



Tackling Abandoned Properties in Indianapolis

by Andy Fraizer

Director, Community Development
Mayor's Office, City of Indianapolis

Mayor Bart Peterson (February 2003)



“Abandoned houses are both a symptom and a cause of neighborhood decline, and declining neighborhoods attract criminals.”

“They damage property values, harm a neighborhood's self-esteem, and stand as monuments to predatory lending. They...leer suggestively to our children, beckoning them to play hide and seek on rotted floorboards. Abandoned houses are a haven for criminals and destructive drug and prostitution activity.”

“I am declaring war on abandoned houses.”

“War on Abandoned Houses”

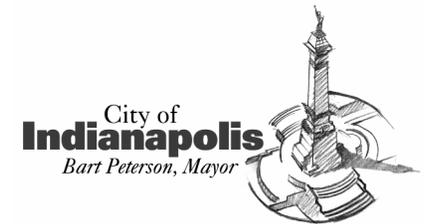


Success



Opportunity

War on Abandoned Houses



Definitions

- Abandoned Houses – A chronically vacant and uninhabitable unit whose owner is taking no active steps to bring it back into the housing market.
- Tax Sale - An auction of parcels of property that have delinquent taxes or other municipal liens.
- Unsafe Building Program – Indiana state law authorizes cities to take actions to address and correct unsafe building conditions. The Unsafe Building Program is the primary tool used by the City of Indianapolis to address the problem of abandoned buildings.
- Land bank - Public authorities that can efficiently acquire, hold, manage and develop tax-foreclosed properties with the long-term interest of the community in mind.

Short-Term Goals



- More aggressive use of expedited tax sale.
- Create a “Top 10” list of problem property owners based on the number of outstanding violations, number of abandoned sites owned by one person or entity and money owed on taxes and/or fines.
- Coordination with law enforcement
- Inventory all abandoned homes and make details about location and condition available to potential buyers.

Abandoned Housing Inventory (Summer 2003)



Partnership between City of Indianapolis and Ball State College
of Architecture and Planning: Indianapolis Center

Team of six graduate students walked city neighborhoods,
mapping vacant/abandoned houses

Inventory Results



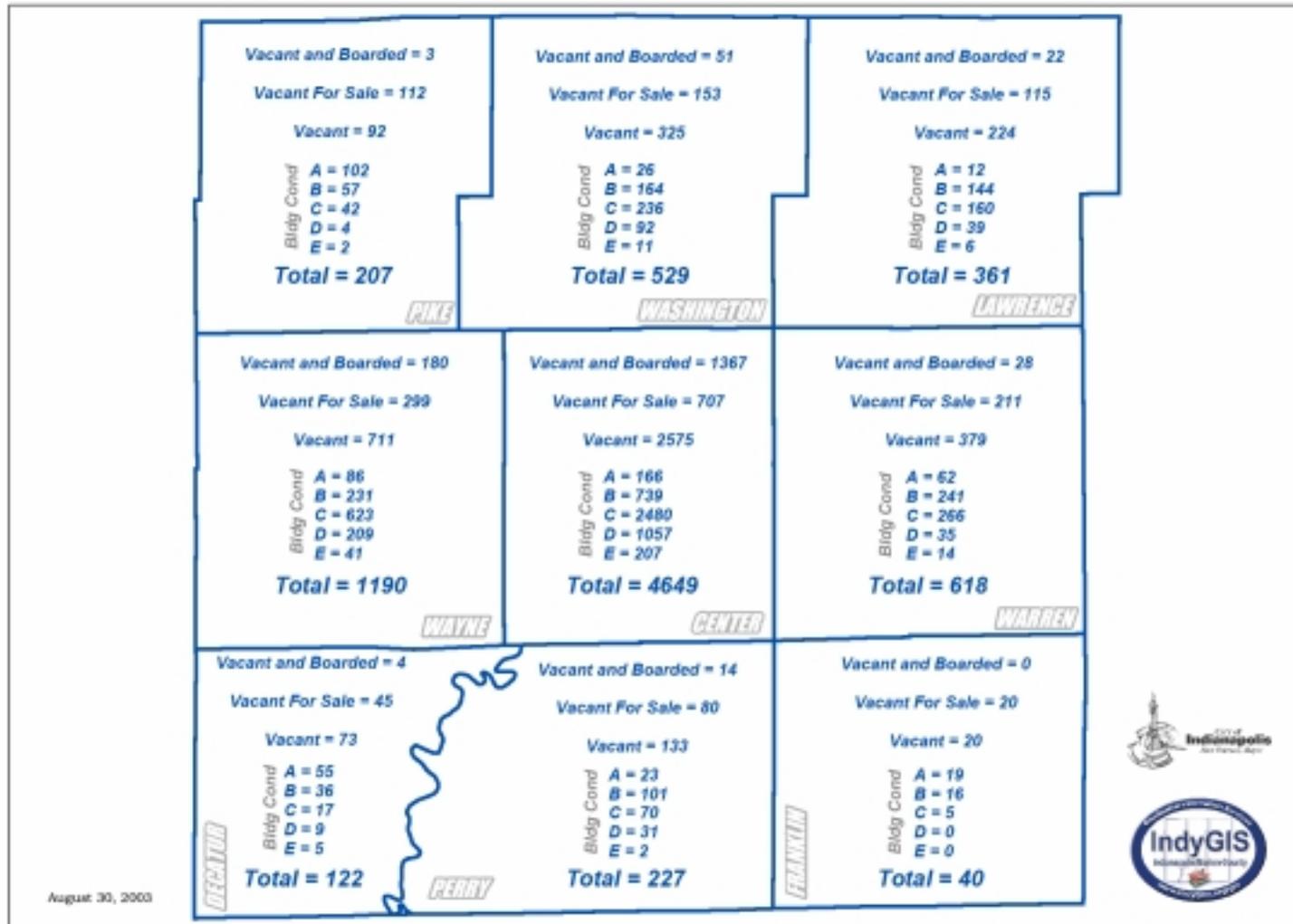
- Survey indicated 7,913 vacant residential units (1 out of every 30 houses in the city)
- 85% of vacant units concentrated within the old city limits (downtown and inner-ring suburbs)
- Approximately 58% of these vacant houses are located in Center Township
- More information and inventory available
<http://www.indygov.org/eGov/City/DMD/Abandoned/Overview/home.htm>

Inventory Results



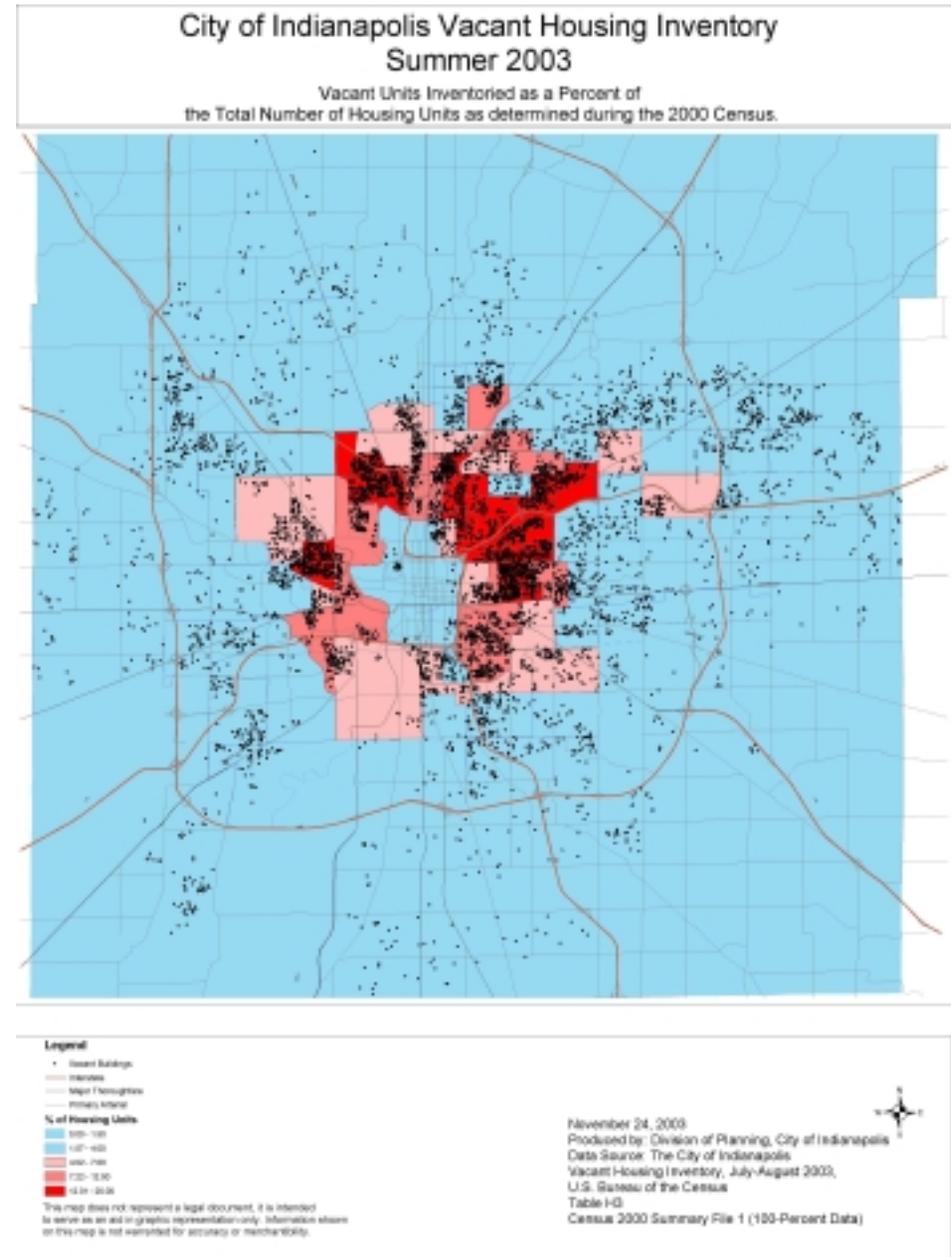
Vacant Housing Survey

Vacancy by Township



Inventory Results

Vacant Units Inventoried as a Percentage of Total Housing Units



Long-Term Goals



- Identify under-utilized effective tools; recommend additional tools to revitalized abandoned houses.
- Conduct a study of obstacles to redevelopment.
- Find long-term funding sources, possibly to provide incentives for businesses and individuals to renovate empty homes.

Abandoned Houses Work Group

City of
Indianapolis
Bart Peterson, Mayor



- Appointed by Mayor Peterson in December 2003
- The workgroup—representing diverse community stakeholders—was asked to assist the City in identifying long term strategies to reclaim and rehabilitate abandoned properties.

Work Group Report One (September 2004)



Reclaiming Abandoned Property in Indianapolis

Objectives

- Highlight existing, effective legal tools to deal with abandoned properties—those that are applied, those that aren't but should be
- Recommend additional tools and mechanisms that have proven useful in other communities

Work Group Report Two (January 2005)



Revitalizing Indianapolis Neighborhoods: A Framework for Linking Abandoned Houses and Redevelopment Initiatives

Objective

- Develop a strategy to apply in Indianapolis' neighborhoods to comprehensively change conditions related to abandoned and deteriorating property.

National Vacant Properties Campaign (Summer 2005)



- In June 2005, Indianapolis was one of eight cities nationwide to receive a technical assistance grant from the National Vacant Properties Campaign to explore the revitalization of vacant and abandoned properties.
- National experts reviewed state laws, local ordinances, research of the Mayor's Work Group, and best practices nationwide, making recommendations that served as the basis for proposed legislation in the 2006 Indiana General Assembly.

Recommendations



Statutory changes

Unsafe Building Law (I.C. 36-7-9)

Property Tax Collection and Enforcement (I.C. 6-1.1-22 through 25)

Redevelopment Law (I.C. 36-7-15.1 and I.C. 36-7-14)

Two general strategies

- Increase the carrying costs of vacant, abandoned, and boarded properties in a way that respects investment and speculation but that also encourages actions to improve the conditions of properties.
- Expand the list of tax sale properties over which cities, towns or counties have the authority to hold, manage, maintain, use, convey, and dispose.

Preparation of Legislation



- Using the National Vacant Properties Campaign study as a starting point, the City of Indianapolis, LISC and Indianapolis Neighborhood Housing Partnership hired counsel to draft statutory changes and advocate for legislation.
- These local experts—with substantial knowledge regarding code enforcement, property tax procedures, and redevelopment law—drafted statutory improvements to the Unsafe Building Law, tax sale process, and a provision creating land bank authority for local governments.

Goals for Legislative Changes



The proposed changes to state law sought to accomplish three things, with statewide application:

- Add teeth to a city's ability to go after negligent property owners and prevent these bad actors from acquiring even more property.
- Shorten the length of time that sites languish in abandonment before they can be put back into positive reuse through the tax sale process.
- Provide cities, towns and counties with more options for land banking and disposal of troubled properties.

Proposed Legislation



Statutory Recommendations: Unsafe Building Law

Restructure the means by which notice of Unsafe Building Law enforcement actions is given.

To provide what is known as *Mennonite*-quality notice (based on a U.S. Supreme Court case involving an Indiana statute), the following changes were recommended: (1) provide notice to mortgagees; and (2) improve the means of serving notice.

Allow a hearing authority under the Unsafe Building Law to impose additional civil penalties under certain circumstances.

Property owners who do not attempt to move forward with their properties would be subject to civil penalties imposed by the administrative hearing authority. This change clearly allows for the imposition of additional civil penalties — up to \$5,000 (each instance) — in situations where property owner simply let their properties deteriorate in a state of vacancy and abandonment.

Proposed Legislation



Statutory Recommendations: Unsafe Building Law

Increase the amount of civil penalty that the court may impose for Unsafe Building Law violations.

A hearing authority may impose a civil penalty of up to \$5,000 for “willful failure to comply,” but a court was limited to \$1,000. This change gives a court the same authority.

Allow a court to require a performance bond if the property owner requests additional time to comply with an order under the Unsafe Building Law.

A hearing authority may require a performance bond as a condition for allowing additional time to bring a property into compliance. This change gives a court the same ability to require a performance bond.

Proposed Legislation



Statutory Recommendations: Unsafe Building Law

Allow civil penalties to be collected under the special assessment procedures.

Certain costs, specified by law, are considered special assessments. Special assessments become municipal liens – like property taxes – with priority over mortgages. Civil penalties imposed by an administrative hearing officer or by a court become special assessments and are incorporated into the minimum bid at which a property may be sold in a tax sale.

Proposed Legislation



Statutory Recommendations: Tax Sale

Exclude Unsafe Building Law violators as potential bidders at tax auctions.

Persons who have an affirmed order relating to Unsafe Building Law violations, defendants in court actions brought under the Unsafe Building Law, and agents, stakeholders, and partners, would be barred from participation.

This accomplishes two major objectives: (1) it prevents property from coming into the hands of persons who have a history of code violation and tax delinquency; and (2) it provides a salient incentive for persons currently in violation of the Unsafe Building Law to resolve code violations.

Proposed Legislation



Statutory Recommendations: Tax Sale

An ineligible bidder is subject to forfeiture, based on the determination of a county treasurer and within six months of the sale.

All tax sale bidders will have to sign a statement with the county treasurer (tax sale administrator) affirming, under penalties of perjury, that they do not owe delinquent taxes, special assessments, penalties, interest, costs attributable to a prior sale, amounts owed from a final adjudication in favor of an Indiana local government, civil penalties imposed for violation of a building code or ordinance in Marion County, any civil penalties imposed by a health department in Marion County, or affirmed violations on a property.

If, within six (6) months of the auction of a property, a bidder is determined to be ineligible because of Unsafe Building Law violations and/or tax delinquencies, that bidder would forfeit their tax sale bid to the treasurer.

Proposed Legislation



Statutory Recommendations: Tax Sale

Certify for the tax sale of real property for which any property taxes or special assessments are delinquent as of the prior year's fall installment.

This change would shorten the aggregate length of the delinquent tax enforcement process by six months to one year.

Include all counties and municipalities in the expedited tax sale. And, broaden the scope of properties that can be certified to the expedited tax sale.

Instead of the one year redemption period that is allowed for all other properties on the tax sale list, properties on the "expedited tax sale list" have a four-month redemption period.

With this change, all counties and municipalities – not just Marion County – will have the ability to designate certain tax sale properties as candidates for the expedited tax sale. And, the expedited tax sale list may include vacant lots, commercial or industrial properties.

Proposed Legislation



Statutory Recommendations: Tax Sale

Repeal the provision authorizing a second tax sale.

This change would result in only one tax sale per year to auction delinquent properties. Any properties not sold in the first and only auction could be acquired by the relevant county executive.

Provide that property not sold at the single tax sale shall be transferred to the county executive.

This change would allow county executives the ability to acquire all properties for which there is no minimum bid by a third party that is equal to or more than the required minimum bid.

Proposed Legislation



Statutory Recommendations: Land Bank

Clarifies county executives' ability to hold and dispose of property.

This change allows county executives to hold property acquired through the tax sale process for later development and to choose multiple avenues of property disposition – including (but not limited to) sale of certain properties to abutting land owners, facilitated sales to other purchasers, and donation of properties. This change does not expand powers of eminent domain.

Give redevelopment commissions additional authority concerning the disposition of tax sale properties.

This change to the redevelopment law provides enhanced authority to redevelopment commissions statewide. It does not expand the authority to acquire property, nor does it increase powers of eminent domain. Rather, it gives redevelopment commissions more flexibility in the disposition of property it owns or will acquire.

Proposed Legislation



Statutory Recommendations: Land Bank

Recapture some of the costs of maintaining property in a land bank, and provide that recaptured costs are deposited in an unsafe building fund, redevelopment fund, housing trust fund, or county general fund.

Property that ends up in a land bank often has little or no value at the time it is acquired. They are often difficult to redevelop in the short term; and there are costs associated with holding these properties – mowing, boarding, maintenance. This change will distribute property taxes collected on such properties to a dedicated fund for the first year post-conveyance.

2006 General Assembly



SB 341

Bipartisan Leadership

Passed the Indiana Senate, 50-0

Referred to House

2006 General Assembly



SB 341

Died in House Committee, no vote taken

Neighborhood Outcry

Resurrected in Conference Committee, HB 1102

Passed Indiana House, 72-25

Passed Indiana Senate, 50-0

“Public Law 169”

Abandoned Housing Technical Manual (*September 2006*)



- **Most recommend legislative changes were enacted and took effect January 2007**
- **Specifics outlined in an abandoned housing technical manual**

*Abandoned Property in Indiana:
Legal, Practical, and Policy Effects
of 2006 Statutory Amendments:
A Guide for Policy Makers and Practitioners*

Implementation: Blight Penalty

Holding Property Owners Accountable



- The hearing authority for the City of Indianapolis began assessing blight penalties on so-called “dead end” files.
- These represent the worst-of-the-worst cases, where enforcement has been difficult — or has ceased altogether — for any number of reasons.
- There are more than 200 such cases, which will followed through the blight penalty phase, through the special assessment procedure, and into the 2007 tax sale.

Implementation: Land Bank

Gaining Control of Properties



- Property whose title is acquired through tax foreclosure, eminent domain, purchase or donation is “deposited” into the land bank— the property is cleared of all municipal liens, the title is cleared, and then it can be made available for redevelopment.
- A community land bank allows for more control of the ultimate use of properties in that bank and can deliver property to reputable owners who have the capacity and intention to renovate the property.
- The City of Indianapolis is beginning to building a land bank consistent with the new law.

Implementation: Tax Sale

Gaining Control of Properties



- Using the administrative hearing process, blight penalties and special assessments, these properties will be brought through the system over the coming months and tracked with all eyes on the tax sale.

Implementation: Neighborhoods

Fostering Redevelopment



- The City of Indianapolis is targeting specific neighborhoods and specific properties.
- Targeted neighborhoods are a partnership of local intermediaries, community development corporations, other neighborhood organizations, and private developers, and the City of Indianapolis. Efforts are directly connecting the local sustainable communities effort—Great Indy Neighborhoods Initiatives—to abandoned housing redevelopment strategies consistent with findings of Work Group Report Two.
- Hired a Nuisance Abatement Coordinator who is working with neighborhoods expressing interest to target code enforcement and use of special assessments on targeted properties.

Implementation: Funding

Fostering Redevelopment



- Secured a minimum of \$1.3 million for local housing trust fund in 2006.
- Secured passage of legislation in 2007 General Assembly for significant one time investments and an additional local option for an increased document recording fee split 60-40 between local and the state housing trust funds.
- In targeted neighborhoods using housing tax increment financing to invest in housing redevelopment.

More Information



- **All referenced reports are available online |**
<http://www.indygov.org/eGov/City/DMD/Abandoned/home.htm>
- **Contact Information**
Andy Fraizer
afraizer@indygov.org
317-327-4336