

*Testimony
of
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*Joint Hearing
Domestic Policy Subcommittee
Oversight and Government Reform Committee
and
Housing and Community Opportunity Subcommittee
Financial Services Committee*

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For decades, cities across the nation have struggled with the daunting problem of abandoned houses and vacant land. Particularly in Michigan, where the cities of Detroit, Flint, Saginaw, and others have experienced significant population loss, the problem has been exacerbated by the absence of a coherent governmental approach to urban land reform.

For the most part, this legacy of abandonment is the result of years of decline associated with the migration of population from the city to suburban communities. Recently, however, the abandonment of the urban landscape has been magnified by the dramatic increase in mortgage-foreclosed homes flooding this already weakened real estate market. While this problem is already having an impact on my community, the fact that there are between 5,000 and 6,000 mortgage foreclosures pending in my community is a matter of great concern, particularly in light of the weak real estate market in Flint and the presence of thousands of previously abandoned homes already littering once thriving neighborhoods.

Abandoned property is a source of blight, crime, and disease. Vacant urban land reduces the very resource available to address the problems it creates. Local property taxes are made less available due to devaluation of land values. For example, abandoned houses account for 75 to 90 percent of fires in the City of Flint, yet the City has reduced fire service due to a significant financial crisis. Given the enormous financial pressure for basic city services, it is clear that reform of urban land is fundamental to revitalization of our cities.

Vacant land is both a cause and result of urban disinvestment. As cities have experienced population loss and housing market declines, the result is the decline of property values. Blight spreads as empty houses sit vacant, infecting adjacent properties and ruining entire

neighborhoods in a matter of just a few years. An abandoned house is a “Typhoid Mary” to a neighborhood struggling to sustain itself.

Sadly, for the past several decades, one of the governmental systems intended to address the problem actually contributed to the downward spiral of land values and neighborhood stability. Under the former system of tax foreclosure, abandoned properties were either transferred to private speculators through tax lien sales or became state-owned property through foreclosure. Under either scenario, local leaders had little power to interrupt the incremental decline in the reutilization of tax-reverted land. In fact, the former system encouraged low-end reuse of tax reverted land due to the length of time between abandonment and reuse – often more than five years. The lack of clear title to these properties under the tax lien system also made reinvestment almost impossible.

The former system was decidedly non-strategic

The changes to Michigan’s tax foreclosure law are a significant step in the right direction. Since the passage of PA 123 of 1999, the State of Michigan and county governments have greater authority in gaining control of vacant abandoned land. PA 123 of 1999 accelerated the process of tax foreclosure, which previously took as long as seven years to complete. The new system of county or state tax foreclosure is completed within a two-year period, and abandoned property is taken after only one year.

While the new system is significantly more efficient, we need to go further in order to optimize the reuse of vacant urban land with long-term neighborhood stability in mind. Michigan needs a systemic approach to urban land that affords local government the tools necessary to manage the “downsizing” of cities more effectively. It is only through smart “downsizing” that cities can ultimately seek to grow again.

For communities with significant numbers of abandoned property, a land reutilization plan that delivers tax-foreclosed property to its best and highest use is needed.

Faster and more efficient demolition of existing structures is the earliest and most tangible benefit of such a system. Over time however, land assembly for development and long and short-term green space development is made possible by “land banking” tax reverted property, rather than simply selling land at public auction. Replacing one irresponsible landlord with another is no solution to the problems of sub-standard housing and neighborhood blight. Quickly auctioning tax-reverted property, while somewhat more desirable than the former system, does not provide urban communities the control of land essential to a coherent revitalization plan. Encouraging and supporting locally derived land reutilization planning is essential to urban land reform.

Adoption of legislation that authorizes a foreclosing county to create a “land bank” is one key step in any comprehensive urban land reform initiative. Such legislation was introduced in the previous session of the legislature. While there may be some changes needed to the previously introduced legislation, a land bank is an important component of Genesee County’s vision for revitalization of our urban center.

Another policy initiative receiving serious state government attention involves the “smart growth” concept, a popular phrase in current land use lexicon. A commitment to including urban land reform issues as a central subject of the “smart growth” discussion is essential to the development of meaningful policy.

To fully realize the goal of preserving farmland, open green space, and undeveloped land for future generations, we must unlock the unrealized value that urban land presents.

Such reform will benefit cities, suburbs, and rural communities as well. As we struggle to address two serious challenges – maintaining our precious natural resources and preserving and revitalizing our urban centers, we must create public policy which ensures urban land is not overlooked. Such an approach will allow us to support our cities and at the same time preserve the precious resources that have made Michigan such a beautiful place to live.

In Flint, we have made tremendous progress in just a few years by re-engineering the tax foreclosure system. The overriding philosophy of our initiative is that the land itself has value that is far more important than the liquidated value of the property sold at a distressed sale.

If there is not a similar approach to the disposition of mortgage-foreclosed properties, all the good work being done around the state of Michigan in reforming the tax foreclosure system will be overwhelmed with speculative purchasers mismanaging the real estate within our communities and driving down home prices – robbing responsible homeowners of their hard-earned equity.

The remainder of my written testimony is a description of the work of the Genesee County Land Bank. I submit this report to provide additional background on our work and its potential application in restoring the urban landscape, and in particular to explain how a locally controlled land bank authority may be a viable mechanism for disposition of mortgage-foreclosed properties.

Thank you for the opportunity to provide my thoughts to you and the committee as you deliberate this important and growing issue facing the nation.