properties—commonly referred to as in rem foreclosures—have much less stringent legal requirements to meet than proceedings against individual property owners. In contrast to a suit for personal liability, an in rem foreclosure action requires adequate notice to all owners of interests in the property, but it does not require that the court obtain complete jurisdiction over the owners themselves.

Another step that can be taken to deal with existing foreclosure laws is to create judicial tax foreclosure proceedings. A judicially approved tax foreclosure wields a great deal of power when it comes to securing a property title—an important step for any future development of a property. Beyond these two larger reforms, local governments can also:

- Shorten the periods of time between delinquency and foreclosure
- Allow large-volume bulk foreclosures

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60 Alexander, Frank. *Land Banks and Land Banking*. Flint, MI Center for Community Progress 2011. 29.
61 Ibid.
• Allow sales with no minimum bids\textsuperscript{63}

Perhaps the most effective means of overcoming the concern of revenue loss to land banks is education. While revenue is certainly lost when a land bank is created, the benefits can be well worth it. In addition to the revitalizing effect properly run land banks can have on communities, they held generate additional tax revenue by turning tax delinquent, uninhabited residences into occupied, tax-paying homes. Essentially, local governments will see a much greater benefit in the long run by resisting the urge to protect an immediate, yet miniscule form of revenue. Furthermore, the non-payment of ad valorem taxes by individual property owners ends up putting a heavier tax burden on property owners who are paying taxes.\textsuperscript{64}

\textsuperscript{63} Alexander, Frank. \textit{Land Banks and Land Banking}. Flint, MI Center for Community Progress 2011. 29.
\textsuperscript{64} Ibid.
Redevelopment Financing

To increase the amount of funding available to more adequately address Muncie’s vacant and abandoned residence problem, the City will have to explore funding sources it has utilized in the past as well as those it has not. Among the methods applicable to the revitalization of many of the target neighborhoods mentioned earlier in this essay are Housing Tax Increment Financing, New Market Tax Credits, Low Income Housing Tax Credits, and Neighborhood Stabilization Program funds.

Housing Tax Increment Financing

Housing Tax Increment Financing (HoTIF) is a unique type of tax district that, if implemented in Muncie, will allow the City to do just that. Essentially, a HoTIF district is very similar to a standard TIF district except that revenue generated from a HoTIF area (referred to as an “allocation area” in Indiana Code) can be used to directly improve housing conditions.65 Again, similar to a TIF district, HoTIF districts can be established within a “redevelopment area”. Indiana Code defines

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such an area as one in which, “normal development and occupancy are undesirable or impossible because of any of the following: 66

1. Lack of development
2. Cessation of growth
3. Deteriorated or deteriorating improvements
4. Environmental contamination
5. Character of occupancy
6. Age
7. Obsolescence
8. Substandard buildings
9. Other factors that impair values or prevent normal use or development of property

Once an area has been labeled as a “redevelopment area” according to Indiana Code 36-7-15-48, it can be designated a HoTIF district. Once established, property taxes generated by development within the area are used to pay for improvements in or near the HoTIF area. In essence, the redevelopment area generates funds that are then used to improve it. As an example, a vacant lot in the McKinley neighborhood may pay $200 per year in taxes. If that lot is developed with a new house, the property may pay a projected $2000 per year in taxes. The increment ($1800) would be used to leverage private loans for the new projects in or near the boundaries of the HoTIF, and the original $200 would go to the previously dedicated tax pool. 67

66 IC 36-7-1, section 3.
To demonstrate the kind of spending power HoTIFs can generate, let us consider the “target area” defined earlier in this essay. Each neighborhood within this area has significant potential tax revenue given the prevalence of vacant residences. Improving land values on currently vacant residential lots to a Muncie averages has the potential to generate an additional $694,202.38 in taxes annually. Pertaining to the HoTIF, this additional tax revenue, or the “increment”, is what can be used as a principal for private loans. As an example of what a HoTIF can achieve; if the McKinley-Gilbert neighborhoods were to be designated a HoTIF district, it would have a tax increment of $107,504 based on the calculations in figure 3.0. Using this money as a principal, the City of Muncie could leverage a $1.5 million loan at 5% interest over 20 years.

Once generated, the revenue from HoTIF districts could have a profound impact on some of the neediest neighborhoods in Muncie. The guidelines for using revenue generated from an allocation area are quite specific but highly applicable. The permitted uses are set forth in Indiana Code as any of the following:

- Construction, rehabilitation or repair of residential units within the allocation area.
- Construction, reconstruction, or repair of infrastructure (such as streets, sidewalks, and sewers) within or serving the allocation area.

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68 See Figure 1.0 in the index for specific area.
69 See Figure 3.0 for calculations.
70 See Figure 3.1
71 IC 36-7-15.1
• Acquisition of real property and interests in real property within the allocation area.

• Demolition of real property within the allocation area.

• Financial assistance to enable individuals and families to purchase or lease residential units within the allocation area (However, financial assistance may be provided only to those individuals and families whose income is at or below the county’s median income).

• Financial assistance to neighborhood development corporations to be used for the purpose of enabling individuals and families to purchase or lease within the allocation area.

The neighborhoods listed under the “Target Neighborhoods” section earlier in this essay all meet most of the requirements of a “redevelopment area” mentioned above. Designating several if not all of these neighborhoods as HoTIF districts could generate significant revenue that could be used to directly improve the conditions of residences, both vacant and occupied, in the neediest parts of Muncie. It is one of the most potent tools currently available to combat residential vacancies in Indiana and should be taken advantage of in Muncie.

**New Market Tax Credits**

The New Markets Tax Credit (NMTC) Program was enacted by Congress as part of the Community Renewal Tax Relief Act of 2000 and is incorporated as
section 45D of the Internal Revenue Code. The program permits individual and corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in qualified community development entities (CDEs). These investments are expected to result in the creation of jobs and material improvement in the lives of residents of low-income communities. Examples of expected projects include financing small businesses, improving community facilities such as daycare centers, and increasing home ownership opportunities. In the case of Muncie and the “target neighborhoods” mentioned earlier in this essay, New Market Tax Credits could be used to spur reinvestment through financing small businesses and community centers.

**Low Income Housing Tax Credits**

The Low Income Housing Tax Credit (LIHTC) Program is an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. To be eligible for consideration under the program, proposed projects must:

- Be a residential rental property.
- Commit to one of two possible low-income occupancy threshold requirements.

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73 Ibid.
• Restrict rents, including utility charges, in low-income units.

• Operate under the rent and income restrictions for 30 years or longer, pursuant to written agreements with the agency issuing the tax credits.

In addition, there are also a number of other requirements including rent limits, occupancy threshold requirements, and affordability requirements.\textsuperscript{75} There are a number of projects in Muncie that have been funded in part by LIHTCs, including all four phases of the Millennium Place project. This method of financing will be especially useful in the “target” neighborhoods mentioned in this essay as they allow for new construction on the many vacant lots in Muncie’s urban core. Furthermore, the LIHTCs will provide more housing options for the large number of low-income individuals living in these areas.

**Neighborhood Stabilization Program**

Neighborhood Stabilization Program (NSP) grants were established by HUD for the purpose of helping communities that have suffered from large numbers of foreclosures and abandonments. They are granted to states and local governments based on a formula that determines need. NSP is a component of the Community

Development Block Grant (CDBG) program and therefore, NSP funds are implemented through CDBG.\textsuperscript{76} may be used for activities which include, but are not limited to\textsuperscript{77}:

- Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties;
- Purchase and rehabilitate homes and residential properties abandoned or foreclosed;
- Establish land banks for foreclosed homes;
- Demolish blighted structures;
- Redevelop demolished or vacant properties

**FHA 203k**

FHA 203k loans are designated for houses that are damaged or sorely in need of rehabilitation, making them perfect for the residential rehabilitation component of this project. The loan covers not only the cost of the property but also the cost of necessary home repairs.\textsuperscript{78} Homeowners whose homes need improvement can also refinance with these loans. A vast range of repairs, including room additions, bathroom remodeling,

\textsuperscript{77} Ibid.
roofing, flooring, and air conditioning systems can be funded through 203k. HUD specifies that any of the following types of houses can apply:79

- Tear-downs: As long as part of the foundation will remain, houses that need to be destroyed and rebuilt are eligible.
- Existing construction that is at least a year old.
- Single-family, two-family, three-family or four-family dwellings.
- Condos: if they have been approved for FHA loans.
- Mixed-use properties: If you are repairing only the home portion, a mixed residential/commercial property can qualify.
- Homes needing to be moved to rest on a new foundation

**Redevelopment Strategies**

The focus of this project thus far has been on assessing the state of Muncie’s vacant housing problem and developing an understanding of how these tools can be effectively implemented in the City. Now that a reasonable understanding of the tools available to Muncie has been established, I will demonstrate how they can be applied in several different redevelopment strategies. Each of the following is based on the strategies presented in Professor Bruce Frankel’s work, *A Sustainable Redevelopment Template for Urban Neighborhoods*.  

**Neighborhood Redevelopment Strategy Area Conditions**

The Department of Housing and Urban Development (HUD) defines a Neighborhood Redevelopment Strategy Area (NRSA) as an area needing redevelopment that, with an investment of private resources, can achieve a material effect and stimulate a measurable market impact. In an effort to quantify the level to which neighborhoods in Muncie fit into HUD’s definition, Professor Frankel’s paper, presented a list of the NRSA criteria and then assigned each neighborhood an overall rating as to

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how much each criteria was met—the lower the number, the less severe the condition.\textsuperscript{82} The result was a table that ranked each neighborhood on both individual need and overall need compared to other neighborhoods in Muncie.\textsuperscript{83} In the overall ranking, the McKinley-Gilbert Neighborhood had the highest composite score, identifying it as the most opportune area in the City of Muncie. For each of the criteria identified there are corresponding redevelopment strategies that can be employed as a solution.\textsuperscript{84} A brief description of each can be found in the following pages of this section:

\textbf{Reinvestment vs. Stabilization}

First, it is important to distinguish the need for neighborhood reinvestment from the need for stabilization. Reinvestment is suited to neighborhoods that are languishing economically and are expected to continue to decline in value and quality. Simply, these neighborhoods suffer from a lack of investment and require a “jump start”. On the other hand, neighborhood stabilization efforts are best suited for areas of “traditional investment” that are under threat of destabilization from a proximate negative influence, including property foreclosures and environmental hazards.\textsuperscript{85} In this case, harmful elements are remedied in a neighborhood to restore it to its normal health.

\textsuperscript{82} See figure 4.0.
\textsuperscript{83} See figure 4.1.
Data supplied by Professor Bruce Frankel, Ball State University.
\textsuperscript{85} Frankel, Bruce. \textit{A Sustainable Redevelopment Template for Urban Neighborhoods}, 2011. 17.
In the previously established “target neighborhoods” in Muncie’s urban core, both methods will be necessary to effect quality change and preserve the result.

**Redevelopment Strategy: Collective Action**

At the root of the Collective Action Strategy is the idea that the success or failure of a place is based on local politics. This strategy relies on the substantial public participation of local residents and of community leaders such as public officials and neighborhood organization representatives. This type of collective organization garners significant political support that will motivate policy initiatives such as the creation of economic development districts and even tax allocation areas such as HoTIFs. Furthermore, the public support created by a Collective Action Strategy will assist in the adopting and implementation of plans. Whatever the results, the political unity of Collective Action is necessary in any approach to changing the pattern of disinvestment in Muncie.

**Redevelopment Strategy: Regulatory Impact**

Regulatory Impact Strategies utilize regulations such as urban growth boundaries, performance zoning, planned unit development, affordable housing mandates, and developer exactions as a means of encouraging and, to an extent, controlling development. Regulations can also be used as a method of encouraging public health through environmental and health code enforcement.

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87 Ibid.
For Muncie, a Regulatory Impact Strategy represents an opportunity to encourage developers to invest in neighborhoods by means of creating profit-generating opportunities.

**Redevelopment Strategy: Partnering**

Partnerships between the for-profit, nonprofit and public sectors are common in a variety of professions and can provide local municipalities like the City of Muncie access to a variety of tools such as the following: enabling of regulations, access to subsidization, public participation in for-profit or non-profit enterprises, and access to programs through nonprofit organizations. For instance, partnering with a nonprofit could allow the City of Muncie access to funds from New Market Tax Credits, Low Income Housing Tax Credits, etc. Partnerships are valuable as a method of encouraging reinvestment and stabilizing neighborhoods.

**Redevelopment Strategy: Corporate Sponsorship**

If available, partnering with some sort of a corporate body is a very beneficial redevelopment strategy. Corporations could have a variety of reasons for taking an interest in the redevelopment efforts of a municipality, including attempting to attract a quality workforce, expand and improve the quality of their facilities or simply as an act of philanthropy. There are many examples of cities being successfully developed by corporate sponsorship, such as:

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• Columbus, Indiana and much of its incredible architecture through Cummins Diesel.

• East Chicago, Indiana that owes a great deal of its historic construction and growth to Pullman and other steel companies.

• West Philadelphia Initiative and the sponsoring role of the University of Pennsylvania.

• Audubon Park, New Jersey was constructed to house the workers of the Camden Shipyard.\textsuperscript{89}

Muncie itself owes a great deal of its growth in the past to several large corporations, most notably the Ball Corporation. Despite the fact that many of the companies in Muncie’s past have relocated or shut down local operations, the City can still take advantage of the rapid growth of Ball State University. The University could certainly benefit from a cleaner, more economically sound Muncie, and Muncie could benefit just as much from investment from the University. Such a partnership should be strengthened as much as possible.

\textbf{Redevelopment Strategy: Business Model}

At the heart of a Business Model Strategy is the idea that controlling enough properties, in various stages of blight, restoration and resale as to impact the market and stimulate collateral investment.\textsuperscript{90} “Control” can be achieved through organizations such as land banks. These properties are then “sweetened” by having

\textsuperscript{89} Frankel, Bruce. \textit{A Sustainable Redevelopment Template for Urban Neighborhoods}, 2011. 24.

\textsuperscript{90} Ibid.
titles cleared and can be offered up to prospective for-profit developers. A Business Model Strategy can be a great way to spur investment in areas of disinvestment, but it does have its limits. The for-profit sector is driven by profit motive and, therefore, generally will be less interested in the quality of life they are creating for local residents. Concerns such as gentrification and access to amenities can take back seat to increasing profits.

**Redevelopment Strategy: Indirection**

An Indirection Strategy is one that always keeps the cause of the problem it is trying to solve in mind. That is, when pursuing certain objectives, pursue its “determinants”. The following are examples of the applications and advantages of an Indirection Strategy:

- If you are seeking to develop downtown retail, focus on downtown residential to create a demand for retail.
- Economic development should focus on community development. For example, a thriving community will attract businesses and economic growth.
- A successful affordable housing strategy must include market rate housing.

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• To foster growth inside a city, it must be managed outside of the city using devices like urban growth boundaries.\(^{92}\)

• These varying strategies are often used in tandem with one another in an effort to achieve the best possible outcome. Depending on the community and its needs, several if not all of these strategies should be employed. See figure 4.2 for a breakdown of how best to apply these strategies to meet community needs.

Creating a Strategy for Muncie

Now that we have established a framework on how to create an effective redevelopment strategy, let us reconsider the data from the “target neighborhoods” mentioned earlier in this paper. Each of the neighborhoods around Muncie’s urban core suffers primarily from a lack of investment. As a result, there are a large number of vacant and abandoned residences as well as deteriorating infrastructure and no new construction. However, in order to be most effective, any redevelopment efforts should be concentrated in smaller areas.

As mentioned earlier in this paper, the Gilbert Neighborhood suffers from a 31.5% vacancy rate and the lowest home values in the City. It also represents the most marginalized of all neighborhoods in Muncie, and is in the greatest need of reinvestment above all things. On the bright side, the neighborhood, as many in Muncie, has a relatively solid sense of community and people from all parts of the City recognize a need for something to be done. Furthermore, the neighborhood’s strategic location and proximity to Muncie’s central business district will increase Gilbert’s marketability after redevelopment efforts begin. Developing stronger political will to achieve positive change in these neighborhoods may be necessary however. Based on this information, I have assembled a list of redevelopment strategies based on Professor Bruce Frankel’s methods mentioned in the last section.
of this paper. What follows is a list of the key conditions that this paper has identified in the Gilbert Neighborhood listed under the types of strategies that can be implemented to correct them. While by no means a comprehensive list, the strategies mentioned address the most daunting issues faced by Gilbert:93

- **A Collective Action Strategy** will address:
  - General Need of Help
  - Building Equity

- **A Partnership Strategy** will address:
  - Political Support
  - Marginality of the Neighborhood
  - Lack of Resources
  - Need for a Redevelopment Plan
  - Building Equity

- **A Corporate Sponsorship Strategy** will address:
  - Efficiency of Development

- **A Business Model Strategy** will address:
  - Marginality of the Neighborhood
  - Undervalued Neighborhood Assets
  - Lack of Resources
  - Readiness to Redevelop
  - Need for a Redevelopment Plan

93 See figure 4.0 for a more detailed explanation of each criteria.
**Application of Strategic Principles: Gilbert Neighborhood**

Now that the primary strategic principles that are demanded for redevelopment have been identified, specific strategies can be implemented using the Gilbert neighborhood. It is worth noting that the goal of this model is to manipulate the conditions of a development area to encourage the cultivation of a solid market. Once such a market has been created, private investment will help sustain current and future development. What follows are several examples of specifics strategies that could be implemented to help create the conditions for such a market:

**Collective Action**

- Create a neighborhood organization in the Gilbert Neighborhood. This will provide a method of creating a voice for the neighborhood, enabling it to express the severity of its need. This will be achieved by mobilizing local residents for volunteer efforts, political lobbying, etc.

**Partnership**

- Partnering with a nonprofit, such as a Community Development Corporation (CDC) or a Community Housing Development Organization (CHDO) would be a huge boon to all neighborhoods in Muncie, let alone Gilbert. These organizations are necessary for the effective use of many federal funds such as NMTC and LIHTC as well as the establishment of necessary instruments such as land banks. As no such entity exists, it is in
the City of Muncie’s best interest to encourage the formation of a strong nonprofit, community-based organization. Such an organization will also be an effective means of preventing neighborhoods from being marginalized.

– Partnership with the public sector also must be seriously considered when one of the major goals for the neighborhoods around Muncie’s core is to create opportunities for reinvestment. At the local level, tax districts such as TIF and HoTIF use taxes generated from private improvements to improve public facilities or finance public bonds. If used effectively, tax districts will be an important part of any redevelopment efforts in Muncie.

**Corporate Sponsorship**

– Unfortunately, the large corporations that drove investment in Muncie communities are either all gone or are shadows of their former selves. However, Muncie still has Ball State University, itself a legacy of the City’s industrial past. Ball State has an interest in the quality of Muncie to degree as it must attract students that it might continue to be prosperous. As such, it would be a wasted opportunity for Muncie to avoid working with Ball State. A variety of opportunities exist here, such as providing student housing in or near Muncie’s downtown, providing space for the University to establish a downtown annex, etc. What is good for Muncie is good for Ball State, and vice-versa.
Business Model

- The creation of a land bank is critical to this strategy. The control of the large percentage of vacant and abandoned residences in Gilbert alone is a testament to this need. To reiterate, the heart of the Business Model Strategy is the control of enough properties in a redevelopment area to apply collateral investment and expect a positive return. Once under control in a land bank, properties have to be disposed of in a responsible manner. By creating platforms such as receivership programs and partnerships with organizations like Habitat for Humanity and even private developers, the City could effectively “convince” the market that further investment is inevitable. This, in turn, leads to private development and, thus, a huge dent is put in the neighborhood’s need for reinvestment.

Implementation Strategy

This certainly cannot be the first time public officials and citizens in the City of Muncie have been exposed to the idea of reinvestment and redevelopment. It is all fine and good to have a sound strategy for redevelopment, but one must also must have a holistic vision of the process. The following steps represent a general flow of the process:95

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95 Based off of graphics supplied by Professor Bruce Frankel, Ball State University.
1.) Strong Leadership: Necessary to facilitate the beginning of the process.

Perhaps no other person has more power over the ability to affect positive change in Muncie than Mayor Dennis Tyler. This includes initial support for any redevelopment proposals, but also a desire to see things get done. Without pressure to see results, projects tend to stagnate.

2.) Community Outreach Efforts:

   a. Identify all stakeholders and their initiatives.

   b. Conduct community planning workshops.

   c. Establish and make public a community vision with goals and objectives.

3.) Establish a Broad Community-Based Organization

   a. Initiates the planning process.

   b. Coordinates all development and revitalization efforts in a development area.

   c. Reviews future development proposals and zoning changes.

   d. Provides technical assistance to other redevelopment efforts in Muncie.

4.) Create a Revitalization and Redevelopment Plan

   a. Must have a holistic approach to Muncie’s abandoned housing problem.

   b. Is supported by community leaders and organizations.

5.) Develop an Action Plan
a. Assigned roles and responsibilities to all of the stakeholders involved.

b. Forms partnerships (public, private, regional agencies, investors, etc.)
Conclusions

Ultimately, vacant and abandoned properties represent opportunities to revitalize communities and rebuild their economic and societal value. For the City of Muncie, the reuse and renovation of its abundant vacant and abandoned residential properties further contributes to the fulfillment of local community goals under the Muncie Action Plan of stabilizing neighborhoods, preserving affordable housing and establishing attractive and vibrant neighborhoods throughout the City. Strong residential opportunities such as these enhance the diversity of the city and its economic and social value.

The redevelopment of vacant and abandoned properties can serve as a catalyst for economic and neighborhood development. This type of redevelopment, however, is not possible without first, gaining control of currently abandoned properties through efficient code enforcement and tax enforcement and the establishment and implementation of a land bank. Finally, and perhaps most importantly, redevelopment is not possible without significant government leadership and the will to intervene and invest in the neediest neighborhoods in Muncie.
Figure 1.0
Figure 1.2
Figure 1.5

Gilbert Neighborhood

Legend
- Abandoned Buildings in Gilbert
- Building Footprints
- Vacant Parcels in Gilbert
- Gilbert Neighborhood
- Right of Ways
Figure 1.6

McKinley Neighborhood

Legend
- Abandoned Buildings in McKinley Neighborhood
- Building Footprints
- Vacant Parcels in McKinley
- McKinley Neighborhood
- Right of Ways
Non-profit land bank established for Muncie-Delaware County

Property is acquired through nonprofit transfers, market transfers and tax foreclosures.

The land bank can waive back taxes, clear titles and make improvements to acquired properties as needed. (IC 36-7-14 and IC 36-7-15)

Development of new housing units

Rehabilitation of dilapidated structures

Maintenance and upkeep for future use

Disposition of Property
Figure 2.1: Tax Sale Process

*Based on a process map provided by the City of South Bend Vacant and Abandoned Housing Taskforce*
### Figure 3.0: Potential Tax Revenue

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<tr>
<th>Neighborhood</th>
<th>Vacant Parcels</th>
<th>Combined Property Values*</th>
<th>Tax Rate</th>
<th>Estimated Tax Revenue</th>
<th>Potential Combined Value**</th>
<th>Potential Tax Revenue</th>
<th>Increment</th>
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<td>East Central</td>
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<td>$920,040</td>
<td>1.00%</td>
<td>$9,200.40</td>
<td>$11,670,500</td>
<td>$116,705.00</td>
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<td>$1,555,018</td>
<td>1.00%</td>
<td>$15,550.18</td>
<td>$28,077,850</td>
<td>$280,778.30</td>
<td>$265,228.32</td>
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<td>Old West End</td>
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<td>$931,410</td>
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<td>McKinley-Gilbert</td>
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<td>$8,993,150</td>
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<td><strong>Totals:</strong></td>
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<td><strong>$4,447,162</strong></td>
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<td><strong>$44,471.62</strong></td>
<td><strong>$73,867,400</strong></td>
<td><strong>$738,674.00</strong></td>
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** Potential value of rehabilitated homes assumes the parcels will be brought up to the Muncie City average of $61,650. This value was taken from http://factfinder2.census.gov/home/tbhome/servlets/productview.xhtml?pid=ACS_11_SFR_DP04&prodType=table
### Figure 3.1: Revolving Loan within 5 years using McKinley-Gilbert HoTIF revenue

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<td>Payment</td>
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<td>Principal</td>
<td>($1,134,844.98)</td>
<td>($1,084,083.23)</td>
<td>($1,030,783.40)</td>
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<td>($916,055.49)</td>
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<td>Debt/Loan</td>
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<td>0.051708088</td>
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<td>0.064147939</td>
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<td>$68,025.60</td>
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<td>Principal</td>
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<td>Debt/Loan</td>
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<td>0.094320397</td>
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<tr>
<td>Payment</td>
<td>$86,819.82</td>
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<td>Principal</td>
<td>($226,867.77)</td>
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<td>Debt/Loan</td>
<td>0.20561469</td>
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### Interest and Payment Schedule

- **Interest**: Calculated based on the principal and term of the loan.
- **Principal**: The initial amount borrowed.
- **Payment**: The amount paid each year, which includes both interest and principal repayment.
- **Debt/Loan**: The ratio of the debt to the loan amount.
Figure 4.0: NRSA Evaluation Criteria
*Based on graphics supplied by Professor Bruce Frankel, Ball State University.

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<th>NRSA Evaluation Criteria</th>
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<td>1. Need</td>
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<tr>
<td>a. predominance of poverty, property deterioration/ blight, abandonment, foreclosures</td>
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<tr>
<td>b. need to increase [choose: homeownership, rental opportunities, retail, etc.]</td>
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<tr>
<td>c. contrast with city overall</td>
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<tr>
<td>d. natural disaster</td>
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<tr>
<td>2. Marginality</td>
</tr>
<tr>
<td>a. adjoining an investment neighborhood</td>
</tr>
<tr>
<td>b. manageable need</td>
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<tr>
<td>c. proximity to “assets” [e.g., recreation, shopping, other urban amenities]</td>
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<tr>
<td>3. Infrastructure</td>
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<tr>
<td>a. public [acceptable or better]</td>
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<tr>
<td>b. private [buildings as vacant, underutilized, but can work with]</td>
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<tr>
<td>4. Undervalued Assets</td>
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<tr>
<td>a. replacement cost &gt; market value; potential for property appreciation and capital gains</td>
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<tr>
<td>5. Visibility</td>
</tr>
<tr>
<td>a. on a “gateway” with high ADT’s</td>
</tr>
<tr>
<td>6. Land Uses</td>
</tr>
<tr>
<td>a. primarily residential, but posing a role for mixed uses</td>
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<tr>
<td>7. Community</td>
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<tr>
<td>a. sense of identity, or potential for its creation</td>
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<tr>
<td>8. Organization</td>
</tr>
<tr>
<td>a. practical politics at neighborhood level</td>
</tr>
<tr>
<td>b. CHDO, CDE, CDC [nonprofits requisite to certain public programs]</td>
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<tr>
<td>c. partnerships [in place or potential]</td>
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<tr>
<td>9. Resources</td>
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<tr>
<td>a. neighborhood assets</td>
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<tr>
<td>b. other public investments made or pledged</td>
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<td>Category</td>
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<td>10. Economy</td>
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<td>12. Efficiency</td>
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<td>13. Politics</td>
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<td>14. Readiness [to redevelop]</td>
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<td>15. Redevelopment Plan</td>
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<td>16. Data</td>
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Scale 1-5 [low – high]
Figure 4.1: NRSA Criteria Scores by Muncie Neighborhood.
*Matrix supplied by Professor Bruce Frankel, Ball State University.

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<tr>
<th>Neighborhood</th>
<th>CRITERIA</th>
<th>Need</th>
<th>Marginally</th>
<th>Infrastructure</th>
<th>Under served</th>
<th>Variability</th>
<th>Land Cover</th>
<th>Community</th>
<th>Organization</th>
<th>Reserves</th>
<th>Economics (Eco)</th>
<th>Equity</th>
<th>Efficiency</th>
<th>Politics</th>
<th>Readiness</th>
<th>Risk/Plan</th>
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### Figure 4.2: Neighborhood Strategies to Employ based on Conditions

*Matrix supplied by Professor Bruce Frankel, Ball State University.*

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**Legend**
- **Primary** ➔
- **Secondary** ➔
Bibliography


Borg Warner Oral History Project (2009) Audio and video recording from Center for Middletown Studies


