MORTGAGE FORECLOSURE CRISIS ADDS TO PROBLEM PROPERTY INVENTORIES, COSTS IN CITIES ACROSS U.S.

“From This Survey, a Clear Picture Emerges: Much More NSP Funding is Needed”

For another year, the nation’s mortgage foreclosure crisis continued to complicate U.S. cities’ efforts to manage and dispose of growing inventories of vacant and abandoned properties, according to the most recent survey of mayors conducted by The U.S. Conference of Mayors and released today during the organization’s annual meeting in Oklahoma City. Today’s report is the fourth in the Conference’s series on cities’ efforts to combat problems of vacant and abandoned property.

This year’s survey found that, over the past year, more than three in four of the survey cities have seen an increase in the number of vacant and abandoned residential properties as a result of the mortgage foreclosure crisis. Across these cities – 77 were included in this year’s survey – the increase averaged 33 percent, with two of the cities reporting 200 percent increases and two others reporting increases over 100 percent. There are an estimated 146,057 vacant and abandoned residential properties in the cities able to provide an estimate, with residential inventories of 1,000 or more being reported by just over one-third.

Adding to the problem, 63 percent of the survey cities report an increase in vacant and abandoned commercial properties during the past year as a result of the mortgage foreclosure and related credit crises. There are an estimated 15,413 vacant and abandoned commercial properties in the cities able to provide an estimate. Nine of the cities reported having inventories of 500 or more; included in this group are five cities with inventories of 1,000 or more.

Nearly half of the mayors responding to the survey declared the current mortgage foreclosure problem in their city to be serious or very serious – the rating was very serious for 26 percent and serious for 23 percent. Another 38 percent said their problem was moderately serious. Forty percent of the mayors said their vacant and abandoned property problems had been exacerbated significantly by the continuing economic
downturn. Only 5 percent felt the current economic climate was not exacerbating their problems to any extent.

Despite revenue losses experienced during the economic slowdown, 36 percent of the cities have allocated additional city funds to their efforts, and 56 percent say they need to allocate even more funds from any source available.

In his foreword to the survey report, the Conference’s CEO and Executive Director, Tom Cochran, says the growing numbers of problem properties "represent increased demands for services to maintain them physically, to secure them, to rehabilitate them as needed, to get them into the hands of new owners, or to dispose of them in other ways. And again this year, Cochran explains, "cities are forced to meet these demands in an environment in which a national economic downturn has translated into a dramatic drop in local revenues."

Seventy-one percent of the survey cities received funding in the first round of the federal Neighborhood Stabilization Program, which was established in the Housing and Economic Recovery Act of 2008 to help state and local governments cope with foreclosed properties. All report using their funds to acquire vacant and abandoned properties; 92 percent are rehabilitating structures on properties; 68 percent are demolishing structures on properties; and 66 percent are assisting low- and moderate-income homebuyers with down payments and closing costs.

A much smaller group of survey cities (23 percent) received funding through the competitive second round of the program (NSP2), which was funded in the American Recovery and Reinvestment Act of 2009. All of these cities are applying these funds to acquiring vacant and abandoned properties, and most (87.5 percent) are using them to rehabilitate structures on properties. Well over half of the cities are also using the funds to assist low-and moderate-income homebuyers with down payments and closing costs.

“This survey illustrates the wide variety of ways in which mayors have applied the NSP funds to their property problems,” says Cochran, “and describes how additional funds could be put to good use, alleviating a wide range of property problems, if they were made available to our cities. From this survey, a clear picture emerges: Much more NSP funding is needed.”

Again this year, the survey mayors’ outlook is pessimistic: All but a few (92 percent) are expecting mortgage foreclosure problems in their cities to increase or stay the same in the year ahead. Of these, well over half expect the problems to increase.