In October 2008, with the US financial system on the verge of collapse, then-President Bush signed the Emergency Economic Stabilization Act. Since then, a debate has lingered over how to use a portion of those funds. This summer, the Treasury Department weighed in, at least for two states. Here is the story: To many Americans, the Act was synonymous with “bailout.” Among other measures, it established the Troubled Asset Relief Program. TARP, as it became known, gave the Treasury authority to purchase up to $700 billion in troubled financial instruments, including residential and commercial mortgages as well as securities and debt obligations. The program was intended to steady the wobbling banking system.

TARP itself contains many components. In 2010, President Obama created the Hardest Hit Fund (HHF) as a set-aside for states to use for their foreclosure prevention efforts. Eighteen states and the District of Columbia split $7.6 billion, based on a formula determined by declines in their housing values and by their unemployment levels. As part of the program, Ohio received $570.4 million. As of September 2013, $270 million of that remains unused. Cue the debate.

With the thousands of vacant homes left by the financial crisis, the debate between demolition and rehabilitation has been active. Funds left in the Hardest Hit Fund (a part of the Troubled Asset Relief Program, or TARP) are a big source of the discussion.

Demolition or rehabilitation?
Ohio has more than 100,000 vacant houses. The financial crisis left many homeowners with properties they could no longer afford to maintain, leaving them to fall prey to vandals and the damages of time. In many cases, those consequences spread to the broader neighborhood: Fewer people moved in, property values declined, and the blight discouraged existing homeowners from making further investments in their own properties, not knowing when or even if the neighborhood would rebound.

Approaches to dealing with the issue of neighborhood blight generally fall between two camps—rehabilitation and demolition. Few would argue for an either-or approach; some homes can be returned to their former worth, while other structures are no longer salvageable. Arguments for rehabilitation often focus on the historic value of some buildings and the potential negative impact on neighborhoods with two, three, or perhaps more, empty lots on a block.

With the thousands of homes left vacant by the financial crisis, the debate between demolition and rehabilitation has been active, and with it, the debate over what to do with those remaining HHF dollars has re-emerged.
Those more open to the use of demolition say that the demand for homes in blighted areas is low and that empty lots offer opportunities for new construction, urban gardening, or other uses. They also believe it will cut down on crime since vandals have less opportunity to strip houses of pipes and other valuables. Research by the Federal Reserve Bank of Cleveland supports the use of demolition as a neighborhood stabilization tool, in certain cases. The Bank’s studies found that property values in many older, industrial communities are primarily determined by the land underneath the structures. In such instances, the best policy to stabilize neighborhoods may be demolition, since it’s not the house itself that has value.

**Growing support for demolition**

Congress established the HHF specifically to help struggling homeowners. At the time, the record number of foreclosures threatened to worsen the economy and potentially drive the country into a depression. Helping homeowners with loan modifications or other assistance allowed residents to stay in their homes and prevented the impact of abandoned housing on neighborhoods. That’s why the proposal to use the HHF to pay for demolition had an added level of complexity beyond the underlying debate between rehabilitation versus demolition.

Ohio’s congressional delegation has largely supported using HHF dollars for demolition of blighted properties. Well over half of the delegation is on record as in favor of reallocating at least a portion of Ohio’s HHF resources to demolition. Two bills were introduced, one in the House and one in the Senate, that directed the Treasury to include demolition costs among the approved activities under HHF. Other bills sought to raise demolition funds through bonds. Members of the Ohio General Assembly also weighed in to support expanding the uses of the HHF.

Some housing advocates questioned using HHF dollars for demolition. Why, they asked, would officials divert funding from a program that helped thousands of Ohioans resolve their financing problems? Opponents also pointed out that separate funds exist for demolition in the Ohio Attorney General’s $75 million demolition fund. But with assurances that only part of the remaining money will be used for demolition and the rest will still help homeowners facing foreclosure, they have dropped their opposition.

So where do we stand? After approving a similar request from Michigan, the Treasury approved Ohio’s proposal to use $60 million of its HHF allotment to raze blighted houses in August 2013. The Ohio Housing Finance Authority says the money will go to as many 16 counties across the state. Questions remain about how workable the program will be in some regions due to TARP program constraints, but it’s certainly possible that Congress will ultimately lift restrictions on TARP so the funds can more easily be used for demolition.

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**Read more**


For more on Ohio’s foreclosure prevention efforts, visit the Ohio Housing Finance Agency’s Save the Dream Ohio site at [www.ohiohome.org/savethedream/default.aspx](http://www.ohiohome.org/savethedream/default.aspx)