



The True Cost and Consequences of Vacant Properties for Communities

Part I - The Contributing Factors



As the nation continues to recover from the worst housing and economic crisis in recent memory, communities across America are dealing with the difficult consequences of the fallout. Among the greatest contributors to harsh realities so many communities face is the growing number of vacant properties. Every vacant property multiplies the risk to communities by reducing value, lowering morale and providing a new location for crime-related activity.

Cities like Chicago, New York and Los Angeles have all tried to tackle neighborhood blight brought on by empty homes, higher crime and reduced home values with unique public and private partnerships.

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In some cases, public policy has been enacted to demand more rigid requirements to secure vacant properties, and in others, local leaders have implored citizens and corporate partners to play a role in revitalizing afflicted communities. From a public safety perspective, firefighters and police organizations are demanding more enforcement to protect communities from crime and unnecessary deaths resulting from vacant properties.

Taking into account research conducted by community organizations, public safety groups, academic institutions and the real estate industry, this report stands to aggregate the data and provide asset managers, bank directors and REO real estate managers with the data needed to tabulate the true cost of vacant properties. By understanding the contributing factors and the overall impact, communities across the country stand to gain the knowledge and tools to ensure the safety of neighborhoods, improve the lives of residents, reduce crime and violence, protect the value of properties, and enable property owners to turn around and sell them to a potential owner at a much faster rate.

The State of Vacant Properties

While it is difficult to pinpoint the actual number of vacant properties that exist in the country, it is clear that in the last 12-18 months, the number has risen. The U.S. Conference of Mayors has been conducting an annual poll among its members to track the impact of the mortgage crisis. Their latest findings indicate that an average of 93 percent of mayors across the country have seen the number of vacant and abandoned properties increase in 2009 compared to 71 percent of who saw an increase in 2008.

For commercial real estate, the situation is not much better:

- According to data released by Reis, Inc., the vacancy rate at American strip malls reached 10 percent in the fourth quarter of 2009 - an 18-year high.
- Commercial office space vacancies are similarly on the rise, with a vacancy rate of 17.2 percent - a level that has been unseen since 1994.

A recent report from the National Association of Counties examined the average costs for dealing with:

- An individual vacant and unsecured property = \$5,358 annually
- A vacant and unsecured property tagged for demolition = \$13,452



“They detract from their quality of life, depress their property values and, ultimately, can limit their economic opportunities.”

- Report from the U.S. Conference of Mayors on the impact of vacant properties for neighborhoods.



- A vacant and unsecured property damaged by fire = \$34,199.44

Understanding the negative impact these properties have and the continued increase in their number, the time is ripe to develop integrated solutions that not only better secure them from pockets of crime but also help keep them occupied. Both are a necessary step to appropriately contribute to the reduction of community blight and increase economic redevelopment.

Factors that Play into Resulting Problems

Among the most difficult issues plaguing communities that have increased presence of vacant properties are fire and criminal activity. In particular, as it relates to criminal activity, a specific increase in urban mining not only contributes to higher difficulty rehabbing and reselling a property, but also creates an increased opportunity for thieves to perpetrate additional crimes.

Fire

Although seemingly rare, injuries and fires associated with vacant properties occur frequently each year:

- According to the U.S. Fire Administration's Topical Fire Report in August of 2010, an estimated 28,000 vacant residential building fires are reported to the U.S. fire departments each year. This causes an estimated 45 deaths, 225 injuries and \$900 million in property loss.
- 37 percent of vacant residential building fires are set intentionally.

The firefighters themselves are equipped with tools and knowledge to respond to a scene and keep the flames under control; however, this might not apply to those fires set in a vacant property.

- In December of 2010, a fire in a vacant building caused its roof to collapse on Chicago's South Side, killing two firefighters and injuring 19 others. The building's owner was previously sued in 2007 for failing to maintain the roof of the vacant property. This event sparked a debate about how to curb deaths and injuries resulting from a poorly maintained vacant property. In Chicago, it led to an updated vacant property ordinance in 2011.
- In June 2011 in Brooklyn, New York, a vacant building fire caused a brick wall to fall into the street injuring five firefighters responding to the scene.



“All building openings shall be closed and secured, using secure doors, glazed windows, commercial-quality steel security panels, or filled with like-kind material as the surrounding wall, as applicable, to prevent entry by unauthorized persons. Except as specifically authorized in this subsection (d), use of plywood is prohibited.”

- Requirements mandated by Chicago's updated vacant property ordinance in 2011.



Criminal Activity

In addition to intentionally-set fires in abandoned and vacant properties, due to the recent foreclosure crisis, increased criminal activity is another factor that local safety officials have to monitor daily.

- According to a survey conducted by the Police Executive Research Forum in 2008, 40 percent of law enforcement agencies admitted that home foreclosures had either fueled a rise in crime around abandoned houses or had hurt law enforcement budgets through a loss in tax revenue.

Urban mining, the process in reclaiming compounds and elements from buildings or products, is a growing problem in vacant properties in the United States. Copper, a common household metal used for internal wires and plumbing, has recently been in increased demand from developing nations such as China and India.

- According to Nationwide Insurance, copper is selling for 50 percent more now than in 2009. It is estimated that \$100 in stolen copper may cost up to \$100,000 to repair a vacant property.
- Theft of copper wire costs Americans \$1 billion a year. – The U.S. Department of Energy

No matter the crime, law enforcement and public safety issues resulting from increased numbers of vacant properties is a constant reminder of the ongoing recession and cost of vacant property damage.

Stay tuned for the next installment in our series about vacant properties – Part II – Affecting Change – where we will explore the targeted negative effects on communities and take a closer look at what others are saying and doing about the issues. Meanwhile, we encourage you to become an agent of change and get involved. Send us your perspective and thoughts about positive ways businesses and communities can collaborate to help stop the growing impact of vacant properties.

What Do You Think?

Please accept our invitation to contribute to making a difference and advancing progress within our communities. Reach out at ruth.young@vpspecialists.com. to share. We look forward to hearing from you.



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About the Author

John O'Leary is the CEO of VPS in the United States, which provides security, maintenance and management services to vacant properties internationally. O'Leary's dedication to protection and security within a community has spanned decades and led him to join the company in January 2011. He brings experience from a series of management positions in various security and technology product companies, including Mace Security Products and Honeywell Access Systems.

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