


Draft Research Plan: Foreclosure as an Impediment to Remediating Blight

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Purpose:

This project is in response to a request by Senator Kyle at the November 2012 Commission meeting that staff study the time and cost involved in foreclosures and how that affects the redevelopment of blighted areas. By action of the Chairman, the project was adopted without objection.

Step 1. Define the Problem

Initial Problem Statement

Even though the real estate market is finally starting to improve in many areas, there are still a large number of properties in foreclosure. Some areas, like Frayser in Memphis, have an exceptionally large number of these properties, which, when concentrated, can cause blight. There is concern that the administrative costs of the foreclosure process, as well as the increased lending costs charged in blighted areas because of their high investment-risk, discourage redevelopment of those areas by housing agencies and private developers. The broader community is affected by blight through lower property tax revenue, through paying the costs associated with addressing blight, and through decreased quality of life and public safety. This problem is not limited to urban communities, with rural areas having their own blight challenges. What alternatives are or should be available to address this concern?

Step 2. Assemble Some Evidence

- Review Commission discussion on topic and record comments and concerns of members.
- What are the current laws and practices in Tennessee to deal with foreclosure of blighted property?
 - Review code.

- Contact housing development agencies.
- Contact city and county legal departments.
- Contact organizations representing private developers.
- How are foreclosures of blighted property handled in other states?
 - What do their laws authorize/require?
 - How has that changed since the housing crisis?
- What approaches have not-for-profits with missions related to addressing blight used to address foreclosures and their effect on blight?
- Review the literature on the effect of foreclosures on remedying blight.
- Review guidelines from federal agencies on remedying blight.
- How is blight different in rural areas from urban areas?

Step 3. Construct Alternatives

Staff will develop a list of possible alternatives based on the information gathered in Step 2. Alternatives will be based on

- a. current law,
- b. any additional alternatives drawn from research and analysis in Step 2.

Each alternative will be described specifically enough to project outcomes in Step 5.

Step 4. Select Criteria

Staff will use the following criteria to evaluate the outcomes generated in Step 5:

- Efficiency
- Fairness and Equity
- Cost
- Political feasibility

Additional criteria may be identified in Step 2.

Step 5. Project Outcomes

For each alternative constructed in Step 3, the staff will

- Determine whether it will enable county and municipal governments to operate more efficiently
- Determine how equitable it is to different interest groups

- Identify any constitutional issues
- Estimate its cost
 - Public
 - Property owners
- Estimate the receptiveness of
 - Legislators
 - State and local officials who will be required to implement the alternative (i.e., ability and willingness of the administration to implement)
 - Members of the public

Step 6. Confront Trade-offs

- What are the pros and cons of the potential solutions?
- What are the “best bets” for this particular situation?

Step 7. Decide which alternatives to present to the Commission

Based on the results of Step 6, choose the alternatives that most practically and realistically resolve the problem

Step 8. Produce the Draft Report

Develop and present a draft for review and comment to the Commission

Revisit Steps 5-8.

- Revise and edit the draft to reflect comments of the Commission
- Submit final report to the Commission for approval

