

VAP NEIGHBORHOOD REVITALIZATION STUDY

LOUISVILLE, KENTUCKY

PRESENTATION TO MAYOR FISCHER & METRO COUNCIL

RKG

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October 9/10, 2013



PRESENTATION OVERVIEW

- I. Defining the VAP Problem
- II. Assessing Louisville Metro's Response
- III. Combating the VAP Problem
- IV. Cost and Benefits of Intervention
- V. The Recommendations
 - Early Intervention (Years 1-3)
 - Long-Term (Years 4-10)
- VI. Next Steps

**DEFINING THE
VACANT & ABANDONED
PROPERTY PROBLEM**



DEFINING THE VAP PROBLEM

- **The problem is bigger than vacant & abandoned properties – it’s a “neighborhood revitalization” problem**
- **Properly defining the problem helps to properly identify the most effective solutions**
- **A comprehensive and strategic approach is needed to successfully combat the problem**
 - **Organizational Response**
 - **Public Investment and Programmatic Response**
 - **Public/Private Partnership Response**

WHAT IS CAUSING THE VAP PROBLEM?

- **Long-standing issue that began decades ago**
 - Socio-economic conditions, planning decisions, freeway construction, suburbanization, neighborhood redlining, etc.
 - Highly complex, multi-dimensional problem that will require a long-term response,
 - Requires a commitment of funding and partners working together
- **Recent Factors Exacerbating Neighborhood Decline**
 - High Mortgage Failure and Foreclosure Rates;
 - High Incidence of Tax Lien Sales;
 - Predatory Lending Practices;
 - Poor Information Flow Between Homeowners, Banks and City
- **Property Owner Distress**
 - 28% of sales since 2010 have been “non-arms length sales”
 - 6% of all sales classified as “investor sales” but selling above assessed value
- **Limited Capacity and Resources to Combat Problem**

ASSESSING LOUISVILLE METRO'S RESPONSE



DISTRIBUTION OF VAP ANNUAL EXPENDITURES

<u>METRO ACTION</u>	<u>Percent</u>
Code inspections	19.2%
Boarding vacant structures	4.1%
Mowing & cleaning vacant lots	39.6%
Demolition of blighted structures	24.9%
Foreclosures	12.2%
TOTAL:	100.0%

ANNUAL EXPENDITURES: ~\$3.28 million

VAP ANNUAL EXPENDITURES

Activity	Average cost per activity	Baseline # per year (2012 data)	Actual annual costs (2012 data)
Code Inspection	\$34	24,723	\$630,000 (est.)
Boarding	\$75	1,765	\$136,000
Cutting & Cleaning (incl. trash collection)	\$450	2,416	\$1.3 million
Demolition	\$7300 (median)	100	\$815,000 (est.)
Foreclosure	\$4,000	100	\$200,000 (est.) (est. \$400,000 once program has ramped up)

* Data from Hansen and Metro Government staff; costs include allowance for staff/overhead costs.

ANNUAL EXPENDITURES: ~\$3.28 million

ASSESSING METRO'S RESPONSE

- Metro response addresses code violations and property maintenance
- Actions are designed to eliminate blight and reduce the threat of crime
- Metro's VAP response to date has not led to substantial neighborhood revitalization
- Current interventions not sufficient to address the core problem and reverse neighborhood decline

**COMBATING THE
VAP PROBLEM
“TARGETED REVITALIZATION”**



METHOD FOR MAKING DECISIONS

- **Limited resources demand strategic targeting to where they can have the greatest impact**
- **Metro must identify “priority project areas” for future revitalization and other partners will follow**
- **Fact-based decision-making will help secure public investments and attract non-governmental investment**

NEIGHBORHOOD MARKETABILITY ANALYSIS

- Purpose: To provide a “first-cut” method for determining where future investment by Louisville Metro Government might have the most impact and greatest effect
- Attempts to simulate the decision-factors used by developers, investors, homebuyers and renters in determining the most desirable areas to live, invest and build

JEFFERSON COUNTY SUBURBS

● POSITIVE CONDITIONS
● NEGATIVE CONDITIONS

Marketability Analysis Jefferson County Suburbs

Louisville/Jefferson County, KY
2013



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LEGEND

- Jefferson County Suburbs
- Jefferson Railroads
- Streets, Highways
- Interstates

Range of Marketability

- 60 to -159
- 30 to -60
- 0.5 to -30
- 0
- 0.5 to 30
- 30 to 60
- 60 to 140

Range of Marketability

- 28 to -56
- 14
- 14
- 28 to 56

- Ohio River
- Parcels
- Right of Ways

INDIANA

DOWNTOWN EAST & SOUTH URBAN NEIGHBORHOODS

● POSITIVE CONDITIONS
● NEGATIVE CONDITIONS

Marketability Analysis Downtown, East & South Urban Neighborhoods

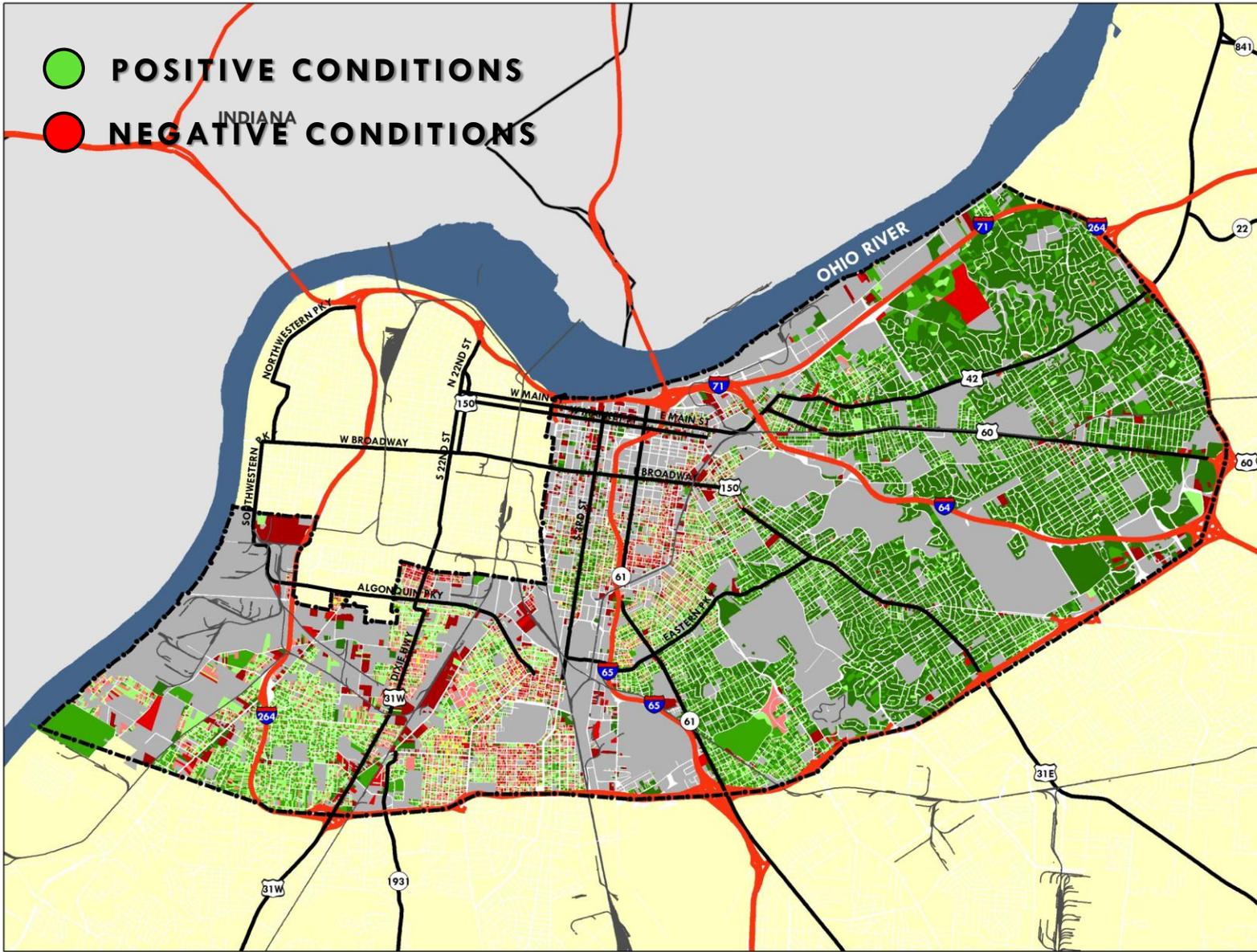
Louisville/Jefferson County, KY
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LEGEND

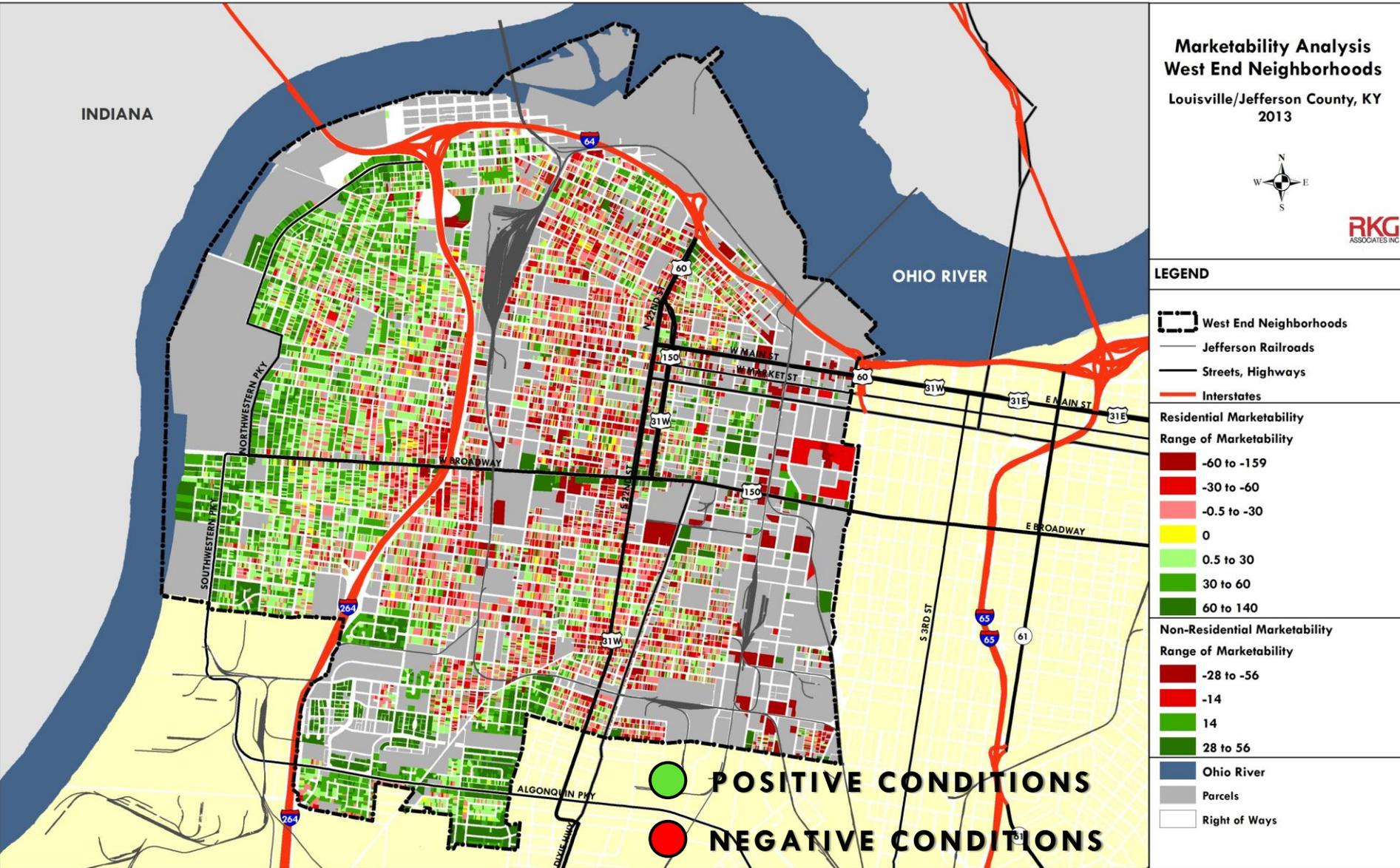
- Downtown, East & South Neighborhoods
- Jefferson Railroads
- Streets, Highways
- Interstates
- Residential Marketability**
- Range of Marketability**
- 60 to -159
- 30 to -60
- 0.5 to -30
- 0
- 0.5 to 30
- 30 to 60
- 60 to 140
- Non-Residential Marketability**
- Range of Marketability**
- 28 to -56
- 14
- 14
- 28 to 56
- Ohio River
- Parcels
- Right of Ways



0 0.27 0.55 1.1 1.65 2.2 Miles

WEST LOUISVILLE NEIGHBORHOODS

Map 6-3



DECISION MAKING MATRIX

“TARGETING LIMITED RESOURCES”

Primary Purposes:

- Establishes a structured process for review and assessment of short & long-term projects
- Creates framework for making objective decisions
- Diminishes influence exerted by special interest groups
- Promotes readiness for non-selected areas
- Targets public investment
- Targets programmatic resources
- Designates special districts
- Directs neighborhood planning efforts
- Directs federal funding
- Directs Metro Government response

DECISION MAKING CRITERION

Neighborhood Project Area Characteristics

- Area has a current revitalization or small area plan
- Proximity to public transit
- Proximity to community facilities, shopping and other institutions
- Concentration of poverty
- Existence of active community organizations with capacity
- Incidence of crime activity

Development Potential Characteristics

- Vacant housing stock potential for rehabilitation
- Availability and control of land resources for development
- Current homeownership rate
- Quality of existing infrastructure
- Compatibility of existing zoning and land uses

Market Characteristics

- Current or proposed public, private or nonprofit sector initiatives
- Project area has the ability to attract development interest
- Dedicated funding available for program activities
- Stability of real estate values within past two years

PUBLIC INVESTMENT STRATEGY

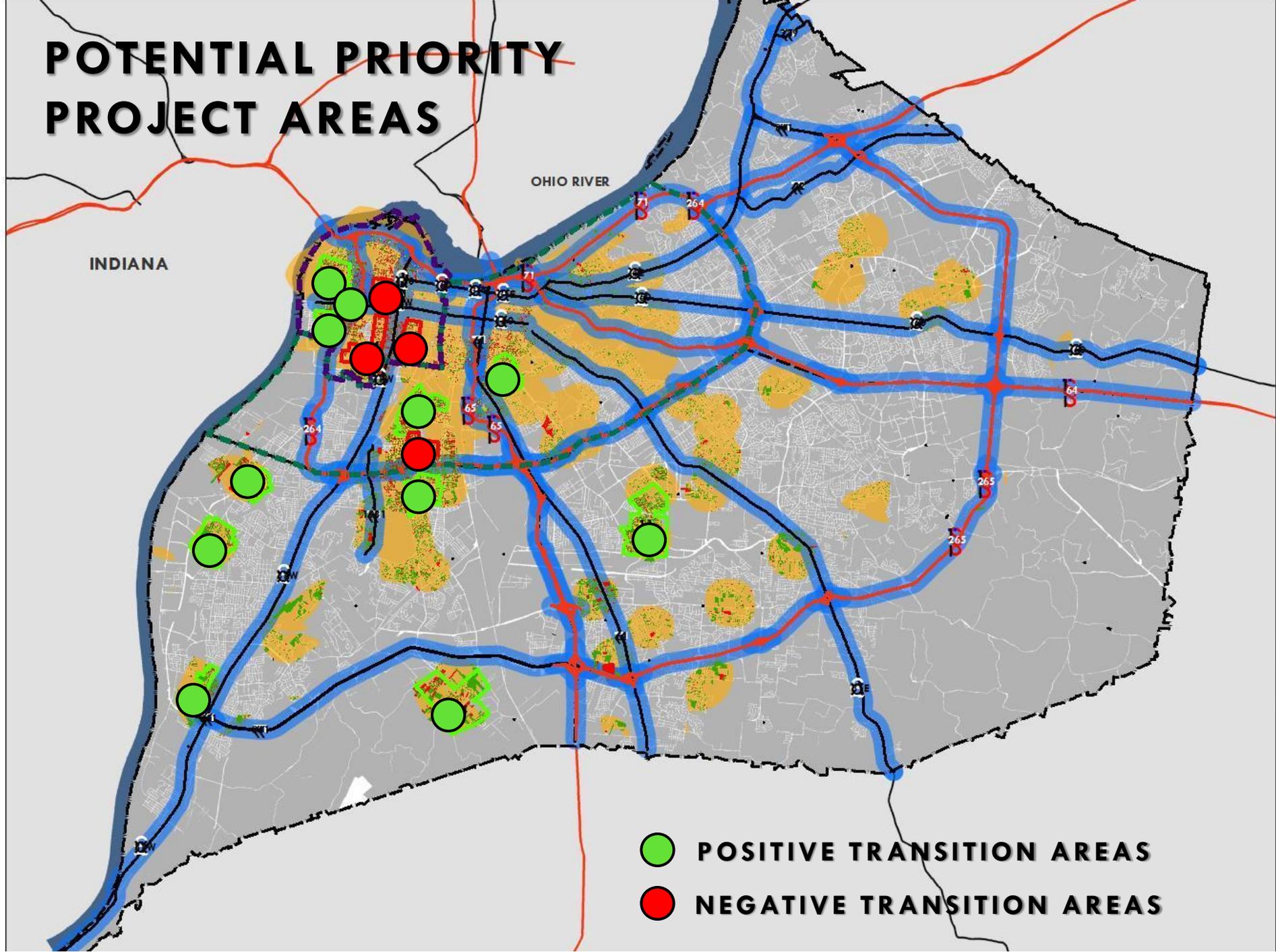
“Transitional” Areas

- **Less public investment risk**
- **Greater opportunity to attract private/nonprofit partners and investment**
- **Greater neighborhood stability**
- **Public intervention and subsidies potentially lower**

“High Need” Areas

- **Highest risk and unstable conditions**
- **Hardest to market properties to new owners/renters**
- **Declining property values**
- **Difficult to attract private dollars and development partners**

POTENTIAL PRIORITY PROJECT AREAS



-  POSITIVE TRANSITION AREAS
-  NEGATIVE TRANSITION AREAS

COSTS AND BENEFITS OF INTERVENTION



BASELINE VS. INTERVENTION SCENARIO

PERFORMANCE METRICS (20-YEARS)

Performance Metric	Baseline	Intervention
Number of Code Enforcement Inspections	260,466	316,629
Number of Foreclosures	2,000	2,878
Number of Cutting & Cleanings	38,519	77,038
Number of Boardings	20,722	13,000
Number of Demolitions	2,000	2,200
Number of Jobs Created [2]	-	572
New Annual Payroll [2]	-	\$ 378,220,810
New Homes Constructed	100	585
Existing Homes Rehabilitated	380	552

PUBLIC INVESTMENTS (YEARS 1-20)

WEST LOUISVILLE

BASELINE MAINTENANCE SCENARIO	
Public Investment	
Total Administrative/Code Enforcement Costs	\$ 47,867,738
Total Revitalization Investments (PAYGO) [1]	\$ 68,885,036
Total - Public Investment	\$ 116,752,774
INTERVENTION SCENARIO	
Public Investment	
Total Administrative/Code Enforcement Costs	\$ 73,887,179
Total Revitalization Investments (reflects municipal b	\$ 75,857,915
Total - Public Investment	\$ 149,745,094
DIFFERENCE	\$ 32,992,320

LOCAL TAX REVENUES (YEARS 1-20)

WEST LOUISVILLE

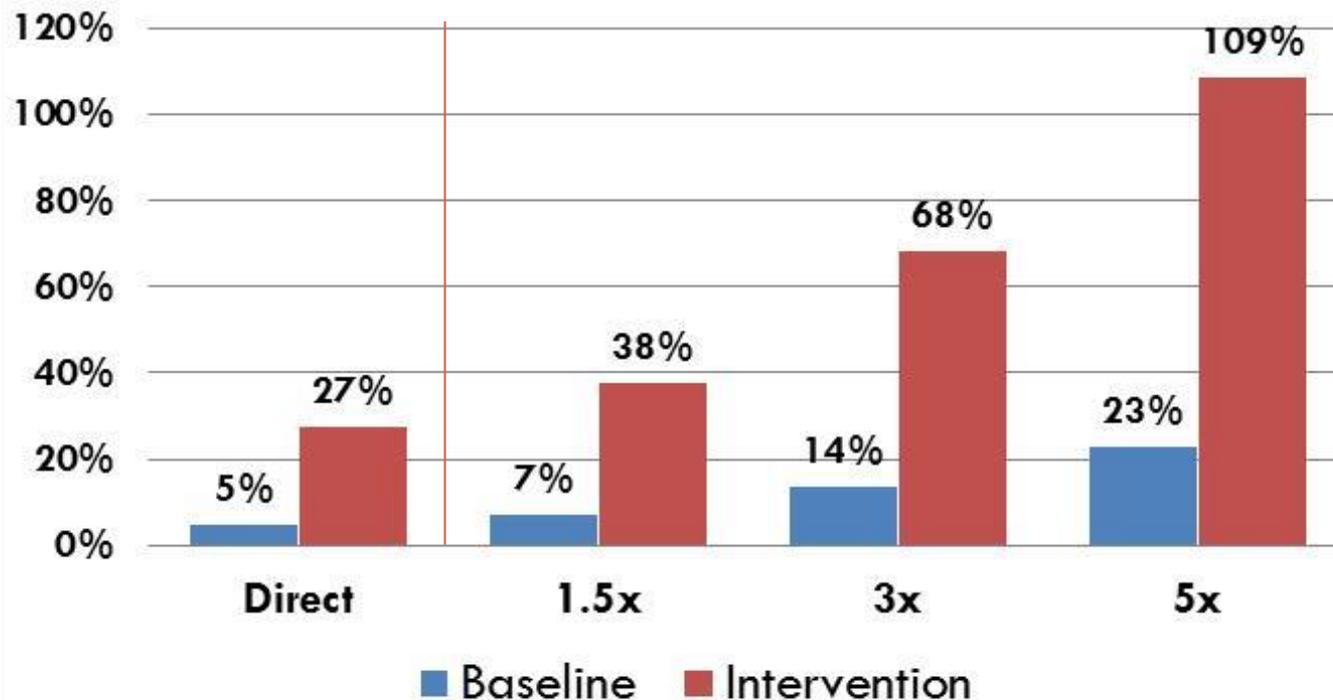
BASELINE MAINTENANCE SCENARIO	
New Tax Revenues	
Real Property Tax Base	\$ 3,932,769
Personal Property Tax Base	\$ 1,374,080
Occupational Tax Base	\$ -
Total - Tax Revenues	\$ 5,306,849
INTERVENTION SCENARIO	
New Tax Revenues	
Real Property Tax Base	\$ 19,621,845
Personal Property Tax Base	\$ 9,365,131
Occupational Tax Base	\$ 11,820,749
Total - Tax Revenues	\$ 40,807,725
DIFFERENCE	\$ 35,500,876

RETURN ON PUBLIC INVESTMENT

PRIVATE LEVERAGE IMPACTS (YEARS 1-20)

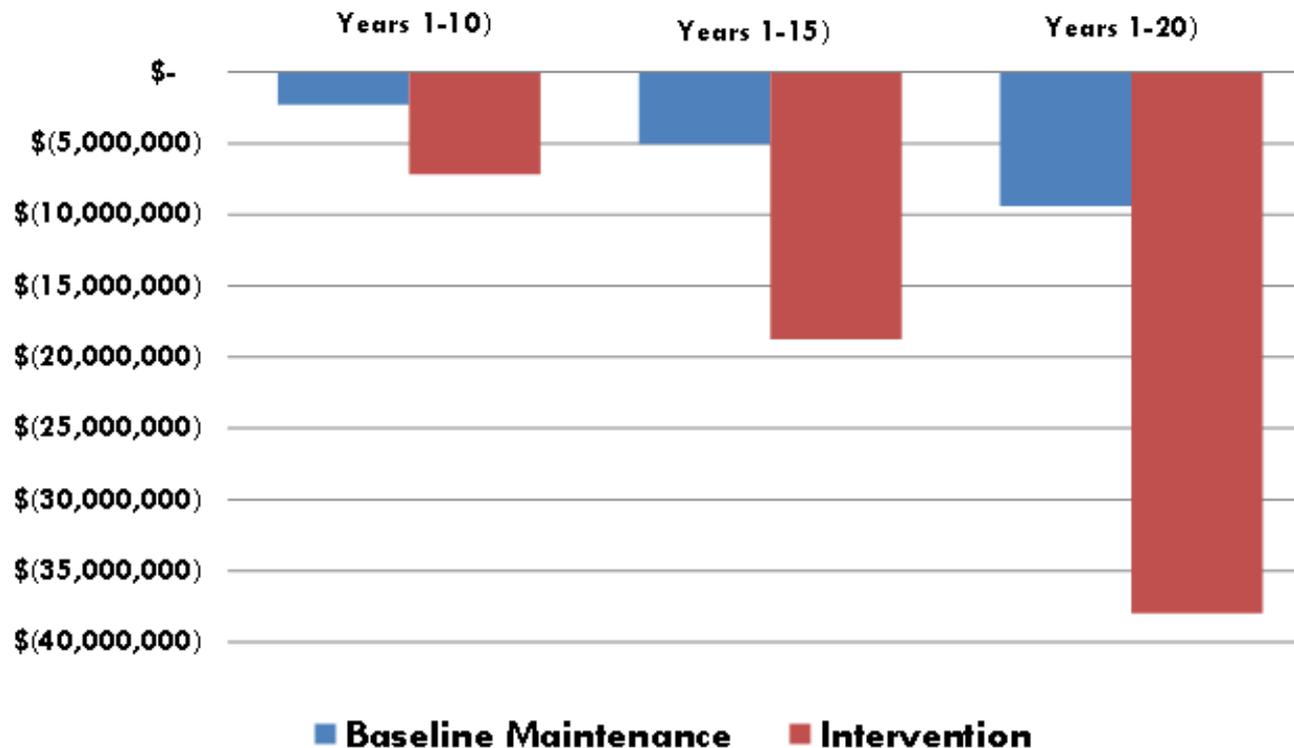
Private Leverage Impacts to ROI Baseline v. Intervention Scenario

West Louisville Area
(Year 20)



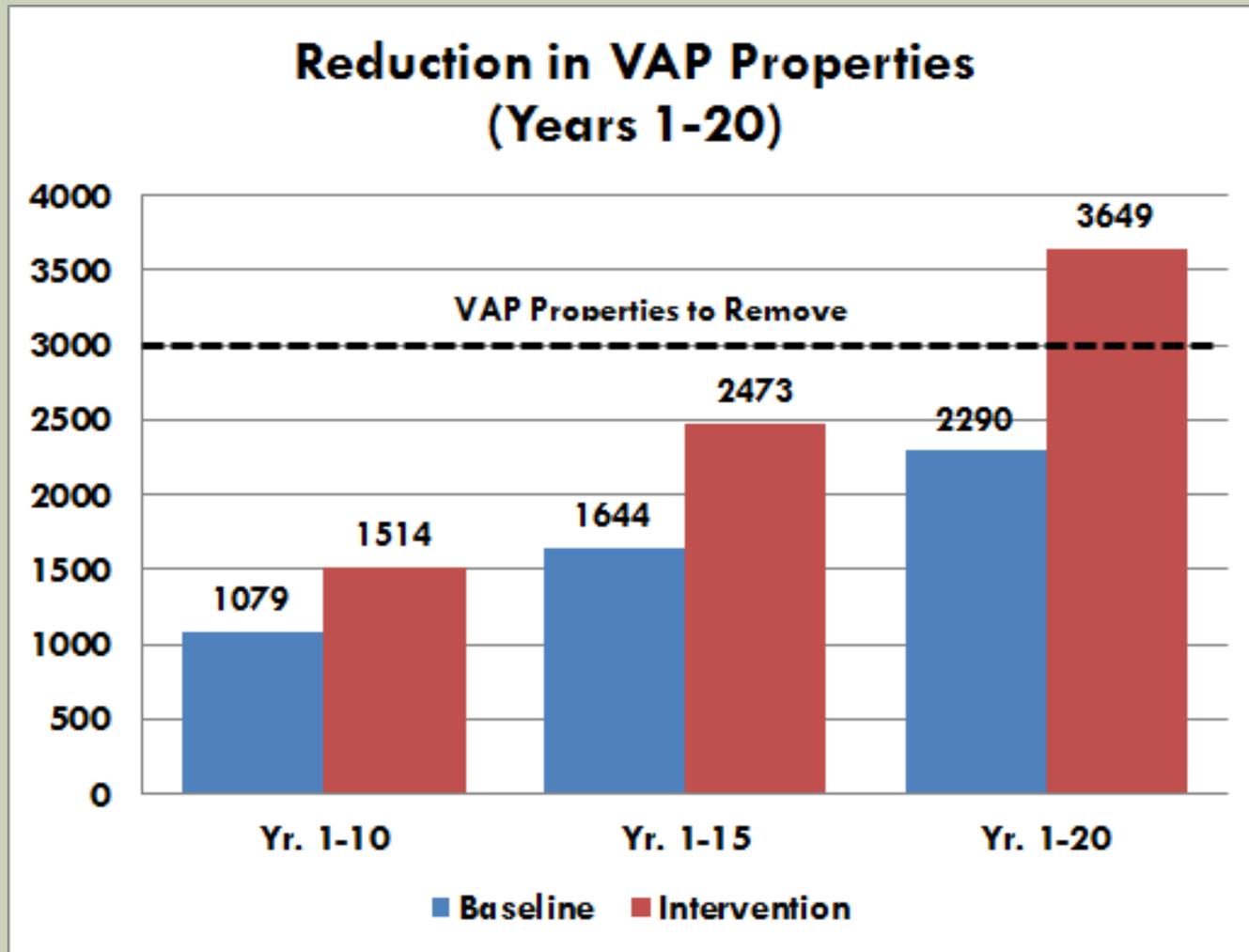
CUMULATIVE MAINTENANCE COST SAVINGS (YEARS 1-20)

**Cumulative Maintenance Cost Savings
Baseline v. Intervention Scenarios
(Years 1-20)**



REDUCTION IN VAP PROPERTIES

YEAR 1-20 (**EXISTING & NEW VAP)



KEY RECOMMENDATIONS

- ELEMENT 1: ORGANIZATIONAL STRUCTURE AND ADMINISTRATIVE ACTIONS**
- ELEMENT 2: COMPREHENSIVE NEIGHBORHOOD REVITALIZATION, PLANNING AND CAPACITY BUILDING**
- ELEMENT 3: LEGISLATIVE INITIATIVES**
- ELEMENT 4: HOUSING REHABILITATION, CONSTRUCTION, DEMOLITION AND CATALYST DEVELOPMENT**
- ELEMENT 5: FUNDING**



Element 1: Organizational Structure and Administrative Actions

1. **Identify Full-time VAP Coordinator**
2. **Assess Internal Organizational Structure**
3. **Establish a High-Level Memorandum of Agreement (MOA) Between Existing Urban Renewal Commission, Landbank Authority and the Vacant Property Review Commission**
4. **Create “LouisvilleNOW” as a Joint Urban Renewal/Landbank/Vacant Property Review Commission Authority**

Element 2: Comprehensive Neighborhood Revitalization, Planning and Capacity Building

- 5. Adopt Programs to Dispose of Vacant Lots not Critical to Future Revitalization Efforts**
- 6. Identify Priority Project Areas (PPA) Considering Neighborhood Marketability Scores**
- 7. Utilize Decision Making Matrix (DMM) for Selecting Priority Project Areas**
- 8. Undertake Revitalization Efforts in the Shawnee Neighborhood as a Pilot Revitalization Initiative**
- 9. Manage Neighborhood Revitalization Strategy Areas to Encourage Public/ Private Investment**
- 10. Establish Training Workshop for Local Development Partners to Expand Capacity**

Element 3: Legislative Initiatives

11. Pursue Legislative Changes to Enhance the Powers of the Landbank Authority

- Allowing for the clearance of clouded title to make properties marketable for sale and financing;
- Removal of limits on timely disposition of property to allow for longer landholding period;
- Removal of limits on land assemblage for only public parks or public purposes;
- Removal of limits on Landbank activities by local government (i.e., Landbank may not dispose of property without receiving approval of board members);
- Removal of restrictions on the Landbank to acquire property for investment purposes.

Element 4: Housing Rehabilitation, Construction, Demolition and Catalyst Development

- 12. Establish Rehabilitation and Design Standards and Construction Specifications for Publicly Subsidized Housing Projects**
- 13. Establish Criteria for Targeting and Evaluating Housing Demolition Candidates**
- 14. Prepare Request for Qualifications to Solicit Key Housing Development and Redevelopment Partners**
- 15. Establish Process and Requalification Procedures for Annual Developer Participation**
- 16. Establish Regulatory and Site Planning Framework to Guide Neighborhood Redevelopment and Reinvestment**

Element 5: Funding

- 17. Secure Potential and Existing Funding Sources to Direct Toward Implementation Activities, Including Resource Re-allocation and Identifying New Funding Opportunities**
- 18. Determine the Types of Assistance and Development Subsidies Provided by Metro Government**

KEY IMPLEMENTATION ISSUES

- Revitalization success will depend on the targeting of resources and initiatives, but is there consensus to take that approach?
- If Metro does not have to solve the VAP problem, what financial commitment is necessary to have a positive impact?
 - How to leverage other people's money?
- Metro must be able to control land, financial resources and target investment areas to be successful. A local funding commitment is necessary to accomplish this objective.