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The limits to market-based strategies for addressing land abandonment in shrinking American cities

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Abstract

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

Eight cities were selected and placed into three categories based on their current land abandonment policies: consciously managerial (Cleveland, Flint, Saint Louis); limited managerial (Buffalo, Pittsburgh, Rochester); and market-only (Detroit, Gary). Two particularly striking findings arise from this analysis. First, in addition to inhibiting systematic planning efforts in cities, market-only policies appear, ironically, to be associated with the erosion of market conditions. Second, the market importance of government intervention—whether in the form of rent vouchers or sensible land management—often does not receive sufficient attention in cities experiencing abandonment. Most tend to continue market-oriented strategies which complicate planning efforts to re-purpose land in socially beneficial ways.

Keywords: Neoliberalism; Shrinking cities; Land abandonment; American Rust Belt; Land banks

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1. Introduction

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

To many planners and public policy officials working in shrinking U.S. cities, Kildee's approach is not especially controversial. Places like Detroit, Flint, and Gary are so troubled that expecting the market to magically, benevolently and independently solve the city's problem is considered naïve. Yet if smart-government real estate policies were truly uncontroversial in the broader political sphere, it is likely that