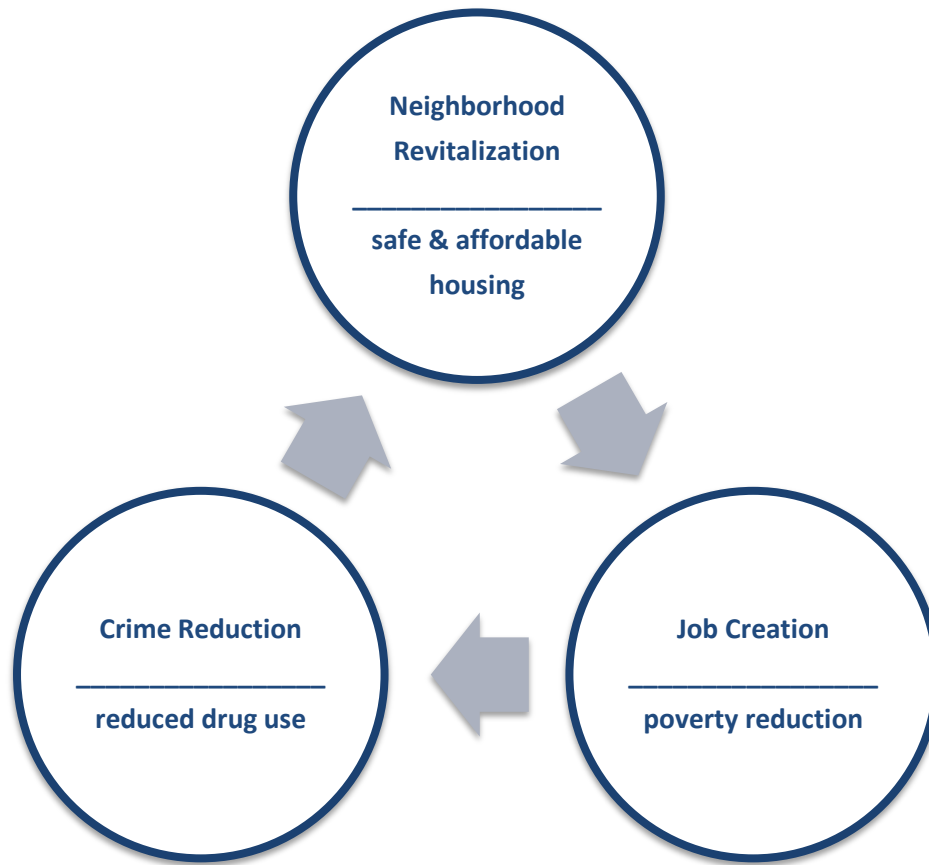


Abandoned properties are an opportunity. The City of Spokane has a vital opportunity to improve the health, safety and quality of life for all its citizens by returning abandoned properties to productive use through purposeful rehabilitation.



Abandoned properties are localized black holes of degradation and criminal activity, yet at the same time an incredible opportunity to acquire and repurpose disparate community blight. Funding the rehabilitation of abandoned properties will empower neighborhoods, reduce crime and drug use, create jobs, build the tax base, grow property values, strengthen affordable housing and transform our community.

Abandoned properties are a threat to public health and safety and present a daunting challenge with an estimated 1.7 million abandoned properties nationwide.¹ This mortgage lending catastrophe is a multibillion dollar injury that will be with us for decades.² A property falls into this “*zombie property*” morass when the owner of record vacates the property and the lien-holders do not take title creating an unmarketable, or *toxic*, title that often requires litigation and judicial sale at public expense.³

The amount of community blight and ruin resulting from abandoned properties in our community has reached emergency proportions. Data suggests there are 1,700 abandoned properties countywide.⁴ The Spokane Police Department’s Civil Enforcement Unit has conservatively identified 1,435 likely abandoned properties within the City of Spokane.⁵ We can confidently postulate there are 1,500 abandoned properties currently in the City of Spokane.

Abandoned properties “trigger significant direct expenditures for increased policing and fire suppression, demolition contracts, building inspections, legal fees, and expenses associated with managing the foreclosure process (e.g., recordkeeping/ updating). Policing officials interviewed for this study also cited the damage to quality of life from empty, foreclosed properties, including gang activity, drug dealing, prostitution, arson, rape, and murder. Even after the foreclosure process is completed, costs continue to accrue in cases where the municipality inherits responsibility for securing and/or demolishing the unit, clearing trash from the lot, and keeping weeds under control.”⁶ The negative impact of abandoned properties spreads through a community like an infectious disease.⁷

The direct costs of abandoned properties to the City of Spokane are abhorrent and usurious. The average abandoned property generates \$1,472 in direct municipal costs per year.⁸ This is a \$2.2 million burden on Spokane tax payers every single year.⁹ What’s more, a single abandoned property reduces the aggregate value of nearby homes by an estimated \$63,000, or \$94.5 million in lost property value just in the City of Spokane.¹⁰

Abandoned properties decrease municipal revenue through uncollected taxes and reduced tax rolls.¹¹ Our research shows that approximately 25% of the abandoned properties in the City of Spokane have delinquent property taxes with the average delinquency \$5,163 per property.¹² Therefore, the City of Spokane is operating with a staggering \$1,936,125 in lost municipal revenue.

Abandoned properties also increase crime. There is a direct correlation between crime and abandoned properties resulting from deterioration, opportunity, and disinvestment.¹³ One of the most reliable predictors of a high crime rate is the number of abandoned properties in the area: a one percentage point increase in the foreclosure rate is expected to increase violent crime by 6.68 percent; the rate of violent crime within 250 feet of an abandoned property increases 15 percent; and a block with an abandoned property can expect 3.2 times the drug calls, 1.8 times the theft calls, and double the calls for violent behavior.¹⁴

Abandoned properties are a clear threat to the public health of our community. These unoccupied dwellings create unsafe conditions that are constantly broken into, vandalized, used for unsanitary and immoral purposes and often display: raw sewage; exposed wires; stripped pipes; water damage; mold; hypodermic needles; accumulated litter and rubbish; and fire damage.¹⁵ This palpable degradation discourages local residents from being outside and active within their community which in turn increases instances of obesity, asthma, and negative health consequences.

What are our options?

Come to GRIPS with Spokane’s abandoned property opportunity. Mining the fragmented foreclosure, lien, probate, tax, utility, and ownership records from the various incompatible departmental data systems is arduous and costly.¹⁶ Yet, there is a critical need for this information to be unified, in real-time, and parcel based.¹⁷ We cannot fix what we do not understand.¹⁸ A Geographical Real Property Information System (GRIPS), open to the public, will enable the City of Spokane, third party

investors and community-based organizations to evaluate the scope of the abandoned property mortgage crises in parcel level detail, and make insightful and impactful decisions on where and how to intervene and invest.¹⁹

Create a Strategic Development Plan. Neighborhood revitalization through abandoned property rehabilitation must be done creatively and with evidence based decision making. Limited resources need to be deployed strategically in order to tip the balance of a neighborhood into positive self-sustaining investment.²⁰ This strategic development plan will require a leader to bring together stakeholders, build administrative capacity and mobilize funding.²¹

Intervene immediately to prevent abandonment. Immediate intervention is the best option because deterioration quickly compounds over time.²² Commit resources to prevent foreclosures and to keep properties occupied by connecting borrowers to credit counseling and simplifying the foreclosure process.²³

Streamline the foreclosure process by standardizing, updating and eliminating delay.²⁴ Prevent owners with property in the building official process or under chronic nuisance abatement from filing new foreclosure cases. Require lien holders to notify title holders when foreclosure is not being pursued, increasing the likelihood of owner occupied abandoned foreclosures.²⁵ Shorten the amount of time an abandoned property remains blight by asserting a claim for nuisance abatement or uninhabitable building in the foreclosure adjudication.²⁶

Clear the title of abandoned properties through negotiation. Banks and financial institutions do not make money on foreclosures and may elect to voluntarily release their interest if they can definitively stop hemorrhaging expenses.²⁷ It may also be possible to compel the servicer to complete the foreclosure or release their lien by intervening in the foreclosure process.²⁸ Sometimes litigation is required.²⁹

Clear the title of abandoned properties through litigation. The City can clear encumbered titles, and thereby ensure immediate rehabilitation, through condemnation, tax-foreclosure, executing municipal lien judgments, the building official process, or chronic nuisance abatement.³⁰ Some municipalities are suing the banks for damages.³¹ While these options may be leveraged to create a strong incentive to settle, they often require high up-front public expense and non-existent administrative capacity to negotiate or prosecute thousands of transactions.³²

In an effort to address this shortcoming in resources, some municipalities are empowering neighborhood associations as sub-local authorities that are then able to stand in as the actual petitioners and request the building official process or nuisance abatement.³³ Regardless, success requires making neighborhood associations partners in the eradication of abandoned properties through collaborative identification and investment.³⁴ Only direct community participation with Code Enforcement and the Spokane Police Department can empower citizen's sense of control and ownership which will naturally stabilize distressed neighborhoods, protect property values and reduce crime.³⁵

In order to build capacity the City of Spokane might partner with local legal clinics to create an 'urban law clinic'. This 'urban law clinic' could guide affected neighborhoods through public nuisance lawsuits, the building official process and receivership.

Abandoned property receivership is an *in rem* action that allows petitioners to take permanent ownership of distressed properties, renovate, and clear title of all other claims.³⁶ "Vacant building receivership provides critical acquisition leverage for closing voluntary transfers and a mechanism for clearing title to properties that cannot be sold free and clear by their owners."³⁷

Identify the entity that will take clear title. The City can take title, partner with a Community Development Corporation or create a Land Bank. Partnering with a local nonprofit Community Development Corporation with the requisite resources and capacity will multiply the City's capacity for abandoned property rehabilitation.³⁸ A Land Bank with sufficient capacity and expertise to acquire, demolish, and maintain can also spur returning blighted properties to productive use.³⁹

After Taking clear title it is important to conduct a thorough inspection and appraisal of the property and determine: value; condition; needed repairs; anticipated sales price; anticipated proceeds; whether there will be sufficient proceeds to recover the repair costs; and develop a marketing or demolition-greening-maintenance strategy.⁴⁰

Who is going to bear the financial burden? Every effort should be made to limit tax-payer liability by empowering third party investors and compelling remuneration from responsible financial institutions.⁴¹ Successful abandoned property rehabilitation will likely require significant municipal budget funding as well as private sector funding (banks, loan servicers, mortgage companies, financial institutions, private donors). While many costs may be recouped at the time of sale, there must be an available pool of equity for the upfront costs of acquisition and rehabilitation. See *also* existing Federal Assistance.⁴²

Focused Attention.

The City of Spokane is balanced on a precipice with disinvestment and blight proliferation on one side and a continuous flow of private investment and revitalization on the other. Through purposeful rehabilitation we can accomplish our goal of replacing blight spreading abandoned properties with affordable, safe, owner-occupied homes.⁴³ Next steps,

1. Partner with a local university to create a Geographical Real Property Information System (GRIPS). Making GRIPS open to the public is a force multiplier. Private investors will opportunistically use this information to acquire and repurpose the commercially viable properties.
2. Bring stakeholders together and create a strategic development plan.
3. Build administrative capacity by committing one full time employee from the SPD, code enforcement, planning, housing, legal and support staff.
4. Redouble abandonment prevention efforts and build a task force to evaluate and improve the foreclosure process.
5. Secure funding and execute the strategic plan.

The children are our future. Promise Zones, the United States Department of Housing and Urban Development's program designed to ensure that hard work leads to a decent living for every American, has identified neighborhood revitalization as the key to ensuring each child has a sufficient start in life.

Abandoned opportunity is Spokane's chance to engage and empower the community in a meaningful way that will accelerate neighborhood revitalization, reduce crime and drug use, create jobs, strengthen affordable housing, and improve the health, safety and quality of life for generations to come.

¹ HUD.GOV, *Vacant and Abandoned Properties: Turning Liabilities Into Assets*, Winter 2014 (Vacant and abandoned properties present daunting challenges to communities nationwide. Evidence shows that vacant and abandoned properties drag down local economies, impede population growth, depress property values, increase crime, and impose heavy cost burdens on local governments."); Stergios Theologides, *Servicing REO Properties: The Servicer's Role and Incentives*, REO & Vacant Properties, Strategies for Neighborhood Stabilization, a joint publication of Federal Reserve Banks of Boston and Cleveland and the Federal Reserve Board (Sept. 1, 2010) (This so called **Shadow Inventory of properties** suspended in various stages of foreclosure was estimated to be around 1.7 million in 2009.).

² Kermit J. Lind, *The Perfect Storm: An Eyewitness Report from Ground Zero in Cleveland's Neighborhoods*, Urban Development Law Clinic at Cleveland State University (The disastrous effect of the mortgage lending catastrophe is a multibillion dollar injury in metropolitan Cleveland that will take more than a single generation to recover from.); Joseph Schilling, *Code Enforcement and Community Stabilization: The Forgotten First Responders to Vacant and Foreclosed Homes*, Albany Government Law Review, 2009 (The long term community impacts from vacant and foreclosed homes will be with us for decades to come so communities should design and adopt a comprehensive vacant properties action plan.).

³ Lind, *Perfect Storm* ("Lien holders are walking away from their foreclosure cases before a sale when the property is not valuable....**Abandonment of mortgage liens result in a title that is toxic, meaning that the title is not marketable except by litigation and a judicial sale at public expense.** Further, the expense of cleaning titles can exceed the actual value of a property in blighted condition....When a mortgagee decides to abandon the lien and its foreclosure actions to 'let the property go for taxes' because it will not produce sufficient proceeds at sale, the result is a toxic encumbrance on the title and harm to the neighborhood...."); Theologides, *Servicing REO Properties*

(A ‘toxic title’ property is a property where “the owner of record has abandoned the property and may believe the foreclosure has been completed, but the lienholder has not yet taken title.”).

⁴ According to the Spokane County Auditor’s Office, there were 1,230 properties foreclosed in the county in 2013, 713 in 2012 and 1,146 in 2011. More than 8,700 properties have been foreclosed in Spokane County in the past decade. Since one in five foreclosed properties becomes abandoned, Spokane County likely has 1,700 abandoned properties.

⁵ This list of 1,435 abandoned properties was created by obtaining information from City Utilities regarding residential properties without running water. All commercial lots, all vacant lots and most of the rental units were removed from the list. Code Enforcement provided a list of confirmed vacant houses. Owner and lien holder data was obtained through the County Assessor and County Auditor’s offices. Currently, all data must be individually researched and manually updated as time and resources permit. This data does not account from some of the best sources of information (i.e., the U.S. Census Bureau, U.S. Postal Service, and property tax delinquency), so we can safely posit there are greater than 1,435 abandoned properties. **For purposes of this paper we will use the conservative estimate of 1,500 abandoned properties in the City of Spokane.**

⁶ William C. Apgar and Mark Duda, *Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom*, May 11, 2005.

⁷ Malcolm Gladwell, *The Tipping Point* (“If a window is broken and left unrepaired, people will conclude that no one cares and no one is in charge. Soon, more windows will be broken and the sense of anarchy will spread from the building to the street on which it faces, sending a signal that anything goes.”); James J. Kelly, Jr., *Refreshing the Heart of the City: Vacant Building Receivership As a Tool for Neighborhood Revitalization and Community Empowerment*, Journal of Affordable Housing, Winter 2004 (**The appeal of any one house depends upon the appearance and activity of its neighbors. Faced with hopeless neighborhood blight, many responsible property owners will stop investing in their property and seek a way out. This is why a neighborhood that cannot rid themselves of a few vacant houses can expect more crime – the blight is signal to all that this is a neighborhood where criminal activity is supposed to occur.**); Dan Immergluck and Geoff Smith, *The Impact of Single-family Mortgage Foreclosures on Neighborhood Crime*, Housing Studies 21, no. 6 (2006): 851-866 (“Foreclosures tend to cluster in ways that generate significant spillover effects as vacant properties become magnets for crime and other social ills....[O]nce a few properties in a neighborhood become vacant, the negative effects tend to spiral and lead to further foreclosures and vacancies, particularly in low-income neighborhoods.”); John Accordino and Gary T. Johnson, *Addressing the Vacant and Abandoned Property Problem*, Journal of Urban Affairs, 2000 (Vacant and abandoned properties are a symptom of larger economic forces but also problems in and of themselves, contributing to overall community decline and disinvestment.).

⁸ Apgar & Duda, *Collateral Damage* (“[F]oreclosures are not only expensive to borrowers and lenders, but they involve more than a dozen agencies and twice as many specific municipal activities, and generate direct municipal costs that in some cases exceed \$30,000 per property.”); William Apgar, Mark Duda, and Rochelle Gorey, “The Municipal Cost of Foreclosures: A Chicago Case Study,” February 27, 2005 (**Determining that a single abandoned property can impose up to \$34,000 in direct costs on local government agencies**, including inspections, court actions, police and fire department efforts, potential demolition, unpaid water and sewage, and trash removal.); Bob Winthrop and Rebecca Herr, “Determining the CO\$T of Vacancies in Baltimore,” *Government Finance Review*, June 2009 (This Baltimore study rigorously measured the direct public safety costs with statistical validation and econometric analysis to quantify the cost of police and fire services associated with vacant properties and found: **“the cost per block of police and fire services showed an annual increase of \$1,472 for each vacant and unsafe property on that block.”**); The SPD’s CEU, IT and Accounting determined the amount of Spokane police Officer service hours spent responding to the 1,435 abandoned properties in the City of Spokane over the past two years (2014 through YTD) as **5,268.71 total hours**. Using Senior Police Officer Rates, the Spokane Police Department has spent **\$382,236.41 simply responding to calls for service at abandoned properties since January 1st, 2014**.

⁹ \$1,472 (estimated cost per abandoned property) times 1,500 (estimated number of abandoned properties in the City of Spokane) = **\$2.2 million annual direct cost of abandoned properties** (inspections, court actions, police and fire responses, demolition, trash removal).

¹⁰ Brian A. Mikelbank, *Spatial Analysis of the Impact of Vacant, Abandoned and Foreclosed Properties*, study conducted for the Office of Community Affairs, Federal Reserve Bank of Cleveland, 2008 (**determining that homes within 250 feet of an abandoned foreclosure have a sales price that is reduced by about 3.5 percent**); Schilling, *Community Stabilization* (**finding that properties in close proximity to vacant structures can lose up to \$7,627 in their value**); Kai-yan Lee, *Foreclosure’s Price-Depressing Spillover Effects on Local Properties: A Literature Review*, Community Affairs Discussion Paper, Federal Reserve Bank of Boston, (Boston:2008) (A federal researcher that concluded **the costs of foreclosures often spill over to nearby properties “reducing nearby properties’ sales value by as little as 0.9% to as much as 8.7%.”**); Apgar & Duda, *Collateral Damage* (**determining that one foreclosure can result in as much as an additional \$220,000 in reduced property value and home equity** for nearby homes); Dan Immergluck, *The Cost of Vacant Blighted Properties in Atlanta: A Conservative Analysis of Service and Spillover Costs*, September 1, 2015 (Concluding blighted and vacant properties drag down property values, estimating a “more conservative” 2.6 million a year to a “less conservative” 5.7 million a year in Atlanta where the total value loss to properties within 500 feet of a vacant property ranges from \$153.2 million to \$55.4 million. “On a per-property basis, this estimate means that **each of the 2,411 distressed vacant properties reduces the aggregate value of homes within 500 feet by a total of \$63,000.**”); 1,500 (estimated number of abandoned properties in the City of Spokane) times \$63,000 (estimated

cumulative drop in nearby property values per abandoned property) = **\$94.5 million of lost property value in the City of Spokane.**

¹¹ HUD.GOV, *Turning Liabilities Into Assets* (Vacancies reduce revenue directly by lost tax revenue and indirectly, by their impact on nearby property values and tax assessments.); Apgar & Duda, *Collateral Damage* (“When foreclosure leads to demolition, the municipality faces additional property tax losses because it must remove the assessed value of the structure from its tax rolls. Municipal revenues are also reduced by delayed and uncollected taxes and unpaid service fees for water, gas, and electricity. More generally, to the extent that foreclosures make urban neighborhoods less attractive to households and businesses, municipal sales and income tax receipts also suffer.... **As a result, foreclosures reduce municipal tax revenues and hence the resources cities have to mitigate the negative impacts.**”).

¹² The Spokane Police Department’s Civil Enforcement Unit looked up the property tax information on four hundred and thirty seven (437) of the 1,423 abandoned properties, or 437/1423 (30%). 108 of the 437 had delinquent property taxes (25%) with a total tax debt of \$557,583 (\$557,583 debt / 108 properties = \$5,163 average debt per delinquent property). If we take 25% (the estimated number of abandoned properties with delinquent property tax) of the estimated 1,500 abandoned properties, then we can see that there are likely 375 abandoned properties with delinquent property taxes. 375 (delinquent abandoned properties) times the average tax debt per property (\$5,163) equals **\$1,936,125 in uncollected property tax revenue.**

¹³ Christina McFarland & William McHahan, *Housing Finance and Foreclosures Crises: Local Impacts and Responses*, National League of Cities, 2008; United States Government Accountability Office, *Report to the Chairman, Subcommittee on Economic Policy, Committee on Banking, Housing, and Urban Affairs, U.S. Senate: Mortgage Foreclosures*, (November 2010) citing Christina McFarland, Casey Dawkins, and C. Theodore (Ted) Koebel, *Local Housing Conditions and Contexts: A Framework for Policy Making*, (Washington: National League of Cities, 2007) (“[E]mpirical studies have found relationships between vacant or foreclosed properties and crime. For example, a national organization representing municipal governments reports that crime is moderately correlated with vacant abandoned properties, deteriorating housing and high divestments in the neighborhood.”).

¹⁴ Immergluck & Smith, *The Impact* (Neighborhoods with the most abandoned lots saw a 48 percent increase in crime during the same period where Chicago as a whole experienced a 27 percent drop in crime. “A one percentage point (0.01) increase in foreclosure rate...is expected to increase the number of violent crimes in a tract by 2.33 per cent other things being equal. **A full standard deviation increase in the foreclosure rate, other things equal, is expected to increase violent crime by 6.68 per cent.**”); Lin Cui, *Foreclosure, Vacancy and Crime*, Department of Economics, University of Pittsburg, 2010 (**Concluding that once a property becomes vacant, the rate of violent crime within 250 feet of the property increases 15 percent, and the longer the period of abandonment the higher the crime rates.**); Charles C. Branas, David Rubin, and Wensheng Guo, *Vacant Properties and Violence in Neighborhoods*, International Scholarly Network: Public Health, 2012 (This Philadelphia study concluded

that **the strongest predictor for risk of assault is association with vacant properties.**); Schilling, *Community Stabilization*, citing, National Vacant Properties Campaign, *Vacant Properties: The True Cost to Communities* (2005) (“In Austin, Texas, blocks with vacant building had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of calls for violent behavior as those neighborhoods without vacant properties.”).

¹⁵ HUD.GOV, *Turning Liabilities Into Assets*, citing, U.S. Fire Administration, *Vacant Residential Building Fires*, Topical Fire Report Series, 2010 (“**Arson is a particular problem for vacant and abandoned properties.** The U.S. Fire Administration estimates that there were 28,000 fires annually in vacant residences between 2006 and 2008, with half of these spreading to the rest of the building and 11 percent spreading to a nearby building. The organization also estimates that 37 percent of these fires were intentionally set and that 45 deaths, 225 injuries, and \$900 million in property damage result from these fires each year.”); **We estimate the Spokane Fire Department has spent \$220,500 responding to calls at abandoned properties in the past two years** (applying a \$500 per hour charge for each incident using a Type I Engine, with \$140/hr rate with normal, three-person crew, staffing).

¹⁶ Lind, *Perfect Storm* (“**The fragmentation, incompatibility, and inaccuracy of data sources make the task of accounting for the condition, ownership, legal status, and legal problems of abandoned or distressed properties time-consuming and costly.** Local governments spend huge amounts of time and money to locate and serve notices of code violation, search warrants, demolition notices, nuisance abatement assessments, or legal actions.”).

¹⁷ HUD.GOV, *Turning Liabilities Into Assets*, referencing, Kathryn L.S. Petit and G. Thomas Kingsely, *Framework: The New Potential for Data in Managing Neighborhood Change*, in *Putting Data to Work: Data-Driven Approaches to Strengthening Neighborhoods*, 2011 (Identify the number, location and ownership of vacant properties. “[C]ommunities need recent and reliable data to understand the problems they face, inform decision making and policy, and tailor responses to the varying conditions and characteristics of the cities, neighborhoods, and properties in question.”); Lind, *Perfect Storm* (“There is a critical need for unified and uniform real-time parcel-based digital public records systems....Gathering complete data on the current condition and legal status of real property is a major challenge.”); Schilling, *Community Stabilization* (**Real Property Information System, transferred into Geographical Information System, integrates data on: number of foreclosure filings, assessment and judgment liens, ownership history, probate, sheriff’s sales, tax delinquency, code enforcement violations, water utility shut offs, loans, contact information, etc. Real Property Information Systems catalyzes private, public and nonprofit players into asset preservation and rehabilitation that stabilizes neighborhoods.**).

¹⁸ Sheila U. Appel, Derek Botti, James Jamison, Leslie Plant, Jing Y. Shyr, and Lav Y. Varchney, *Predicative Analytics can Facilitate Proactive Property Vacancy Policies for Cities*, *Technological Forecasting and Social Change*, 2014 (The City’s goal should be “to move away from decision making based on educated anecdotes and reactive

strategies...to policy development based on informed, holistic insight, and proactive interventions that prevent and reverse decline.”).

¹⁹ Todd Swanstrom and James A. Brooks, *Resilience in the Face of Foreclosures: Lessons from Local and Regional Practice*, National League of Cities, 2010 (“Assess the nature of the problem – what is the cause of foreclosures, who is impacted the most and where can interventions be most effective?...**Foreclosures are a moving target, metropolitan areas need up-to-date data systems to track the problem in real time.**”); Rohan Mascarenhas, *Illuminating Housing Challenges with Data*, National League of Cities, February 24, 2014 (“Some policymakers have turned to new tools that use **predictive analytics, crowdsourcing, and digital cartography** to address these complex problems.”); referencing *CityVoice*, a phone-based application that gathers feedback about vacant homes and allows residents to indicate whether they want the property repaired or removed; and *The Blight Task Force* by Data Driven Detroit and Loveland Technologies that aims to use an app to catalog all of the city’s 139 square miles with three member survey teams and remote digital data entry; Theologides, *Servicing REO Properties* (**Commercially available information** can give community-based organizations and local governments more insight concerning properties that are likely to be in REO. **Publish: tax payments; delinquency status; ownership; lien status; valuation; negative equity; etc.**).

²⁰ Lind, *Perfect Storm* (“[L]imited resources available need to be deployed strategically with attention to what the market for housing and community amenities” are ready to absorb.); Swanstrom & Brooks, *Resilience* (Step one is to create a strategic vision with the goal to build dynamic and thriving neighborhoods that attract residents and businesses. The foreclosure crises may be viewed as an opportunity.); Michael D. Beyard, Michael Pawlukiewicz, and Alex Bond, *Ten Principles for Rebuilding Neighborhood Retail*, Urban Land Institute, 2003 (“Rebuilding neighborhood retail should be planned comprehensively as an integral piece of the larger community that surrounds it, and it should be tailored to the realities of the area.”); Schilling, *Community Stabilization* (“**Such a plan should include a regional or city wide inventory of vacant or abandoned properties, a neighborhood level typology based on market conditions and housing unit characteristics (e.g., physical property condition, market data, outstanding liens placed on the property, etc.), and a proposed rehabilitation (or demolition) plan, along with an implementation schedule that prioritizes the use of rehabilitation resources over a period of several years.**”); Schilling, *Community Stabilization*, citing, John Kromer, *Neighborhood Recovery: Reinvestment Policy for the New Hometown*, 2000 (Kromer recommends the following for neighborhood reinvestment plans: (1) strategies to preserve existing housing stock through locally funded repair programs; (2) strategic plans outlining the decision matrix used for determining which properties will be rehabilitated and which will be demolished; (3) policies to repair recently abandoned properties using rehabilitation loan financing supplemented by moderate city subsidies; and (4) plans to demolish those vacant properties that are either too expensive to rehabilitate or beyond the point of repair, coupled with plans to rebuild on the remaining vacant lots.).

²¹ Swanstrom & Brooks, *Resilience* (“Responding effectively to foreclosures requires a great deal of administrative capacity, for example, to purchase foreclosure properties, rehabilitate them up, and return them to the market...Building administrative capacity and the ability to collaborate and cooperate across departments should be a high priority of local actors.” Swanstrom argues that leadership must be built first. A credible convener will bring together stakeholders and coordinate responses. Leadership needs to show foreclosures are a problem that impacts the economy of the entire region. Then develop inter-local collaboration. Regional collaboration is the gold standard, but localities should not wait as some of the most creative and innovative solutions originate from neighborhoods. Finally, redirect existing resources and funding and mobilize new sources.); Lind, *Perfect Storm* (Connect the array of city and county officials that deal with titles, transfers, taxes, lien records, foreclosures, and sheriff’s sales with the city’s Building and Housing Department, Community Development Department and Housing Court in a systemic way.).

²² Apgar & Duda, *Collateral Damage* (“**Early intervention – before the arrival of squatters or illegal activities – is a high priority.**”); Lind, *Perfect Storm* (“It may take three or four years after a foreclosure action is filed before the property is sold, by which time the cost of rehabilitating the now dilapidated house exceeds the price it would bring in a legitimate sale.”).

²³ Theologides, *Servicing REO Properties* (“[T]he proliferation of vacant properties has placed a premium on keeping distressed properties occupied to mitigate the potential negative neighborhood impact of another vacant property.”); Swanstrom & Brooks, *Resilience*, *referencing*, The Foreclosure Prevention Program (“Because the spillover effects of foreclosures are extensive, local governments need to commit resources to prevent foreclosures where possible and to minimize the damages from foreclosures that do take place in neighborhoods that are otherwise healthy and thriving.”); Apgar & Duda, *Collateral Damage* (Suggesting municipalities support foreclosure prevention initiatives by connecting borrowers to credit counseling, simplifying the foreclosure process, and working to ensure lenders pay their fair share of foreclosure-related costs.).

²⁴ Theologides, *Servicing REO Properties* (Streamlining the foreclosure process is likely to leave more funds available for the servicer to make code improvements, do repairs, pay taxes, and list and dispose of the property in an orderly fashion – facilitating an orderly sale of a code-compliant property to an owner-occupant or community based organization.); Lind, *Perfect Storm* (Raise foreclosure filing fees to finance additional staff to process foreclosure cases. Create a fast track for early default hearing for when a property is officially declared a nuisance and owners are in default of an answer. Require foreclosure plaintiffs to file a verified report certifying compliance with local housing, zoning, health and safety codes – along with evidence of title.).

²⁵ Reinvestment Partners, *Solving the Abandoned Foreclosure Crisis: Remedies and Proposals for Reform*, April 2013, *quoting*, *The National Mortgage Settlement* (“Section 8, Paragraph 4, which states that when the ‘Servicer makes a determination not to pursue foreclosure action on a property with respect to a first lien mortgage loan, the Servicer shall: (a) Notify the borrower of Servicer’s decision to release the lien and not

pursue foreclosure, and inform the borrower about his or her right to occupy the property until a sale or other title transfer action occurs, and (b) Notify local authorities, such as tax authorities, courts, or code enforcement departments, when Servicer decides to release the lien and not pursue foreclosure.”).

²⁶ Lind, *Perfect Storm* (Municipalities can take responsibility for abandoned real property. They need real-time access to the court’s foreclosure docket and a mechanism for identifying distressed properties. By intervening in a foreclosure action and asserting a claim for nuisance abatement and expenses related to abandonment or injunction to prevent further harm, municipalities may reduce the time that blighted property remains a blighting influence.).

²⁷ Dona Dezube, *Heroic Homeownership*, Mortgage Banking, (June 2006), *citing*, Craig Focardi, CMB, Research Director, TowerGroup’s consumer lending division, (Lenders do not make money on foreclosures. Losses range from 20 cents to 60 cents on the dollar. Lenders typically lose \$50,000 or more on one foreclosure.); Theologides, *Servicing REO Properties* (“[S]ervicers will increasingly find that their obligations to the trust to maximize proceeds (or minimize losses) might require them to abandon foreclosure and walk away from the property. Some servicers elect to release the lien in such a case....[A]llowing a servicer or investor who would normally forgo pursuing foreclosure due to non-recoverability of code-violation remediation or back taxes to take title nevertheless, provided there is an instantaneous contribution of title “as is” to a local government or non-profit. **If investors who have lost their entire mortgage investment (or the servicers acting on their behalf) know that they will not be further burdened by obligations for code remediation, they may be more willing to take title and transfer the property to a government or nonprofit entity that will be able to begin moving the property back into productive use.”).**

²⁸ Reinvestment Partners, *Solving the Abandoned Foreclosure Crisis* (**There is currently no law or provision that explicitly requires a servicer to decide whether or not it intends to pursue foreclosure.** Determine whether the deed of trust has language requiring foreclosure once the power of sale is invoked. If yes, and the lender has invoked the power of sale provision of the mortgage deed of trust after notifying the borrower and after a hearing with the clerk of court, **a community group (third party with standing) may be able to force the servicer to complete the foreclosure action or release their lien interest in the property.**); Schilling, *Community Stabilization* (“Establishing lines of communication with out-of-state and now foreign lenders exceeds the legal reach and capacity of local code enforcement departments....Mortgage companies would much prefer to get a direct call from the code enforcement departments instead of fines and penalties or a notice to appear in court.”).

²⁹ Kelly, *Refreshing the Heart* (“**Sometimes the title to a vacant house is obscured by so many claims that receivership sale, or another title-clearing mechanism such as tax foreclosure, offers the only practicable way to transfer the property to a new owner.”).**

³⁰ Apgar & Duda, *Collateral Damage* (Municipalities can foreclose on existing municipal liens or bring administrative or judicial action against the lenders and property owners to grab their attention and reach a resolution quickly.); Kelly, *Refreshing the Heart* (“**All too often...the owner, due to unpaid mortgages or judgment liens, does not have the ability to transfer good title at all.**”); **Condemnation** is one legal procedure where a county, city or town may acquire blighted property and requires the adoption of a local ordinance and three separate judgements from the local county court (see RCW 35.80A, RCW 8.12.050, *City of Des Moines v. Hemenway*, 73 Wn.2d 130, 437 P.2d 171 (1968); **Property Tax Foreclosure** is the sale of a property, by the county, to pay delinquent property taxes and transfers clear title to a new owner (see RCW 84.64, RCW 84.56.020); **Executing a Judgment** (see RCW 84.64, RCW 6.17); **Building Official Process** (see SMC 17F.070); **Chronic Nuisance Abatement** (see SMC 10.08A and RCW 7.43); Lind, *Perfect Storm* (“Property tax foreclosures have been a critical tool for putting abandoned tax-dead property back into productive use,” but “the process often takes years to complete.”).

³¹ Lind, *Perfect Storm* (Sue the Wall Street investment banks that created this mortgage disaster for their own profit and caused billions of dollars in public costs. We owe it to the people to restrain Wall Street from using the property people live in for fee-generating transactions that destroy the value of property.); Winthrop & Herr, *CO\$T* (“Cities are suing mortgage financing companies and banks to recover costs, charging that irresponsible lending practices have led to increased foreclosures and vacancies.”); Reinvestment Partners, *Solving the Abandoned Foreclosure Crisis* (The National Mortgage Settlement lays out “‘Measures to Deter Community Blight,’ and mandates that Servicers ‘shall develop and implement policies and procedures to ensure that REO properties do not become blighted,’ along with policies that ‘enhance participation and coordination with state and local land bank programs, neighborhood stabilization programs, nonprofit redevelopment programs, and other anti-blight programs.’”).

³² Lind, *Perfect Storm* (“**Demolition or rehabilitation to protect the health, safety, and welfare of neighborhoods from abandoned houses is a high-cost proposition...Recovery of these costs...is rare and ordinarily depends on an assessment lien collected along with delinquent property taxes long after the nuisance abatement expenditure...the expenses of clearing abandoned houses and their toxic title is a public cost to taxpayers that is never fully recovered.**”); Schilling, *Community Stabilization* (The lending industry is interested in negotiating reduced price deals with local government and community development corporations but local governments and CDCs lack the expertise and the staff to negotiate hundreds of individual transactions.).

³³ Kelly, *Refreshing the Heart*.

³⁴ Kelly, *Refreshing the Heart* (**Vacant abandoned properties must become an enticing enough opportunity that legitimate private investors take interest. A shared sense of control over the health of a community can “serve as the foundation of confidence necessary for coordinated investment if the communal action actually rids the neighborhoods of the vacant houses.”**).

³⁵ Lind, *Perfect Storm* (Housing code enforcement is the first line of defense against the spread of blight in a weak housing market...especially in low-income neighborhoods with older structures [where] blight will surely overtake rehabilitation and restoration.” Lind argues that often the code enforcement system is overwhelmed and requires a redesign to manage abandonment, neglect, and the reutilization of structures and land.); Schilling, *Community Stabilization*, citing, George L. Kelling & James Q. Wilson, *Broken Windows: The Police and Neighborhood Safety*, The Atlantic Monthly, March 1982 (Making the argument that there is a correlation between law enforcement’s failure to enforce “quality of life” laws, and the increased likelihood of violent crimes in a particular neighborhood. “Classic research on the ‘Broken Windows Theory’ documents that aggressive code enforcement can maintain a sense of community order, protect property values, and stabilize distressed neighborhoods.”); Kelly, *Refreshing the Heart* (“**Direct community participation in the code enforcement process offers the very sense of control and ownership that concerned citizens need in order to feel secure in their decisions to invest, both personally and financially.**”).

³⁶ See RCW 7.60 generally (RCW 7.60.025 – “...a receiver shall be appointed only if the court additionally determines that the appointment of a receiver is reasonably necessary and that other available remedies either are not available or are inadequate...”); *Collins v. Gross*, 51 Wash. 516, 99 P. 573 (1909) (“...a receiver may be appointed in all actions, where it is shown that the property...in controversy are in danger of being lost, removed, or materially injured...when it appears that such property is in danger of being lost, removed, or materially injured...it may be necessary to secure ample justice to the parties.”); Kelly, *Refreshing the Heart* (**Municipalities lack the resources to rehabilitate all the abandoned properties yet need these properties brought up to minimal housing standards. Private developers will renovate these properties if they can get clear title. Abandoned property receivership is sound policy to replace blight with productive use.**).

³⁷ Kelly, *Refreshing the Heart* (“In vacant property receivership deals, resident leaders...define their community inductively in the give-and-take of negotiations with investing developers and vacant property owners.”).

³⁸ HUD.GOV, *Turning Liabilities Into Assets* (“CDCs would also likely have an interest in acquiring tax-foreclosed properties and operating them as rentals, both to increase the stock of affordable housing and to stabilize the neighborhoods in which they have already invested.”).

³⁹ RCW 79.19.010 provides “a means [for the County’s Department of Ecology] to facilitate such sales and purchases so that the diversity of public uses on the trust lands will be maintained,”; see also *Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks*; *Land Banks and Land Banking*, Center of Community Progress, 2nd Edition (2015); *Take it to the Bank: How Land Banks are Strengthening America’s Neighborhoods*, Center for Community Progress; Schilling, *Community Stabilization* (“By taking the initial risk of preparing land in weak real estate markets or controlling the surplus of foreclosed properties in strong real estate markets, land banks can encourage private investment and create momentum for neighborhood revitalization.”).

⁴⁰ Theologides, *Servicing REO Properties*; Immergluck, *Vacant Blighted Properties in Atlanta* (“...large numbers of poorly maintained vacant lots create their own sets of problems...greening and maintaining these lots show large positive impacts on neighboring property values...due both to the elimination of neglected vacant lot, but also due to the positive amenities provided by well-maintained greenspace.” Therefore, in order to improve the rate of return in terms of increased property values and tax revenue, efforts towards demolishing distressed, vacant homes, should focus on those posing the greatest negative impact and be paired with a plan for greening and maintenance.); Eugenia C. Garvin, Carolyn C. Cannuscio, and Charles C. Brana, *Greening Vacant Lots to Reduce Violent Crime: A Randomised Controlled Trial*, Injury Prevention, 2013; Susan M. Wachter, Kevin C. Gillen, and Carolyn R. Brown, *Green Investment Strategies: A Positive Force in Cities*, Communities & Banking, 2008 (**Research shows that replacing selective demolition with strategic assets, such as a landscaped pedestrian pathway or bike trail, a park, a parking lot, or community garden, improves the community’s perception of safety, boosts property value and even reduces violent crime.**).

⁴¹ Swanstrom & Brooks, *Resilience* (New sources of funding must be sought in the private and nonprofit sectors – private banks, mortgage companies, and financial services firms should be compelled to contribute to the solution of the problem they helped perpetrate.); Schilling, *Community Stabilization* (“Unfortunately, abatement’s upfront costs act as a disincentive for code enforcement to use against foreclosed homes as they have limited budgets and the increasing uncertainty of recovering those costs against insolvent lending institutions.”); U.S. Government Accountability Office, 39-40 (Demolition costs average between \$4,800 and \$7,000 per property.).

⁴² See *The National Mortgage Settlement* (a settlement between 49 state attorneys general and the country’s five largest mortgage servicers (Ally/GMAC, Bank of America, Citi, JP Morgan Chase, and Wells Fargo) that allocated \$25 billion dollars in mortgage relief); *The Reinvestment Fund*; *National Neighborhood Indicators Partnership*; Mortgage Bankers Association’s list of property preservation contacts (<https://www.mba.org/audience/residential-mortgage-professionals/property-preservation-resource-center/property-preservation-servicer-contacts>); and *Mortgage Electronic Registration Systems, Inc.* (a national database of foreclosures).

⁴³ Community Housing and Neighborhood Services may be able to use spot blight remediation (24 CFR 570.483(c)(2)) funds, other resources, or Section 108 loans to fund a low-income down payment assistance program. I would recommend these loans be structured as conditional grants – if the low-income home buyer stays in the home for twelve years then the loan is forgiven, but if they sell the property or no longer reside at the property then the balance plus interest becomes due.