
Deciphering Blight:
Vacant Buildings Data
Collection in the Chicago Six
County Region



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About the Author

Katie Buitrago is the Senior Policy and Communications Associate at Woodstock Institute. She contributes to Woodstock's research and policy analysis, outreach, coalition building, and communications efforts. She has coauthored reports on the disparate impacts of negative equity on Chicago area communities, racial disparities in FHA/VA lending, and the impacts of income tax refund anticipation loans on communities of color. Her interests include impacts of and solutions to the foreclosure crisis, homeownership preservation, community reinvestment, consumer finance, student debt, financial reform, and financial security over the life cycle. Katie helps to convene the Regional Home Ownership Preservation Initiative. She has been cited in the Chicago Tribune, Chicago Sun Times, Chicago Public Radio, Housing Wire, Crain's Chicago Business, and WGN-TV. Katie is pursuing a Master of Public Policy at the University of Chicago and received her B.A. with honors in Public Policy Studies and Latin American Studies from the University of Chicago.

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Executive Summary

The following report assesses the information municipal governments within the Chicago six county region collect on vacant buildings. It identifies common features and gaps in key information on vacant buildings collected as part of the vacant buildings registration process. Findings of the report show that:

- The vast majority of the municipalities collected comprehensive data on contact information for parties responsible for vacant properties.
- More than half of the municipalities collected information that could uniquely identify the property.
- Half of the municipalities did not collect information on the nature of the vacant property.
- Data collection on code compliance varied widely among the municipalities.

Finally, the report recommends data collection practices that municipalities should incorporate into their vacant buildings registries in order to better understand the scope of the vacant buildings problem within a community, inform strategic decisions about property redevelopment and reuse, and keep track of parties responsible for the maintenance of vacant homes. These recommendations include:

- Structure vacant buildings ordinances to promote data accuracy and regular updates.
- Include a unique identifier for each property within the database.
- Require collection of contact information for a responsible party for the property, whether it is an owner, agent, or servicer.
- Require updated information on compliance with municipal maintenance and fee requirements.
- Require collection of information on key components of the nature of the property and the vacancy.
- Store data in a machine-readable format.

Introduction

The foreclosure crisis resulted in growing numbers of vacant homes that have remained empty for long periods of time, often becoming the target for vandals and deteriorating to a state of extreme disrepair. These homes are frequently concentrated in communities where residents were targeted by high-cost mortgage lending during the housing bubble and which are currently experiencing large volumes of foreclosures, property value declines, and negative equity. Vacant homes can become even more troubled when mortgage servicers initiate the foreclosure process but decide not to take ownership of the home by completing foreclosure, leaving the property without someone to actively maintain it.

Vacant and abandoned homes impose significant costs upon communities, particularly if the homes are not being adequately maintained, and the costs increase the longer the property is abandoned.¹ Vacant and abandoned homes depress surrounding property values and may attract crime to the area.² If owners and servicers do not step in to maintain vacant and abandoned homes, local governments incur costs for building code enforcement and basic property maintenance.³

Local governments are pursuing a number of strategies to limit the negative spillover effects of vacant homes on their surrounding neighborhoods, to encourage owners and servicers to adequately maintain vacant homes, and to recoup some of the costs associated with code enforcement and vacant property maintenance. One of these strategies is enacting ordinances that require property owners and/or mortgage holders to register vacant homes with local government. The registration requirement may include obligations to maintain the property to specified community standards and may also include fees for registration and fines for noncompliance.

The structure and purpose of vacant buildings registries vary significantly across municipalities, as do the methods used to collect information on the vacant homes. Vacant buildings registries provide opportunities to collect data that is otherwise difficult to access on property ownership, nature of vacancies, and conditions of vacant homes. These data can be used to target programs to mitigate the negative impact of vacant homes, track trends and identify areas highly impacted by vacancy, monitor code compliance, and better understand the effects of vacant and abandoned homes.

This analysis aims to document the information local governments currently collect about vacant buildings and determine how the data could be better collected and used more efficiently and effectively. It surveys existing vacant building registration data collection practices in the Chicago six county region to determine common features and gaps. The report concludes with recommendations for effective vacant buildings registries that could improve policy design and implementation and enhance understanding of the neighborhood effects of concentrations of vacant buildings.

¹ Han, Hye-Sung. 2013. *The Impact of Abandoned Property on Nearby Property Values*. University of North Carolina at Chapel Hill (publication pending).

² Shlay, Anne B., and Gordon Whitman. *Research for Democracy: Linking Community Organizing and Research to Leverage Blight Policy*. *City and Community* 5(2):153-171 (June 2006).

³ Appgar, William, and Mark Duda. 2005. *Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom*. Washington, DC: Homeownership Preservation Foundation.

Context

The foreclosure crisis has aggravated existing challenges posed by vacant and abandoned homes that have accumulated in particular neighborhoods and municipalities as a result of deindustrialization and population loss in recent decades. As of the end of 2012, 19,833 properties in the Chicago six county region (Cook, DuPage, Kane, Lake, McHenry, and Will Counties) were vacant for less than six months, while 69,174 properties were vacant for more than two years. This is in contrast to 2008, at the beginning of the foreclosure crisis, when longer-term vacancies comprised a smaller percentage of the vacant building inventory (44,568 were vacant for less than six months while 23,990 were vacant for more than two years).⁴

Growing numbers of foreclosures contributed significantly to the vacant property inventory over the same time period. Since 2008, 338,661 foreclosures have been filed in the Chicago six county region, while 136,800 foreclosures have gone to auction (signifying the point in the foreclosure process where the servicer or a third party takes ownership of the property).⁵ The vast majority of properties at foreclosure auctions become lender-owned, commonly referred to as real-estate owned (REO), and are likely vacant. While investors buying low-value properties with cash have acquired some of this REO inventory in communities hit hard by foreclosures,⁶ there is a limited market for reselling REO properties in an environment of increasingly conservative mortgage lending standards and large numbers of potential homebuyers emerging from the recession with blemished credit history.⁷

The phenomenon of foreclosures that are initiated but not pursued to auction increases the likelihood that the properties become vacant and are not actively maintained, making them a destabilizing force in neighborhoods. Servicers may make a determination after filing a foreclosure that the costs and responsibilities of taking ownership and maintaining the property up to code would exceed the potential proceeds that would be generated by selling the property to a third party. In order to reduce these costs, servicers may choose to abandon the foreclosure process and opt not to take title to the property. An estimated 1,896 vacant properties in the City of Chicago had a foreclosure filed but no clear outcome was reached, such as becoming REO or sold to a third party, as of the third quarter of 2010.⁸ Properties in this condition are more likely to deteriorate and pose challenges to municipalities attempting to enforce codes because the owner may be difficult to reach and, in the absence of strong policies, the servicer has limited maintenance responsibilities for the property.

Vacant and abandoned properties, particularly those that have been vacant for an extended period of time, have a number of destabilizing effects on the surrounding communities. Vacant homes have been associated with declines in surrounding property values,⁹ as well as increases in property crimes.¹⁰ Costs

⁴ HUD Aggregated USPS Administrative Data on Address Vacancies, fourth quarter of 2012 and fourth quarter of 2008.

⁵ Woodstock Institute analysis of Record Information Services data.

⁶ Smith, Geoff and Sarah Duda. *Cash or Credit: The Role of Cash Buyers in Cook County's Housing Market*. DePaul Institute for Housing Studies, 2012.

⁷ For example, the average credit score for a Fannie Mae-backed loan rose from 714 in 2002 to 757 in the first quarter of 2013. See Federal National Mortgage Association, Form 10-Q for the quarterly period ended March 31, 2013 (filed May 9, 2013).

⁸ Smith, Geoff and Sarah Duda. *Left Behind: Troubled Foreclosed Properties and Servicer Accountability in Chicago*. Woodstock Institute, 2011.

⁹ Whitaker, Stephan and Thomas J. Fitzpatrick IV. *The Impact of Vacant, Tax-Delinquent, and Foreclosed Property on Sales Prices of Neighboring Homes*. Federal Reserve Bank of Cleveland, 2011. See also Immergluck, Dan and

accrue to local government as well, including the costs of increased demand for police and fire services, demolition, inspection, performing basic security and maintenance, pursuing code enforcement actions on the property, and the loss of property tax revenue. Vacant and abandoned homes can cost municipalities up to an estimated \$20,000-34,000 per property in the most severe cases of disrepair.¹¹ In the case of foreclosures with no clear outcome (as described above), Woodstock Institute estimated that these homes cost the City of Chicago \$36 million.¹²

The responsibility for developing policies to remediate vacant homes and limit their negative spillover effects has fallen largely on local and state governments. While there have been new federal policies responding to the effects of the foreclosure crisis, such as the Neighborhood Stabilization Program, they do not have sufficient scale or reach to meet the needs of localities struggling most with concentrations of vacant buildings.¹³ The primary strategies local governments have used to combat vacancy and blight include vacant building registration ordinances, eminent domain power, land banks, and enforcement of local housing codes.¹⁴

Vacant buildings registration ordinances have spread rapidly across the U.S. in response to the foreclosure crisis.¹⁵ As of April 2013, there were at least 914 vacant building registration ordinances enacted across the United States, up from 240 ordinances in September 2009.¹⁶ In Illinois, 88 municipalities enacted vacant buildings registries as of April 2013, the fourth highest number of registries in the nation. The City of Chicago's vacant building registration ordinance is notable because the City Council amended it in November 2011 to require mortgagees of vacant buildings to register them with the City within 30 days of becoming vacant or within 60 days of a default. Registration includes a \$500 fee and maintenance and security responsibilities. A mortgagee or owner can be fined between \$500 and \$1,000 every day a building is in violation of the ordinance.¹⁷ The Chicago ordinance was one of the first in the nation to hold mortgagees responsible for maintenance and security of vacant and abandoned buildings before taking ownership of the property. In December 2011, Cook County passed a similar ordinance that includes an obligation for mortgagees, as well as owners, to register, maintain, and secure vacant and abandoned buildings.¹⁸ The Federal Housing Finance Agency is currently litigating the City of Chicago ordinance, contending that the City cannot mandate how FHFA manages its vacant buildings.¹⁹

Geoff Smith. *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values*. Woodstock Institute, 2005.

¹⁰ Immergluck, Dan and Geoff Smith. *The Impact of Single Family Mortgage Foreclosures on Neighborhood Crime*. Woodstock Institute, 2005. See also Gould Ellen, Ingrid, Johanna Laco, and Claudia Ayanna Sharygin. *Do Foreclosures Cause Crime?* Furman Center for Real Estate and Urban Policy, 2011.

¹¹ Apgar, William, Mark Duda, and Rochelle Nawrocki Gorey. "The Municipal Cost of Foreclosures: A Chicago Case Study." Homeownership Preservation Foundation, 2005.

¹² Smith, Geoff and Sarah Duda. *Left Behind: Troubled Foreclosed Properties and Servicer Accountability in Chicago*. Woodstock Institute, 2011.

¹³ Fitzpatrick, Thomas J., Lisa Nelson, Francisca Richter, and Stephan Whitaker. "What impacts do anti-vacancy and anti-blight ordinances have on local housing markets?" Pew Charitable Trusts, 2012.

¹⁴ Ibid.

¹⁵ Immergluck, Dan, Yun Sang Lee, and Patrick Terranova. *Local Vacant Property Registration Ordinances in the U.S.: An Analysis of Growth, Regional Trends, and Some Key Characteristics*. Georgia Institute of Technology, 2012.

¹⁶ Safeguard Properties, *Vacant Property Registration Ordinances*; Martin, Benton. *Vacant Property Registration Ordinances*. Emory University School of Law, 2010.

¹⁷ Chicago, Illinois, Ordinance SO2011-8066 passed November 2, 2011.

¹⁸ Cook County, Illinois, Ordinance 12-O-03 passed December 14, 2011.

¹⁹ Podmolik, Mary Ellen. "Federal agency sues Chicago over vacant-property rules." Chicago Tribune, December 12, 2011.

Structure and purpose of vacant buildings registries

The structure and purpose of vacant buildings registries can vary widely depending on particular community needs and characteristics. Vacant building registries can be used to collect data on the location and condition of vacant buildings, identify owners and mortgagees of vacant buildings and collect their contact information, combat blight and facilitate building code enforcement, and/or raise revenue to recoup the costs that vacant buildings impose on local government.²⁰ The registration requirement can be triggered by the building becoming vacant and/or the initiation of the foreclosure process.²¹

At a minimum, registries typically require that owners and/or mortgagees of vacant buildings register any vacant and abandoned building with the municipal government and provide contact information for an agent responsible for the property. Enforcement mechanisms vary based on the community's particular goals and are frequently designed to change servicers' financial incentives so that they return properties to productive use. For example, if the community is concerned about discouraging long-term vacancy, registration fees may be minimal at first, but periodic renewal fees would grow substantially the longer a property is vacant. The community may also require that the owner/mortgagee provide a detailed plan for ending the property's vacancy. If a community is concerned about blight and code violations, it may require a property inspection at the point of registration and high daily fines for violations of the ordinance, but renewal fees may decrease if the property remains in compliance. If a municipality simply wants to collect better information on property owners, it may not require registration fees at all, but would levy fines for failing to provide contact information.

If structured properly, the data generated by vacant building registries can help communities monitor the effectiveness of the registry, identify high concentrations of vacancies and repeat violators, and understand the spillover effects of vacant buildings in their neighborhoods. For example, simply asking owners or servicers to report the date that the vacancy began can allow local governments to identify long-term vacancies, which are likely to be problematic for the surrounding neighborhoods. The usefulness of the data can vary based on the information collected as part of the registration process. Additionally, it is difficult to perform broader analyses of the data if it is not stored in a machine-readable format.

Methodology

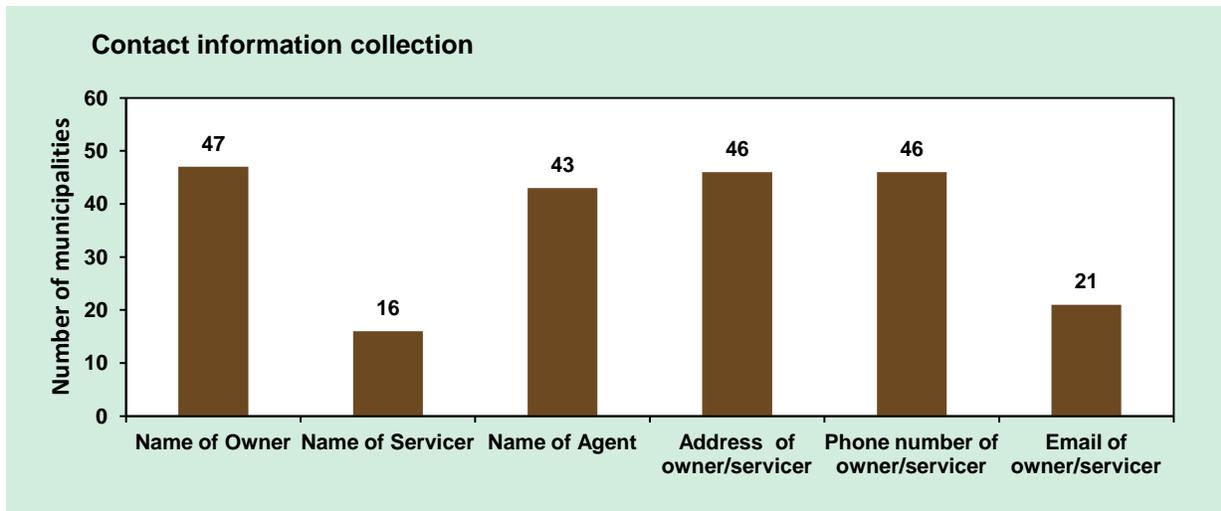
This report analyzes a survey of 47 municipalities in the Chicago six county region on the information they collect as part of their vacant building registration process (for a full list of the municipalities, see the Appendix). The municipalities were selected in March 2012 from a list maintained by Safeguard Properties, a mortgage field services company that tracks vacant building registries across the country. The information on data collected by municipalities were collected through assessments of vacant buildings ordinances and discussions with municipal staff from March-August 2012. The report identifies commonly collected data points, as well as gaps in the data, among the following categories: contact information; unique property identifiers; nature of the property and vacancy; and code compliance.

²⁰ Immergluck, Dan, Yun Sang Lee, and Patrick Terranova. Op. cit.

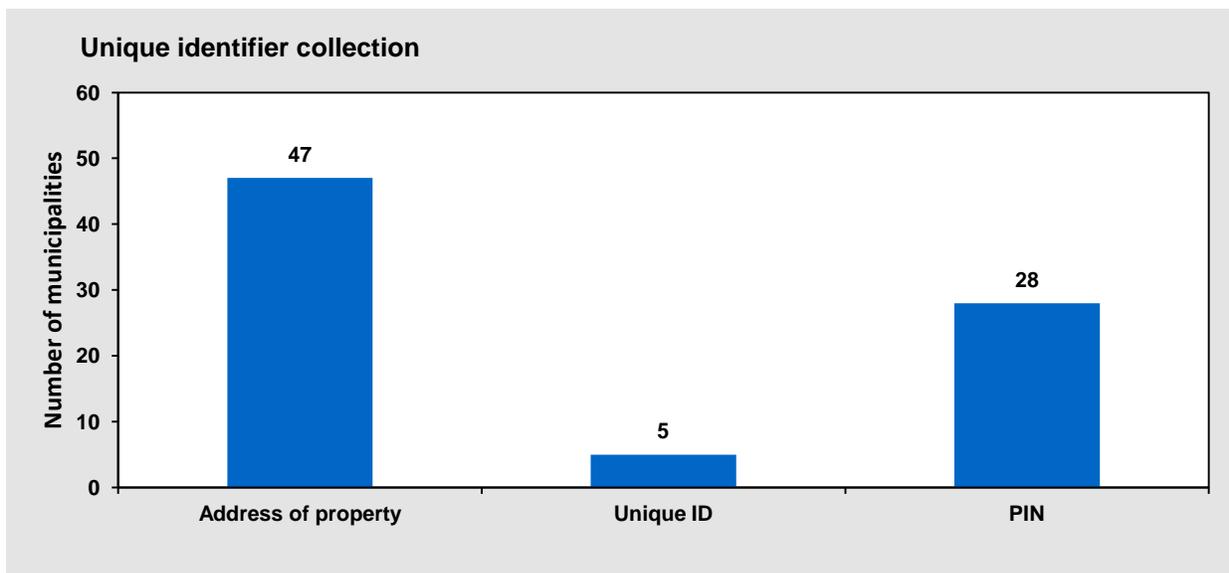
²¹ Schilling, Joseph. Code enforcement and community stabilization: the forgotten first responders to vacant and foreclosed homes. *Albany Government Law Review*, 2009.

Findings

The vast majority of the municipalities collected comprehensive data on contact information for parties responsible for vacant properties. All municipalities collected the name of the property owner, while 91 percent of the municipalities collected information on a local agent appointed to receive notice of actions related to the property. Nearly all of the municipalities collected the mailing address and phone number of the property owner (100 percent) and agent (98 percent). Sixteen, or about a third of the municipalities, collected information on the financial institution servicing the mortgage on the property.

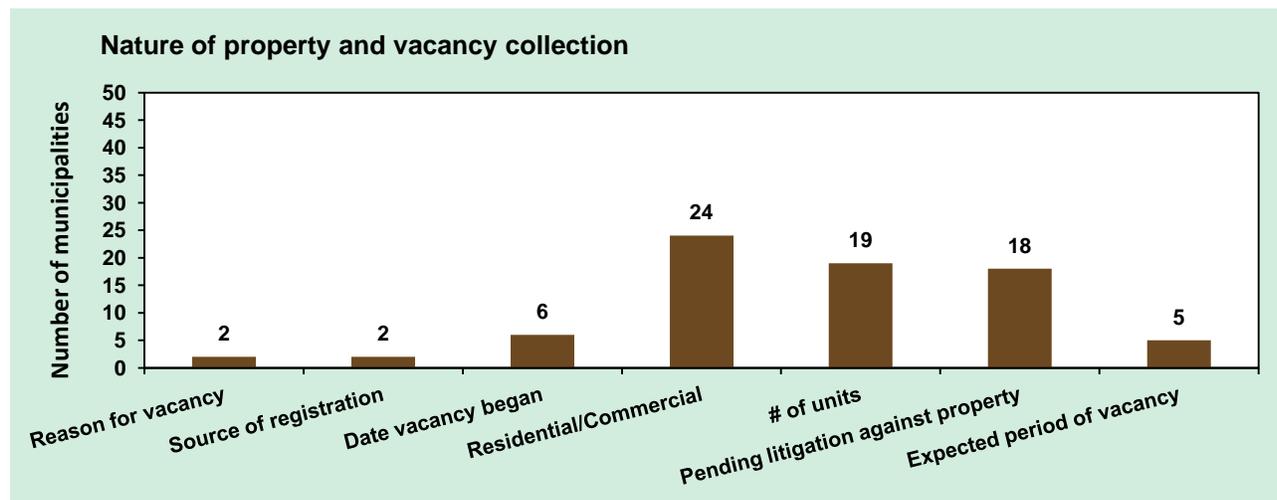


More than half of the municipalities collected information that could uniquely identify the property. All of the municipalities collected the address of the property through the registration process. Sixty percent of the municipalities collected properties' permanent real estate index (PIN) numbers, while 11 percent of the municipalities generated a separate unique identification number for each property in their databases.



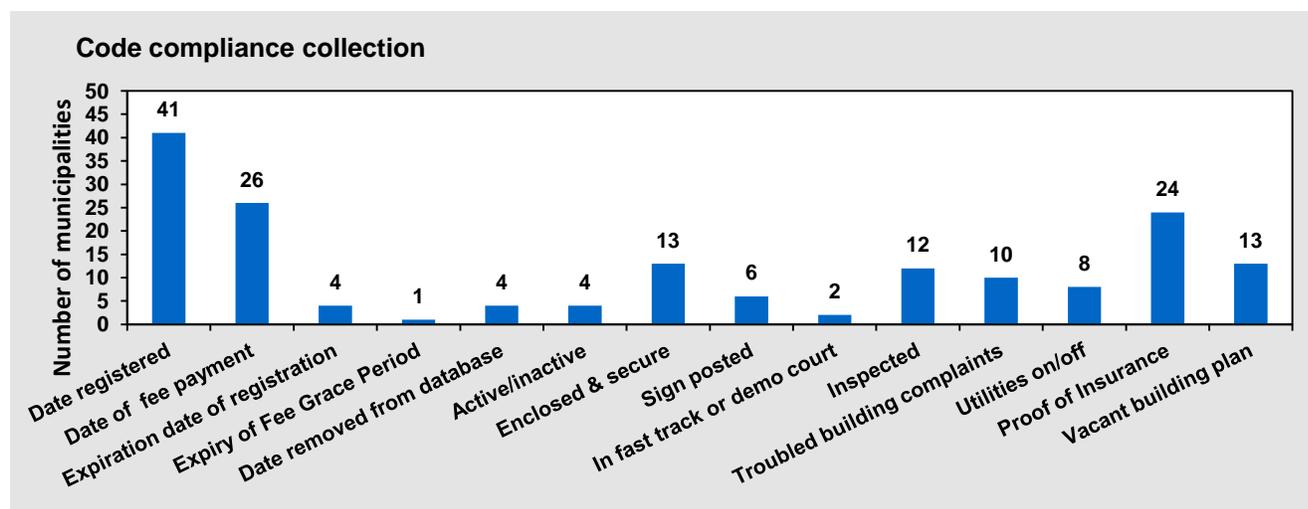
Half of the municipalities did not collect information on the nature of the vacant property.

The information most commonly collected on the nature of the property and its vacancy were whether the property was residential or commercial (collected by 51 percent of municipalities), the number of units in the building (40 percent of municipalities), and pending litigation against the property (38 percent of municipalities). Less frequently collected was information on the expected period of the vacancy (11 percent), the date the vacancy began (13 percent), whether the property was registered by the owner or from other sources (4 percent), and the reason for the vacancy (4 percent).



Data collection on code compliance varied widely among the municipalities.

Information on code compliance comprised the largest category of data collected about vacant properties (14 out of 34 fields). The most commonly collected information was the date the property was registered (collected by 87 percent of municipalities), date of the registration fee payment (55 percent), and proof of insurance (51 percent). Collection of other compliance information varied depending on the particular codes and ordinances enacted by each municipality—some require property registration primarily to identify and contact property owners, while others attach maintenance and security requirements to the registration. Common information collected on municipal requirements includes plans to return buildings back to productive use (28 percent), whether the building is enclosed and secured (28 percent), whether the building was inspected for code compliance (26 percent), and presence of troubled buildings complaints (21 percent).



Recommendations for vacant property registries

Based on the gaps identified above, vacant building registries in the Chicago region could address more of the issues caused by vacant and abandoned homes if a system were enacted to keep the data regularly updated, identify each property uniquely, easily access contact information for a responsible party, and collect better information on code compliance.

Structure vacant buildings registry ordinances to promote data accuracy and regular updates. While it is challenging to keep a database with a large number of vacant properties up-to-date, having accurate information on the extent of vacant properties will better inform decisions on resource allocation and policy development. Municipalities can use a combination of methods to keep the data up-to-date, including: reporting of changes to the vacancy from the property owner or agent (such as notifying the municipality when the property has been occupied or demolished); complaints from citizens to city information systems such as the 311 phone service or an online portal; or a mechanism to collect information on building status from utilities companies, the U.S. Postal Service, police, firefighters, and sanitation employees.

Include a unique identifier for each property within the database. Much value can be added to databases with unique identifying numbers, particularly identifiers that could be used to link one database to another. Including a property index number or PIN number allows analysts to link a property on a vacant building registry to other real estate databases, including property transfers and foreclosure filings. This allows analysts to follow a property through its life cycle and gain a better understanding of the relationship of foreclosures to vacancies, changing ownership of vacant homes, and more.

Require collection of contact information for a responsible party for the property, whether it is an agent, owner, or servicer. Name, address, and phone number should, at minimum, be included so that municipalities can hold these parties accountable. Contacts for in-county agents are particularly important for rapid response to complaints about the building.

The database should include updated information on compliance with municipal maintenance and fee requirements. Some of the most valuable uses of a vacant property database are that it allows municipalities to understand the extent of the vacant property problem and ensure that the property is maintained up to all relevant codes. In the Chicago region, municipalities use their registries to record when the property was registered and whether fees were paid, registration must be renewed, the property is enclosed and secured, a sign with the owner's contact information is posted, the owner has provided proof of insurance, and there is a plan for returning the vacant building to productive use. Information on code noncompliance also can serve as an indicator of the level of property distress in an area. Information on compliance derived from property inspections is likely to be more reliable than information on compliance reported by the property owner. If a municipality relies upon self-reported compliance data, it should verify the validity of that information with periodic inspections. Updated information on code compliance could also be provided by community members calling in complaints or municipal employees who have frequent contact with the community, such as police, sanitation employees, and firefighters.

The database should also track municipal responses and attempts to enforce compliance. These responses could include property inspections, number and amount of fines levied, and whether the property is in demolition court or a fast-track foreclosure process.

Require collection of information on key components of the nature of the property and the vacancy. Information on the nature of the property and its vacancy allows stakeholders to assess the scope of the impacts of vacant properties and identify broader trends in the types and causes of vacancy.

Key fields include property type (such as residential, commercial, or industrial), pending litigation against the property, number of units affected, reason for vacancy, and dates of beginning and end of vacancy.

Store the data in a machine-readable format. Broad analysis of vacancy trends and impacts becomes difficult if the registration information is stored in hard copy or scanned into an image without text recognition. Even a simple Excel spreadsheet allows municipalities and researchers to use analytic tools to identify concentrations and trends and connect the information to other data sources that would provide deeper understanding of the property history, ownership, and financing.

Appendix: Municipalities included in survey of vacant buildings registries

Alsip
Bellwood
Berkeley
Berwyn
Blue Island
Bolingbrook
Campton Hills
Chicago
Cicero
Countryside
East Dundee
Elgin
Evanston
Franklin Park
Gilberts
Glenview
Golf
Harvey
Harwood Heights
Hillside
Hinsdale
Lansing
Lemont
Lisle
Lyons
Maywood
Midlothian
Mokena
Morton Grove
Mount Prospect
New Lenox
Niles
North Chicago
Northbrook
Oak Forest
Oak Park
Park Forest
Peoria
Riverdale
Schaumburg
Schiller Park
South Chicago Heights
South Elgin
Streamwood
Villa Park
Volo
Waukegan