

**Testimony of Daniel T. Kildee
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Committee on Health, Education, Labor & Pensions**

For America's older industrial cities, the last thirty years have been the most difficult time in their history. As the economy has shifted to one of global competition, and as manufacturing jobs have been either replaced by new technology, moved across our border, or been eliminated due to increased worldwide competition, our cities are in trouble. Many of the communities that led the way in the manufacturing era have been left behind in the new economy - with greater demand for public services and the loss of population from the urban center. As the jobs left the cities, the people left with them, or at least those people who could afford to follow the work or find a new way of life.

America's oldest cities, at one time the economic engine of the economy, now struggle to manage the combined effects of dramatic population loss, a deteriorating landscape, aging infrastructure and a shrinking tax base. For the workers of the next generation of jobs, America's older cities are not high on the list of desirable places to live.

My hometown of Flint, Michigan is a typical case.

Flint is the birthplace of General Motors. From the 1920's to the later 1970's, Flint was the center of the auto industry. The population of Flint grew fast during those decades, and by 1970 Flint's population was just under 200,000. At one point 79,000 people worked for GM in Flint alone - not just in the same industry, but for the same company. We exported cars and imported wages. It was not unusual for a young man to leave high school, walk over to one of a dozen factories and go to work that same day - working on the same assembly line with his father and grandfather. Flint was the place to be. Workers from all over the country made Flint their home.

But things have changed. Many of those jobs have simply disappeared. Just over 8000 GM jobs are left in Flint. Flint future will not be built on a revived auto industry alone, even if the industry is able to regain stability. And while many agree that the next generation of jobs will require America to offer clean, vibrant, and attractive cities to the knowledge workers and creative entrepreneurs who will drive the new economy, those same cities will simply not be able to compete for those workers unless the landscape of the older industrial cities can be made attractive once again. To do that, this county need to adopt policies that recognize that if we fail to rebuild our cities, we will not be able to fully rebuild our economy.

Neighborhoods that are in decline, littered with abandoned properties will not attract the workers nor attract those new employers that will be the foundation of a diversified economy.

But for decades, cities across the nation have struggled with the daunting problem of abandoned houses and vacant land. Particularly in Michigan, where the cities of Detroit, Flint, Saginaw, and others have experienced significant population loss, the problem has been exacerbated by the absence of a coherent governmental approach to urban land.

As cities compete for the knowledge jobs of the 21st century, older cities have been hampered by the conditions of neighborhoods and downtown. For decades, people traveled to the cities where the jobs were plentiful. Companies made huge capital investments in factories and equipment, and the people followed.

The new economy is different. To a great extent, jobs are more mobile in the information age, and employers locate the jobs where the creative, entrepreneurial workers live. Those workers want to live in vibrant and energized cities.

So we have a disconnect: the abandoned cities – the ones that need the jobs most – have a difficult task attracting the workers that attract the jobs.

For the most part, this legacy of abandonment is the result of years of decline associated with the migration of population from the city to suburban communities. Recently, however, the abandonment of the urban landscape has been magnified by the dramatic increase in mortgage-foreclosed homes flooding this already weakened real estate market. While this problem is already having an impact on my community, the fact that there are between 5,000 and 6,000 mortgage foreclosures pending in my community is a matter of great concern, particularly in light of the weak real estate market in Flint and the presence of thousands of previously abandoned homes already littering once thriving neighborhoods.

Abandoned property is a source of blight, crime, and disease. Vacant urban land reduces the very resource available to address the problems it creates. Local property taxes are made less available due to devaluation of land values. For example, abandoned houses account for 75 to 90 percent of fires in the City of Flint, yet the City has reduced fire service due to a significant financial crisis. Given the enormous financial pressure for basic city services, it is clear that reform of urban land is fundamental to revitalization of our cities.

Vacant land is both a cause and result of urban disinvestment. As cities have experienced population loss and housing market declines, the result is the decline of property

values. Blight spreads as empty houses sit vacant, infecting adjacent properties and ruining entire neighborhoods in a matter of just a few years. An abandoned house is a “Typhoid Mary” to a neighborhood struggling to sustain itself.

Sadly, for the past several decades, one of the governmental systems intended to address the problem actually contributed to the downward spiral of land values and neighborhood stability. Under the former system of tax foreclosure, abandoned properties were either transferred to private speculators through tax lien sales or became state-owned property through foreclosure. Under either scenario, local leaders had little power to interrupt the incremental decline in the reutilization of tax-reverted land. In fact, the former system encouraged low-end reuse of tax reverted land due to the length of time between abandonment and reuse – often more than five years. The lack of clear title to these properties under the tax lien system also made reinvestment almost impossible.

The former system was decidedly non-strategic

The changes to Michigan’s tax foreclosure law are a significant step in the right direction. Since the passage of PA 123 of 1999, the State of Michigan and county governments have greater authority in gaining control of vacant abandoned land. PA 123 of 1999 accelerated the process of tax foreclosure, which previously took as long as seven years to complete. The new system of county or state tax foreclosure is completed within a two-year period, and abandoned property is taken after only one year.

While the new system is significantly more efficient, we need to go further in order to optimize the reuse of vacant urban land with long-term neighborhood stability in mind. Michigan needs a systemic approach to urban land that affords local government the tools necessary to manage the “downsizing” of cities more effectively. It is only through smart “downsizing” that cities can ultimately seek to grow again. For communities with significant numbers of abandoned property, a land reutilization plan that delivers tax-foreclosed property to its best and highest use is needed.

Faster and more efficient demolition of existing structures is the earliest and most tangible benefit of such a system. Over time however, land assembly for development and long and short-term green space development is made possible by “land banking” tax-reverted property, rather than simply selling land at public auction. Replacing one irresponsible landlord with another is no solution to the problems of sub-standard housing and neighborhood blight. Quickly auctioning tax-reverted property, while somewhat more desirable than the former system, does not provide urban communities the control of land essential to a coherent revitalization plan. Encouraging and supporting locally derived land reutilization planning is essential to urban land reform.

Adoption of legislation that authorizes a foreclosing county to create a “land

bank” is one key step in any comprehensive urban land reform initiative. Such legislation was introduced in the previous session of the legislature. While there may be some changes needed to the previously introduced legislation, a land bank is an important component of Genesee County’s vision for revitalization of our urban center.

Another policy initiative receiving serious state government attention involves the “smart growth” concept, a popular phrase in current land use lexicon. A commitment to including urban land reform issues as a central subject of the “smart growth” discussion is essential to the development of meaningful policy.

To fully realize the goal of preserving farmland, open green space, and undeveloped land for future generations, we must unlock the unrealized value that urban land presents.

Such reform will benefit cities, suburbs, and rural communities as well. As we struggle to address two serious challenges – maintaining our precious natural resources and preserving and revitalizing our urban centers, we must create public policy which ensures urban land is not overlooked. Such an approach will allow us to support our cities and at the same time preserve the precious resources that have made Michigan such a beautiful place to live.

In Flint, we have made tremendous progress in just a few years by re-engineering the tax foreclosure system. The overriding philosophy of our initiative is that the land itself has value that is far more important than the liquidated value of the property sold at a distressed sale.

If there is not a similar approach to the disposition of mortgage-foreclosed properties, all the good work being done around the state of Michigan in reforming the tax foreclosure system will be overwhelmed with speculative purchasers mismanaging the real estate within our communities and driving down home prices – robbing responsible homeowners of their hard-earned equity.

The remainder of my written testimony is a description of the work of the Genesee County Land Bank. I submit this report to provide additional background on our work and its potential application in restoring the urban landscape, and in particular to explain how a locally controlled land bank authority may be a viable mechanism for disposition of mortgage-foreclosed properties.

Thank you for the opportunity to provide my thoughts to you and the committee as you deliberate this important and growing issue facing the nation.