

Far-off house owners might prolong blight
Government, banks -- many not in state -- own 1 of every 8 empty Marion County homes.

By John Fritze
john.fritze@indystar.com
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As evening rush-hour traffic thickens along Michigan Street on the Near Eastside, few cars turn into the ghost town Sandy Washington calls home.

Nearly half of the houses are empty in some blocks of her neighborhood west of Rural Street.

"Last year, we couldn't sit on the porch, and the kids couldn't ride up and down the sidewalk on their bicycles because of all the drugs," said Washington, 63, who has lived here for 20 years. "Now, we sit out here all the time."

Even the drug dealers have moved out, she said.

Washington's is one of dozens of Indianapolis neighborhoods full of abandoned homes -- a problem concentrated near Downtown but visible in suburban Pike, Lawrence and Washington townships as well.

A newly released city housing survey identifying 8,136 long-vacant homes in Marion County in 2003 -- roughly one in every 30 homes -- and vacancy data from the U.S. Census suggest that Indianapolis is worse off than other Midwestern cities.

An Indianapolis Star analysis found that government agencies and banks own one in eight of those homes -- a phenomenon experts said could complicate the fight against them because the landlord is out of state.



A few vacant homes, such as this one in the 2200 block of Kenwood Avenue on the Near Northside, can begin a downward cycle even in stable neighborhoods, community leaders say. -- Adriane Jaeckle / The Star

A look at owners

Here's a look at the largest owners of vacant homes in Marion County.

- 1. Department of Housing and Urban Affairs: 299
- 2. Department of Veterans Affairs: 116
- 3. Bank One: 55
- 4. LaSalle Bank: 47
- 5. Bankers Trust Co.: 45
- 6. James Chalfant*: 45
- 7. Federal National Mortgage: 36
- 8. Deutsche Bank National: 31
- 9. Provident Bank: 29
- 10. Chase Manhattan: 33

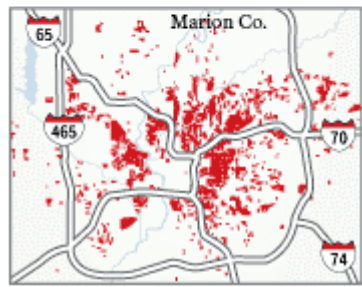
*Includes 4141 Investments, a company Chalfant owns.
Note: Includes several divisions of each bank.

Source: Indianapolis Star analysis of city's 2003 inventory of vacant homes.

Nobody home

High concentrations of vacant homes can be found in census blocks to the north, east and west of Downtown Indianapolis.

Census blocks where more than 5 percent of homes are vacant



8,136

Vacant residential parcels

260,000

Total residential parcels

3%

Percentage of vacant parcels

Sources: City of Indianapolis, property tax records

Jennifer Ims / The Star

The U.S. Department of Housing and Urban Development, for example, owned about 300 vacant houses. Five banks, including Bank One and LaSalle Bank -- both based in Chicago -- owned at least another 200.

In all, banks and the government owned more than 1,000 empty houses. The rest are split among thousands of landlords who, in most cases, own only one or two houses at a time.

The reason many homes are owned by institutions, experts said, is the area's high foreclosure rate. Indiana has the second-highest foreclosure rate in the country, 2.91 percent, according to the Mortgage Bankers Association.

"Probably 90 percent of the vacant properties are there because of foreclosures," said Mildred Wilkins, who spent 21/2 years as a foreclosure specialist at Fannie Mae and now is a local advocate on the issue.

"The major problem we have with foreclosures is not mortgage fraud, it is government-backed loans that are being too easily given out."

Wilkins said lenders must do a better job preparing residents for costs that come with homeownership -- such as utility bills and property taxes -- that can cause new homeowners to miss mortgage payments.

In a written statement, Deputy Federal Housing Commissioner Sean Cassidy said the Federal Housing Administration, part of HUD, carefully screens prospective homebuyers before guaranteeing loans.

"Despite this, shifts in local economies as well as changes in individual circumstances can place homeowners at higher than expected risk of default and foreclosure," Cassidy said.

The statement said the average time a vacant home is owned by HUD has dropped to 143 days from 170 days nationally in the past year.

In the four-state region of Indiana, Illinois, Kentucky and Tennessee, the average turnover time is a little lower, about 127 days.

That's little comfort to Cathy Burton, president of the Marion County Alliance of Neighborhood Associations, who said vacant housing is one of the biggest issues neighborhoods face.

"We are hearing more and more and more about it," said Burton, adding that a few vacant homes can trigger a downward cycle for a stable area.

"When you're driving through and you see lots of abandoned homes, it sends a signal that there's something about this neighborhood that isn't desirable."

The 2000 census found that Marion County had a higher vacancy rate, 9 percent, than counties surrounding Louisville, 6 percent; Columbus, Ohio, 7 percent; and Chicago, 6 percent.

Those numbers include rental properties.

Washington said Hamilton Avenue was already in tough shape when she moved there two decades ago. She and other neighbors worked to push out drug dealers by continually calling police and city officials.

In the past three or four years, many of those homes have become vacant -- she counts six empty lots or homes from her back yard -- and she is concerned that if they linger, criminal activity could re-emerge.

The area's median home value, according to the 2000 census, is \$43,000, less than half the county's median of \$99,000.

"That used to be a drug house, but it's closed," she said, pointing down the street to a two-story home that has not been boarded up. "They're trying to sell it, but I don't think they're going to sell it."

Many vacant homes in her neighborhood are in good shape. Others, which have been abandoned, are surrounded by tall weeds and trash and have cracked or boarded windows.

The problem is not isolated to Center Township. Many other Marion County neighborhoods are also dealing with vacant homes.

"It's gone downhill in the last 10 years," Bill Lowry, 69, said of the Westside neighborhood he has lived in for four decades. "Some people, they just move into these houses and don't keep them up, and then move back out again. Does that make any sense?"

To an outsider, Lowry's neighborhood, southeast of where 38th Street meets I-465, is a quiet place, where residents grow flowers in the front yard and single-story homes sit along well-kept, winding streets.

But in some corners, four or five homes on a block are for sale, and in others rental homes are forcing a high turnover of residents. Nearly 30 percent of homes in the neighborhood are vacant.

Lowry said he is worried about the effect that's having -- from an increase in crime to a decrease in property values.

Those are both issues the city administration had in mind when it began looking for new ways to deal with the problem, besides boarding or bulldozing. Last September, Mayor

Bart Peterson started a housing initiative that included creating the roster and taking code violators to court.

Peterson also unveiled a list of the city's 10 worst owners of abandoned property -- including one who had 95 properties with 87 code violations and another with 113 properties and 60 violations.

"The principal purpose of the abandoned housing initiative is to get that house turned into a livable, safe dwelling," Peterson said. "That's what we're trying to accomplish here, not to get people."

Peterson's list did not include the largest owners of vacant property, including HUD, the U.S. Department of Veterans Affairs and several divisions of Bank One. Peterson explained that his list considered not just the number of properties, but also the number of housing code violations.

Asked about the problem of institutional ownership, the mayor said it wouldn't affect the city's effort.

"Any financial institution that takes over ownership of property is responsible for that property," he said.

The city ordered 2,576 properties -- mostly residential -- boarded and another 516 demolished in 2003, the Marion County Health Department reports.

As part of the effort, the city is taking ownership of homes that otherwise would be put on the auction block for back taxes. Currently, the city is working with not-for-profit groups to rehabilitate 49 such properties and then resell them.

Institutional ownership may complicate the fight, said Joe Schilling with the Washington-based International City/County Management Association. For starters, the decision makers representing those organizations are not usually based in Indianapolis.

"The mom-and-pop bank next door rarely exists -- most of the financial institutions are far from where the property is owned, and they've lost the connection to the community," said Schilling, who has studied the issue nationally.

At HUD, the contract to maintain and sell homes in Indianapolis is managed in Atlanta. Officials there cannot comment to reporters and, instead, HUD directed questions to Washington.

Bruce Baird, Housing Development Administrator with the city's Department of Metropolitan Development, said institutional owners have been responsive to the city's efforts.

"That's part of their business," he said. "Their motivation is to not have a nonperforming asset sitting on their books."

Homes owned by large organizations are not necessarily well maintained, the inventory showed. More than 100 homes owned by HUD and 36 by Bank One received a "C" letter grade or worse by the city for their condition.

In the survey, a "C" condition home may have peeling paint, missing shingles or cracked glass. Homes graded "D" or "E" have significant structural damage.

Countywide, about 3,950 homes received a "C" grade and about 1,800 received "D" or "E" grades.

The housing survey was conducted last summer and did not include homes recently put up for sale -- though 1,742 were on the market. Most of the homes included either had utilities shut off or previously had been sold through a tax sale.

Nancy Norris, a spokeswoman for Bank One who works in Kentucky, said banks sometimes end up with homes because they act as trustees. In those cases, others -- such as family members -- are responsible for their upkeep, she said.

Norris said this week that of the 55 homes identified by the inventory as belonging to Bank One, only three were still in its possession. She said the bank currently owns 14 properties due to foreclosure, but she could not say how many more were held in trusteeship.

"We like to turn around and sell those properties as soon as possible," she said. "Foreclosing on a mortgage is the last thing we or any other bank wants to do."

Washington blames the plight of her neighborhood on lenders who lure homeowners into borrowing more than they can repay. She nearly lost her own home a few years back when her mortgage payment shot up \$150 because, she said, her bank hadn't been deducting property taxes in order to keep the bill low.

She was able to save her house through refinancing. Now she hopes to help save the neighborhood.

As she sat on a neighbor's porch on a recent afternoon, construction crews worked on the inside of a duplex a few doors down. A young man rode by on his bike and waved hello.

The trick, Washington knows, will be to keep the momentum going.

"People are trying to clean this area up."

Call Star reporter John Fritze at (317) 444-2752.