

2017



**A BRIEF ON
HIGHEST AND
BEST USE OF
PROPERTIES
FOR LAND
BANKS**

The **INSTITUTE** for
Public Policy & Economic Development
at Wilkes University

A collaboration among Geisinger Commonwealth School of Medicine, Keystone College, King's College, Lackawanna College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, The Wright Center, University of Scranton & Wilkes University

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Introduction

Lackawanna and Luzerne County have a significant amount of blighted residential properties that are devaluing proximal residential property values and depriving both counties of critical tax dollars. One possible solution to this problem is to repurpose these vacant properties for their highest and best use through land banks or other mechanisms for redevelopment.

The Uniform Standards of Professional Appraisal Practice defines highest and best use as: “The reasonably probable and legal use of property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.”¹ Returning the blighted residential properties of Lackawanna and Luzerne County communities to their highest and best use could have many beneficial effects on the economies of both counties.

Frequently, redeveloping blighted and abandoned properties are framed in terms of bringing them into compliance with local building codes and/or returning the properties to the tax rolls. However, it is important that land banks and others engaged in community development understand that there are often cases in which the highest and best use differs from the most recent use of a property prior to it becoming blighted. In these cases, it is up to community development entities to make a sound decision on the course of action that maximizes benefit to the community while minimizing harm and managing associated risks.

This report exists as a guide to determining highest and best use in a community revitalization context. No two properties are alike, as are no two communities. Thus, it would be impossible to provide a tool that provided a reliable land use decision for each specific situation. Instead, this report will enumerate various uses that community development entities can consider as a menu of opportunities for a property, explain several considerations that should inform a successful redevelopment decision, and provide case studies to show these principles at work.

Competing Priorities for Redevelopment

Property blight has a tendency to negatively affect community well-being, but its problematic characteristics can be addressed. Communities within Lackawanna and Luzerne County looking to reduce the negative effects of property blight should certainly approach the issue thoughtfully. There are several mechanisms and ownership models by which properties can be redeveloped, including transfer to a land bank, acquisition by a community development corporation or other nonprofit organization, or acquisition by a municipal government or authority.

The following list includes possible outcomes for blighted properties being redeveloped.

- **Reuse as housing:** renovating an existing house or multifamily structure to ensure that it meets appropriate quality standards and all applicable codes with the goal of returning the property to its previous residential use. It can be offered as a rental or sale

property, either on a market priced or subsidized basis depending on the needs of the community and the mechanism of redevelopment.

- **New construction housing:** razing existing structures (for instance, if the property has been extensively damaged due to prolonged abandonment, fire, or natural disaster) in order to construct new single family or multifamily housing on the property
- **Mixed use,** or other private non-residential use: involves adaptively reusing existing structures or constructing new structures for non-residential uses, such as retail, office, light industrial, or a blend of different uses appropriate to the surrounding area.
- **Public park:** creation of a landscaped public space with amenities such as benches, picnic tables, playground equipment, etc. Can also take the form of a public plaza that is made up largely of paved surfaces as opposed to grass and might feature amenities such as seating walls and water features. A “pocket park” is a small park space in a medium or high density community, often no larger than a single residential lot.
- **Recreational facility:** creation of a purpose-built venue for one or more recreational or athletic activities such as basketball courts, tennis courts, public pool, skate park, etc.
- **Open Space/Green space:** differs from a public park in that spaces may have limited or no amenities for users of the space. The space may or may not be open to the public, and can sometimes consist of an open site with some simple landscaping. These spaces can have positive ecological benefits by providing permeable surface for storm water runoff. The Philadelphia LandCare program of the Pennsylvania Horticultural Society is one model for redeveloping vacant properties into urban green space.²
- **Community garden:** consists of a green space or park that centers on a community garden. In some instances, individuals are responsible for plots within the community garden, or the garden can be collectively run by a neighborhood group or school.
- **Other uses:** other possible reuses for property may include surface parking lots, transportation/infrastructure uses, and use of space by nonprofit organizations, government entities, schools, or other institutions.

Considerations for Making the Best Redevelopment Decision

Redeveloping and repurposing blighted properties, as indicated by the case studies, has many positive impacts. However, each property subject to redevelopment is unique and must be

addressed accordingly. In order to achieve the best possible outcomes, it is important to weigh several factors in determining the most appropriate use for a property. Oftentimes, this coincides with the highest and best use – the legal and feasible use of a property that has the most value. However, assessments of value are by nature subjective. The following considerations provide a framework to help guide redevelopers in making decisions that are most likely to result in the highest and best use of a property, thereby maximizing efficacy of redevelopment efforts. Ideally land banks should conduct market studies of each of the neighborhoods where the properties are located.

Existing Planning Documents

The first consideration is legal in nature. Any proposed use must be congruent with existing zoning ordinances and other applicable policies, such as the local Subdivision and Land Development Ordinance (SALDO), environmental regulations, historical regulations and building codes. The most appropriate use for a property must conform to these parameters.

Other planning documents, while not enforceable as law, should provide further guidance. If a municipal, county, or multi-municipal comprehensive plan is in effect, these should be consulted for guidance on the most appropriate use of land. These comprehensive plans often outline priority needs of a community, and uses that advanced goals within the comprehensive plan will often coincide with the highest and best use of the property. Other planning documents, such as neighborhood plans, economic development plans, housing studies, and other relevant plans and studies should also be reviewed to guide decision making.

Stakeholder Input

Blighted properties tend to have negative impacts on entire communities, therefore, almost everyone within the community is a stakeholder. By talking to neighbors, local elected officials, and planners and other municipal staff, redevelopers can better understand community needs. For large properties, properties located in high profile locations, or properties where large scale redevelopment is under consideration, a more formal method of stakeholder input such as a community meeting can be pursued.

As local stakeholders are often the ones who best understand the needs and issues facing their community, stakeholder input can help to identify the use that would provide the most benefit to the community.

Match Redevelopment with Existing Character of Neighborhood

Certainly, there are levels of appropriateness for redevelopment of blighted properties. It is important that the planned redevelopment of a blighted property matches the existing character of the neighborhood in terms of density, intensity, and use. At minimum, the redevelopment project should not detract from the character of the surrounding neighborhood.

Account for Real Estate Market Conditions

If community leaders are considering that the highest and best use of a blighted property is to redevelop it for residential use, then taking into account the condition of the local real estate market is advisable. Determining the condition of the local real estate market can be done by researching home values or residential vacancy within a community. Prices of new or renovated housing should be competitive with local market prices in order to prevent the properties from remaining unoccupied. If there are high rates of residential vacancy within a community, then perhaps the highest and best use of a residential property is not to redevelop it for residential use at all. In communities that have experienced population declines, high residential vacancy, and soft real estate markets, the most appropriate reuse for a property may instead be a non-residential use such as a park, open space, community garden, or another public or civic purpose.

When residential reuse of property is pursued, the type of residential development should match market demand. This means that price points, floorplans, sizes, and tenures (owner-occupied, renter-occupied, condominium, etc.) should be appropriate to market demand and the target market segment of the project. Insight on local real estate market conditions can also be accomplished by consulting local real estate brokers.

Special Considerations for Redeveloping Parks or Green Space

If it is determined that the most appropriate use for a property is a park or green space, stakeholder input is especially crucial, and by engaging the most important stakeholders--i.e., members of the community – community developers can gather the perspectives of the community in terms of their needs and wants. Any park or recreational facility should consider the preferences of local residents to avoid wasting resources on facilities that will be poorly patronized.

Further, remember that more amenities (such as seating, playground equipment, sports facilities, art, water features, etc.) does not necessarily mean a better park. More recreational facilities can draw more users to a space, which can generate traffic and noise and alter the character of the neighborhood. In a quiet residential neighborhood, a simple park with just a few well thought out amenities is likely more appropriate than a space that attempts to provide a large array of amenities. Finally, decision-makers should be sure to determine who is responsible for maintaining the new space, and to plan accordingly.

Recommendations

Before a decision is made on a property, land banks should consider conducting research to better understand the socio-economic factors of the neighborhood, the existing assets and gaps, and the relationship of the neighborhood to the surrounding community in an effort to make the most informed decision about the properties.

Case Studies

Philadelphia, PA

The City of Philadelphia has been identified as being a model for communities looking to address the issue of property blight due, in large part, to its \$2.9 million program called LandCare. LandCare is run through the Pennsylvania Horticultural Society, which hires contractors and neighborhood groups to care for and maintain blighted properties within the city. Crews remove garbage and debris from vacant lots, install turf grass and other simple landscaping, and install post and rail fencing.³

Improving blighted property in Philadelphia has resulted in numerous benefits, revealed in a study conducted by the University of Pennsylvania's Urban Health Lab. By installing functioning windows and doors in blighted houses, the city was able to reduce gun violence by 39 percent. Fixing up vacant lots had a similar effect—a five percent decrease—attributed, in part, to the installation of split rail fencing that has been both aesthetically pleasing to the community members and inviting to children wanting to play near their homes. Additionally, the study found that for every dollar that the City of Philadelphia invested in remediating vacant lots, taxpayers saved \$26 in reduced costs of gun violence.⁴

Philadelphia completed a citywide strategic plan for its land bank and also identified performance measures to evaluate their success. The plan is currently in the implementation phase.

Cincinnati, OH

Cincinnati has taken their own unique approach to addressing blight within their jurisdiction, relying heavily on their code enforcement agencies. The city of Cincinnati's Private Lot Abatement Program (PLAP), addresses the issue of blight through cleaning and abatement of blighted properties, as well as the issuance of civil citations.⁵ As of February 2016, the city raised fines for overgrown grass, litter, illegal dumping, and other building code violations, with the intention of mitigating violations. Cincinnati has also enacted a "chronic nuisance" ordinance to take over the blighted properties, only if property owners have accumulated too many citations and have failed to come up with a remediation plan.

Law enforcement has also taken measures to eliminate blight in Cincinnati. Cincinnati police have found that in areas in which blight is prominent, so is crime. Since many of the blighted properties offer haven for drugs and dealers, one solution is to make arrests. However, the police are also taking initiative to clean up blighted properties in and around where some of these arrests are made—the effects of which, have been quite positive. In one particular area of the city, shootings have fallen from 14 in 2015 to 5 in 2016, which has been attributed to the arrest and clean-up initiative by the police.⁶

Baltimore, MD

The City of Baltimore began to address their issue of 16,000 blighted properties in 2010, with the launch of their *Vacants to Value* program. The program included six strategies for eliminating blight and bringing the properties to their highest and best use:

1. Streamline the sale of city properties
2. Streamline and improve code enforcement for non-compliant property owners
3. Facilitate investment near areas of strength by partnering with investors and require owners to renovate or sell to someone who can
4. Offer homebuyer incentives and using developer access to capital
5. Support large-scale redevelopment in distressed areas
6. Maintain, clear and “land bank” blighted properties for interim and future use through greening and demolition⁷

Baltimore city was met with much success in their *Vacants to Value* initiative by using what they called, “a community development cluster model,” designed specifically to minimize risk for investors. This risk-minimization effort was accomplished by assuring whole-block outcomes, which entailed:

- The quick sale of city-owned properties
- Use of code enforcement to either force property owners, who were able, to either rehabilitate the property or convey vacants
- Use of receivership to force the balance of privately-owned vacants to auction
- Use capital dollars to either maintain or demolish blighted properties

The city also included in its plan to reinvest in infrastructure, focus policing, and offer homebuyer incentives.⁸

Others

Other major cities in the United States have developed different approaches to eliminating and repurposing blighted properties. In Detroit, MI, there are over 6,000 blighted lots, some of which are being used for urban agriculture or as solutions to urban runoff. In Chicago, IL, the city is offering incentives for development by selling many of their 13,500 blighted properties for as little as \$1. And in New Orleans, LA, the city has established a program called Lot Maintenance Plus, which is a part of its NOLA (New Orleans, LA) for Life murder reduction plan. The program has had a positive impact on the community: lot clean-ups conducted by the program reduce crime, and they employ at-risk youths.

Endnotes

¹ Appraisal Standards Board, *The Uniform Standards of Professional Appraisal Practice*, The Appraisal Foundation, 2002.

² Pennsylvania Horticultural Society. Philadelphia LandCare Program. <https://phsonline.org/programs/landcare-program>

³ Moore, Martha T., "Remaking Vacant Lots to Cut Crime," The Pew Charitable Trusts, <http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/01/06/remaking-vacant-lots-to-cut-crime>, (January 2017).

⁴ Ibid.

⁵ <https://insights.cincinnati-oh.gov/stories/s/Private-Lot-Abatement-Program/55ef-pfz7>

⁶ Ibid. Moore, Martha T.

⁷ Day, Julie, *Vacants to Values: Success in Repurposing Blight*, Housing Authority of Baltimore City Department of Housing and Community Development (October, 2013).

⁸ Ibid. p.12.