

POLICY BRIEF: DETROIT BLIGHT ELIMINATION PROGRAM NEIGHBORHOOD IMPACT

The scale of blight in Detroit is massive. **The 2014 Detroit Blight Removal Task Force report identified 40,077 blighted structures**, and an additional 38,429 structures with strong indicators that they would become blighted in the future. **78,000 structures - 29% of all structures in the city - are in need of intervention** in order to restore neighborhoods, attract investment, and stabilize decades of decline.



In 2010, the US Treasury's Hardest Hit Fund Program (HHF) made \$7.6B available for foreclosure prevention in 18 states. As a result of research indicating that targeted demolition helps preserve property values and prevent foreclosures, Michigan was allowed to reprogram a portion of its HHF allocation for blight elimination. To date, Michigan has programed \$175M for blight elimination, with \$107.3M going to the City of Detroit for demolition.

In early 2014, the Detroit Land Bank Authority began the implementation of the HHF Blight Elimination Program in targeted zones of low and moderate vacancy throughout

the city. As of July 2015, over 5,800 demolitions have occurred inside the HHF zones, with the program expected to complete over 7,000 demolitions before funds are fully expended.

The study *Estimating Home Equity Impact from Rapid, Targeted Residential Demolition in Detroit* was conducted as in-progress analysis of the impact the HHF Blight Elimination Program in Detroit.¹ **The research suggests that each demolition in the HHF zones increases the value of occupied single family homes within 500 feet by an estimated 4.2%.** The study also suggests the multi-faceted mix of reinvestment strategies including demolitions, public asset sales, rehabilitation programs, and code enforcement which occurred in the HHF Zones increased property values in the zones by up to 13.8%.²

Two methods were used to calculate a return on investment from the Hardest Hit Fund Program: the first method looked at the impact on single family home equity for each demolition occurring within 500 feet. The second looked holistically at the aggregated activity inside the selected HHF Zones. These zones, created as part of the blight elimination program, have focused additional investments such as rehabilitations, site lot sales, nuisance abatement activities and additional policies, activities, and private investments.

Estimations on the home equity impact based on the results of the Detroit Blight Elimination Impact Study:

METHOD 1		Close Proximity Impact	Aggregated Impact	METHOD 2	
		Impact of demolitions on occupied homes within 500ft	Impact of aggregated investments in the HHF Zones		
Average sale price		\$26,336	\$26,336	Average sale price	
Estimated impact of each demo		X 4.2%	13.8% X	Estimated impact of HHF program and other investments	
Home equity impact		\$1,106	\$3,634	Per home equity impact of HHF program and other investments	
Demolition impacts of occupied home (within 500 ft)		X 189,289*	112,763 X	Occupied single family homes in HHF zones	
Estimate of total home equity impact of HHF demolitions		\$209,371,651	\$409,816,007	Total, current home equity impact of HHF program	
Total estimated cost of HHF (as of March 2015)		÷ \$49,051,210	\$49,051,210 ÷	Total estimated cost of HHF (as of March 2015)	
Increased home equity per HHF demolition dollar		\$4.27	\$8.35	Increased home equity per HHF demolition dollar	

¹ The study covered investigated the economic impact of the Blight Elimination Program from 1 April 2014 through 31 March 2015. In the investigation period, 3,302 HHF funded demolitions occurred.

² The study and its results are described further on pages 4+5

* The demolition impact total reflects the aggregate number of positive impacts caused by demolitions in the HHF zones. Each demolition positive impact on the approximately 70 single family homes within 500 feet.

THE HARDEST HIT FUND

In February of 2010 the Hardest Hit Fund Program (HHF) was created to use \$7.6B of Troubled Asset Relief Program (TARP) funds to provide aid to 18 states and the District of Columbia, those “hardest hit” by the housing market downturn. Originally the program was designed to reduce mortgage foreclosures. However, officials in some HHF states became concerned with another urgent problem: thousands of abandoned properties destabilizing neighborhoods, depressing real estate values, and creating conditions where foreclosures flourish.

Referencing an emerging body of research which indicated that removing blighted structures can have significant stabilizing effects on home values and can reduce foreclosures, Treasury Department officials approved a request by the Michigan State Housing Development Authority (MSHDA) to use an initial tranche \$100M of their HHF program for demolition.^{3,4} To date, six states have been approved to utilize portions of their HHF funding for locally tailored solutions to blight elimination.

Impacts of Blight Removal:

1

COMMUNITY SAFETY

Blighted structures are more than a visual blemish, they present an immediate and serious threat to resident safety.

2

STABILIZE HOME VALUES

Blighted properties have a significant negative effect on property values. Removing them can help reverse that damage.

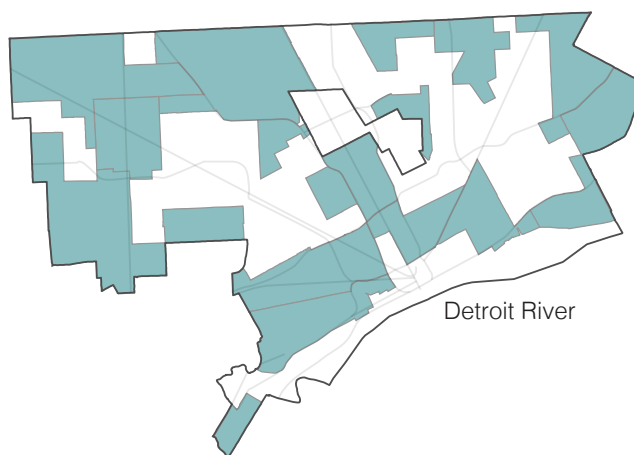
3

REDUCE FORECLOSURES

Demolition investments in communities have been shown to reduce foreclosure rates.

Targeting HHF funds in Detroit: MSHDA required each city that was allocated HHF demolition dollars to submit a demolition strategy showing how their demolitions would reduce foreclosures and strengthen their communities. Utilizing the Detroit Future City Strategic Framework, the City of Detroit identified geographic zones where the utilization of funds would have the largest positive impact: stabilizing neighborhoods with a focus on low and moderate vacancy areas. Highlighted on the map to the right, the HHF zones have been the focus of a multi-faceted mix of reinvestment strategies including demolitions, public land sales, rehabilitation programs, and nuisance abatement.

Detroit's Hardest Hit Fund Zones



³ The report *Estimating the Effect of Demolishing Distressed Structures in Cleveland, OH, 2009-2013* explores the impact of blight elimination on housing values and foreclosure rates in Cleveland, Ohio.

⁴ As of August 2015, \$175M of Michigan's HHF funds have been committed to the Blight Elimination Program.

BLIGHT ELIMINATION PROGRESS IN DETROIT

Detroit Mayor Michael Duggan's administration, which took office in 2014, has made tremendous strides in its blight elimination campaign. Demolition, home auctions, side lot sales, and aggressive nuisance abatement programs have been redesigned resulting in higher output, efficiency, and accountability.



Completed Building Detroit Auctions

The Detroit Land Bank Authority (DLBA) has tens of thousands of residential structures in its inventory. Many of these homes are structurally sound and located in strong Detroit neighborhoods. Each day, 3 properties are showcased and auctioned to the highest bidder. The winner must bring the home up to code within six months of closing, or the property may revert to the DLBA.



Nuisance Abatement Program Case Filed

Vacant, blighted structures owned by speculators have long plagued Detroit. The nuisance abatement program forces blighted property owners to fix their property within 6 months, or have it seized by the city.



Side Lot Sales to Adjacent Residents

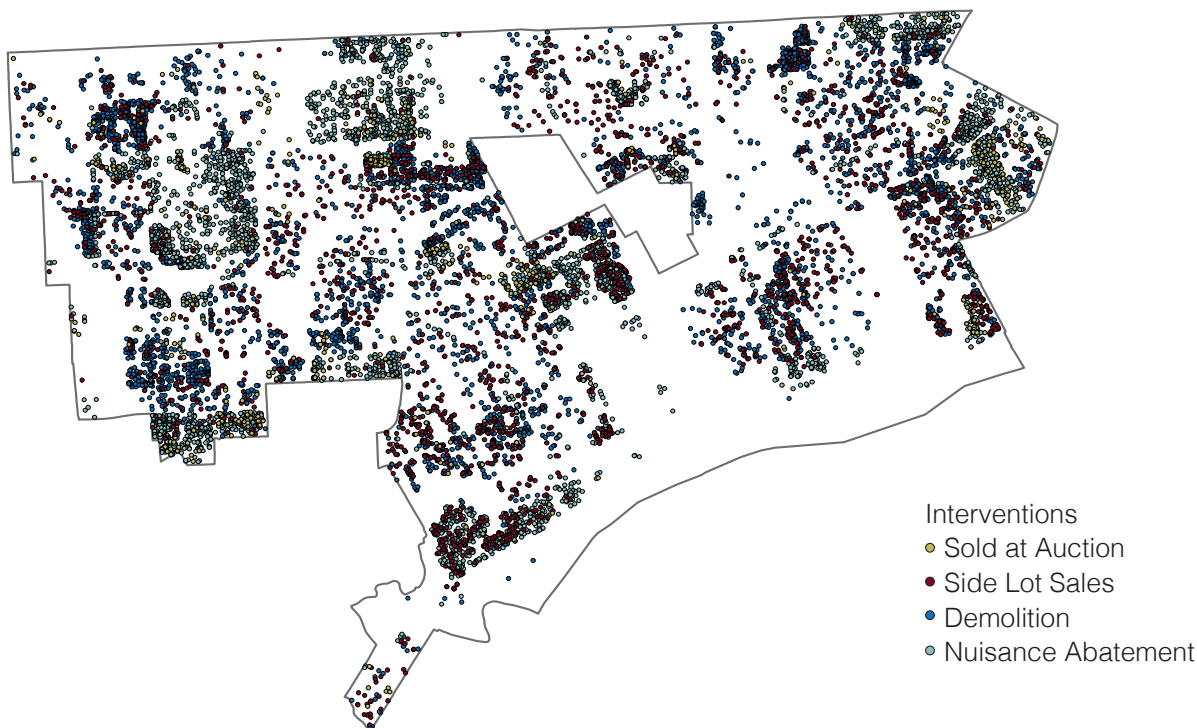
The City of Detroit owns thousands of vacant side lots next to occupied residential homes. A new program has been implemented to allow residents to more easily purchase the side lot next to their homes. The program allows homeowners to take stewardship over vacant land and put it back into productive use.



Demolitions from January 2014

Tens-of-thousands of abandoned properties in Detroit are beyond repair. Thousands of these structures have been removed using an environmentally conscious approach that has won praise from the US Environmental Protection Agency.

Demolition Interventions: January 2014 - July 2015

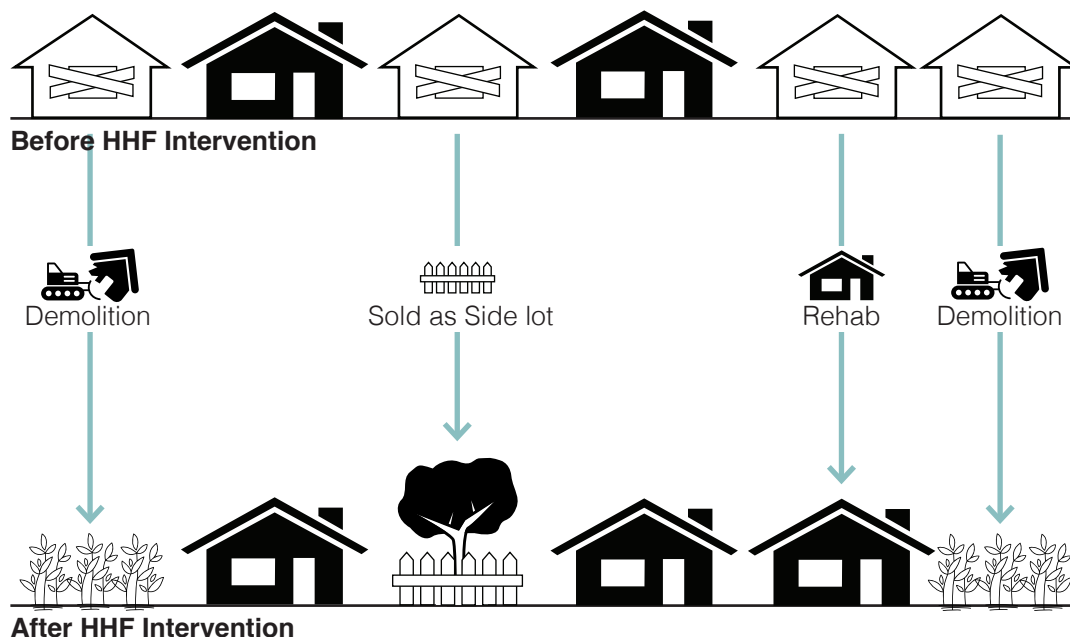


TRACKING THE EFFICACY OF THE HARDEST HIT FUNDS

The City of Detroit under Mayor Duggan has made considerable leaps in terms of blight elimination volume. Quantifying the economic impact of these investments has been a challenge.

Two open data initiatives in Detroit now provide rich time series information which can be used to perform analysis. The Motor City Mapping project, which provides information at the parcel level for each of Detroit's nearly 400,000 properties, allows researchers to understand the physical landscape of the city and how it has changed over time. The City of Detroit's GO DATA web portal provides access to a number of administrative datasets to understand where investments are being made in Detroit.

Researchers and founding partners of Dynamo Metrics Nigel Griswold and Benjamin Calnin, whose previous work was critical in enumerating the community stabilizing impact of demolitions, performed an analysis of the HHF program to understand the impact these funds have had on Detroit's neighborhoods. Their analysis, titled *Estimating Home Equity Impact from Rapid, Targeted Residential Demolition in Detroit*⁵, focuses on the change in the number of blighted structures around individual properties and the impact of reducing or eliminating blighted homes have on the sales price of surrounding homes.



How this works: Intuitively and through academic research, we understand that blighted properties have a depressing effect on real estate values. The removal of blight improves the neighborhood's physical condition and thus increases property values.

Understand the methodology: Using the rich condition and sales data available in Detroit, the report's authors analyzed the home sales patterns based on the physical conditions within 500 feet of the home. This analysis was performed for home sale in the city on a quarterly

basis, starting in April 1, 2013 and continuing through March 31, 2015. This period and scale allowed the researchers to compare how the change in surrounding conditions, such as the removal of blighted properties, impacted single family home prices before and after the implementation of the HHF Blight Removal program. As the Blight Removal program was geographically focused, it also allowed the researchers to compare the impact of demolitions inside and outside of the HHF zones.

KEY RESULTS FROM THE STUDY

Only 18 months after the HHF Blight Elimination program's implementation, the initial results of concentrated, rapid demolition in low and moderate vacancy areas are very positive. That market effects can be seen at all, so soon after implementation is impressive, and the immediacy of the results speak to the negative impact blighted structures have on the communities they plague.

With thousands of demolitions planned using the remaining HHF funds, the total effect of the program has yet to be seen, but initial results point towards a positive outcome for Detroit's neighborhoods. Importantly, the study illustrates specific magnitudes of effect from the HHF program, clearly showcasing the rapid revitalization experienced in the Detroit's selected low and moderate vacancy areas as a result of rapid and strategic demolition.



Each demolition which occurred inside the HHF Zones from April 1, 2014 through March 31, 2015 increased the value of single family homes within 500 feet by an estimated 4.2%. 48,848 homes, 43.3% of all homes in the HHF zone were within 500 feet of a demolition. Further, as the program concentrated demolitions, the average home impacted by a demolition in the HHF Zones had approximately 4 demolitions within 500 feet.

As of March 2015, the total home equity impact on homes near HHF demolitions is estimated at \$209,371,651 from an investment of approximately \$49,051,210, suggesting an increase in home equity of \$4.27 per HHF dollar spent on demolition in the areas surrounding demolitions.

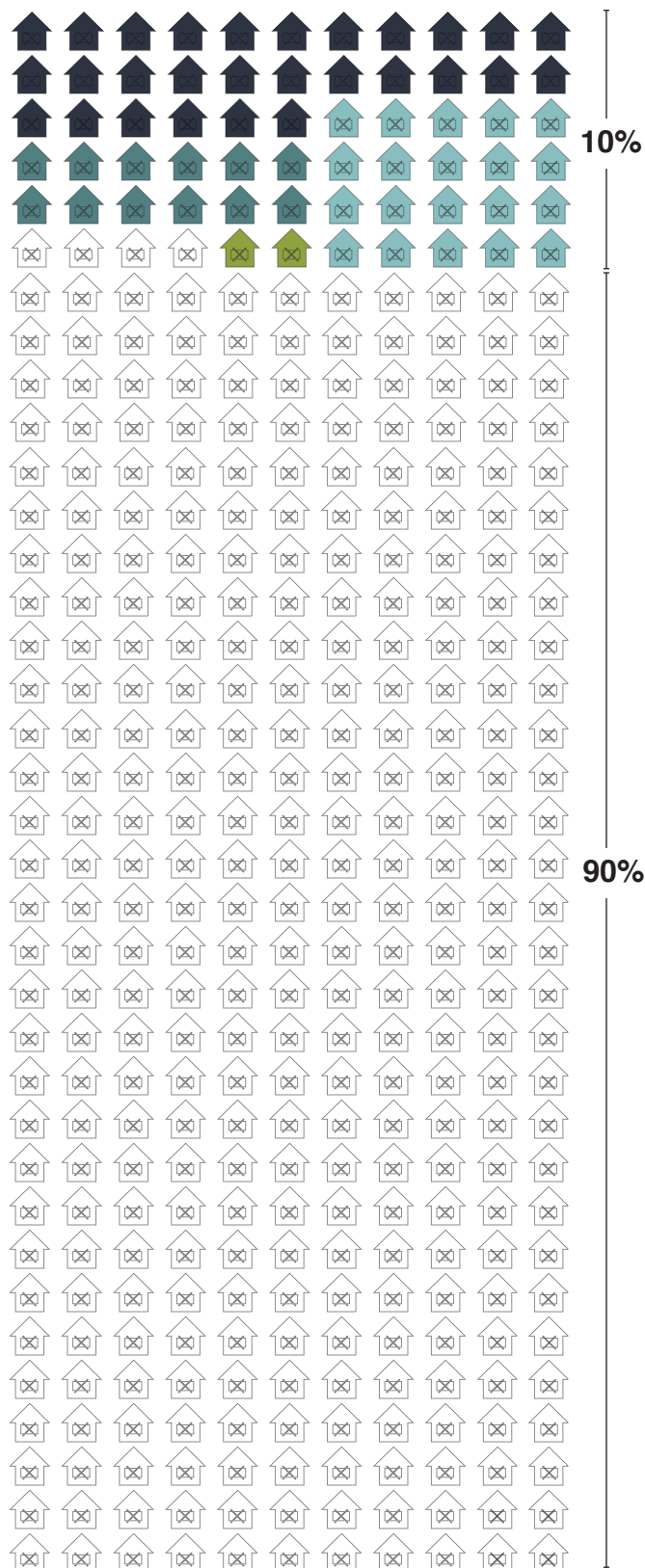


Results from the study suggest that the HHF program had a significant impact beyond the 500 foot buffer around each demolition. Single family housing values across the HHF Zones, even areas not directly adjacent to demolitions, saw values increase by up to 13.8% after the implementation of the program.

The total home equity impact on all occupied homes (112,763 properties) in the HHF zone is estimated at \$409,816,007. With an estimated \$49,051,210 being expended on demolition during from April 2013 to March 2015, the return per HHF demolition dollar over the HHF zones is estimated at \$8.35.

WHAT DETROIT'S DONE SO FAR

Scope Of Blight Based On Detroit Blight Removal Task Force:



370

Properties Auctioned for Rehab



3,865

Aggressive Code Enforcement



2,188

Side Lots Sold to Adjacent Residents



5,812

Total Demolitions

12,235

Total Interventions



= 200
Homes

Fueling the machine: Recent efforts have shown that Detroit's government is up to the task of rapid blight removal. With over 5,000 structures eliminated during the past 18 months, Detroit has demonstrated a capacity to remove blighted structures. The efficient and rapid allocation of the Hardest Hit Fund blight elimination program has proven that, when resourced appropriately, the Detroit Land Bank and Building Authorities can efficiently remove large numbers of blighted structures.

However, the work is not done. The Detroit Blight Removal Task Force identified over 80,000 properties in need of intervention. Over the past 18 months, a concentrated mix of reinvestment strategies has impacted 12,235 properties, covering just 15% of the total identified by the Task Force. And blight is not a static challenge, the cancer continues to grow and spread in areas where it is not being addressed.

The judicious use of the HHF blight elimination dollars has allowed the City of Detroit to build a massive, effective blight removal machine. However, the machine can only run if it is fueled. Soon, the Blight Elimination funds will be expended. Currently, there is no other source of funding available to maintain the massive momentum. Identifying new sources of blight removal funding will be critical to ensuring that Detroit's neighborhoods continue to revitalize.