

LOCAL REVITALIZATION AND BLIGHT REMOVAL WORK GROUP

Delegate Terri Suit, Chair

STATUS REPORT - 2004 INTERIM

WORK GROUP CHARGE

Identify community revitalization trends, issues and opportunities at local, regional and state levels; review existing statutory provisions dealing with blight removal and the enforcement of the Uniform Statewide Building Code and other relevant regulatory provisions to determine which statutes and enforcement provisions are successful and which are not successful.

SUMMARY OF ACTIVITIES

- Held two meetings over the course of the interim (September 23 and October 28).
- Reviewed statutory provisions pertaining to blight removal.
- Obtained perspective on local revitalization efforts as such efforts pertain to older, traditional cities.
- Included the study of the impact of blighted or deteriorated properties in older urban communities as required by Senate Joint Resolution 95 (2004).
- Received presentations and information concerning:
 - i) developer's perspective on blight removal process,
 - ii) status of brownfields efforts,
 - iii) successful redevelopment projects, and
 - iv) cooperative efforts between traditional cities and surrounding localities.
- Established commitment to the development of specific recommendations for policies aimed at alleviation of blight and increased support of local revitalization efforts.

MEETING SUMMARY

***September 23, 2004, General Assembly Building, House Room D,
Richmond, Virginia***

Work Group Members in Attendance

Delegate Terrie Suit (Commission Member)
Senator Mamie Locke (Commission Member)
T. K. Somanath (Commission Member)
Steve Shapiro (Director of Code Compliance, Hampton)
Robin Herbert (Community Planning and Development Program Administrator,
Portsmouth)
Rochelle Small-Toney (Assistant City Manager, Charlottesville)
Rhet Tignor (Hampton City Council)
Ron Jackson (Deputy Director, Chesapeake Redevelopment & Housing Authority)
Eric Olson (State Board for Contractors)
Mark Ingrao (Apartment and Office Building Association)
John Broadway (Virginia Association of Realtors)
Staff: Amigo Wade, Lisa Gilmer

Work Group Members Absent

Delegate Melanie Rapp (Commission Member)
Wayne McBride (City of Norfolk)
Emory Rodgers (Department of Housing and Community Development)
Steve Kopalchick (U.S. Department of Housing and Urban Development)
Mike Cheatwood
Linda Lunquist
John English (Old Dominion University)

Delegate Suit called the meeting to order at 10:00 a.m. by reviewing the group's charge and the meeting goals. After allowing the members of the work group to introduce themselves, the chair turned to the scheduled presentations as indicated on the agenda.

Agenda Items

1. Presentation: Dealing with Blighted Properties

Walter C. Erwin, III, Lynchburg City Attorney, provided the work group with an overview of the blight removal provisions contained in the Code of Virginia. **Mr. Erwin** noted that over ten years ago a report prepared by the Department of Housing and Community Development recognized the existence of blighted and deteriorated buildings erodes the quality of life in many of Virginia's neighborhoods. Those problems include

- Blighted and deteriorated properties create potential nuisances and can become a convenient haven for criminal activities;

- The presence of blighted and neglected properties impair or arrest growth and development of a neighborhood and often lead to an exodus of current businesses and residents, threatening the spread of blight to other properties and neighborhoods;
- Vandalism of a single property or structure can have significant negative economic and environmental impact on an entire neighborhood; and
- Empowering localities to deal with blighted and deteriorated properties benefits the public by providing a more attractive community environment for citizens of the locality and increasing potential economic development prospects.

Mr. Erwin noted that localities are well aware of the connection between blighted and deteriorated properties, and that prompt efforts to deal with such properties are essential.

Mr. Erwin stated that property maintenance provisions of the Uniform State Building Code (USBC) also serve as valuable tools for local governments in their efforts to deal with blighted and deteriorated properties. These provisions empower officials to order the owner of a structure that is not being maintained in accordance with the property maintenance provisions of the USBC to repair the structure in a timely manner. If the owner refuses or fails to make the necessary repairs, a building official has the authority to secure, repair, vacate, condemn and even demolish properties that are unsafe or unfit for human occupancy.

Mr. Erwin also asserted that while the USBC is a valuable tool to assist local governments in dealing with blighted properties, it is often necessary to use authority provided by other provisions of the Code of Virginia, including:

- Abatement of Nuisance Properties (§§ 15.2-900, 15.2-901, 15.2-906 and 15.2-1115);
- Drug Blighted Properties (§ 15.2-907);
- Bawdy Places, Prostitution (§§ 15.2-908.1 and 48-7);
- Drug Activity Properties (§ 18.2-258);
- Alcohol Violations (§ 4.1-317);
- Registration of Vacant Properties (§ 15.2-1127);
- Spot Blight (§§ 36-49.1 and 36-19.5);
- Use of Grand Juries to Investigate Nuisances (§§ 48-1 through 48-6); and
- Delinquent Real Estate Taxes (§§ 58.1-3965, 58.1-3970.1, and 58.1-3975).

The presentation concluded with a listing by **Mr. Erwin** of additional statutory powers that would help localities deal with blighted and deteriorated properties. These include: i) strengthen language in the USBC pertaining to a locality's ability to recover costs when it has to demolish or repair a blighted or deteriorating property by authorizing a lien against the property; ii) strengthen the authority of localities to deal with "eyesore" properties such as the current provisions for dealing with unsafe, dangerous or unsanitary properties; iii) revisit the 2004 amendments to the Sections 15.2-904 and 15.2-905 which weakened the authority of localities to deal with inoperable vehicles; iv) develop additional authority to enable localities to acquire title to neglected properties in a timely and cost-effective manner before they deteriorate to the point where they cannot be restored; and v) make additional funding available to localities to deal with blighted or deteriorated properties.

2. Presentation: Overview of Current city Conditions and Strategies for Urban Revitalization

Linda McMinimy, of the First Cities Coalition, provided the work group with an overview of conditions faced by older cities and recommended strategies for urban revitalization. The First Cities Coalition is composed of 15 Virginia cities located throughout the state. **Ms. McMinimy** stated that blight is a major problem because it destroys communities, breeds crime, and causes disinvestments. Over the course of her presentation, **Ms. McMinimy** discussed several factors influencing the conditions of Virginia's core cities, including concentrations of poor and working poor, lower cost housing, high rental rates, and heavier reliance on health and welfare services and public transportation. In addition, while state aid is provided for education, local budget needs such as law enforcement, health and welfare, and infrastructure, all of which consume significant resources, receive very little state assistance.

Ms. McMinimy further stated that since cities cannot grow in area, the only way to increase the tax base is through revitalization. She organized her presentation around four realities faced by coalition cities that adversely affected the cities' ability to address blight:

A. Costly demographics

- Between 1990 and 2000, coalition cities lost 1.5% of their population while other localities in the state gained 18.6%
- 17% of the population is poor (versus 8% in other localities)
- 53% of students receive free or reduced lunch (27% of students in other localities of the state use these programs)
- A violent crime rate that is 80% higher than other localities

- Physical infrastructure that is older and more costly to maintain

B. Lagging economic growth

- Between 1990 and 2000 9,600 jobs gained (versus 583,000 in the rest of the state)
- Median family income of \$32,000 (versus a state median of \$46,700)

C. Physical barriers to Growth

- Lack of land suitable for development land
- Blighted land and structures
- The gap between development costs and market value
- Limited funding for redevelopment

D. Limited Fiscal Capacity

- Tax base that is heavily dependent on real estate tax
- Severely limited by the State in terms of revenue sources
- Aid provided by the state for urban revitalization, health and human services, infrastructure, and public safety are very limited relative to need.

Ms. McMinimy concluded her presentation by offering three strategies for the General Assembly to support that will move urban revitalization forward. First, policies should recognize that the vitality of cities is critical to the health of major metropolitan regions, should encourage reinvestment in cities, and should support regional approaches to problems. Second, increase efforts to improve economic competitiveness of cities by i) adopting the recommendations of the Urban Policy Task Force, ii) increasing funding for existing programs for blighted commercial or industrial properties, and iii) increasing assistance with key infrastructure needs. Third, hold property owners accountable for their properties.

The meeting adjourned at 11:42 a.m.

MEETING SUMMARY

October 28, 2004, Conference Room 1, Virginia Housing Development Authority Building, 601 Belvidere Street, Richmond, Virginia

Work Group Members in Attendance

Delegate Terrie Suit (Commission Member)
Senator Mamie Locke (Commission Member)
T. K. Somanath (Commission Member)
Steve Shapiro (Director of Code Compliance, Hampton)
Robin Herbert (Community Planning and Development Program Administrator,
Portsmouth)
Rochelle Small-Toney (Assistant City Manager, Charlottesville)
Rhet Tignor (Hampton City Council)
Ron Jackson (Deputy Director, Chesapeake Redevelopment & Housing Authority)
Eric Olson (State Board for Contractors)
Mark Ingrao (Apartment and Office Building Association)
John Broadway (Virginia Association of Realtors)
Staff: Amigo Wade, Elizabeth Palen, Lisa Gilmer

Work Group Members Absent

Delegate Melanie Rapp (Commission Member)
Wayne McBride (City of Norfolk)
Emory Rodgers (Department of Housing and Community Development)
Steve Kopalchick (U.S. Department of Housing and Urban Development)
Mike Cheatwood
Linda Lunquist
John English (Old Dominion University)

Delegate Suit called the meeting to order at 10:00 a.m. and introduced the speakers who were: Earl M. Ferguson, Artcraft Development, L.C.; Robin Miller, owner of Miller and Associates, Chris Evans and Kathy Framme, Department of Environmental Quality; Lee Householder, Richmond Redevelopment and Housing Authority; and Jack Berry, President and CEO of the Richmond Metropolitan Convention & Visitors Bureau.

Agenda Items

1. Presentation: Developer's Perspective on the Blight Removal Process.

The work group received a presentation from **Earl Ferguson**, President of Artcraft Development L.C. on developing blighted properties and the process for doing so. **Mr. Ferguson** spoke of the increased public benefit in acquiring blighted communities and rehabilitating them. Some common hurdles he experienced included site development problems, such as conflicting laws regarding who is deemed elderly for elderly housing, and building permit issues. Other issues that were discussed by **Mr. Ferguson** were the time needed to re-zone the property, the length of the building process when you include

the existing neighborhood into the design process, and unique problems such as the need for electric fencing to help alleviate a gang problem.

There was general discussion among the membership and **Mr. Ferguson** regarding whether time could be saved by simultaneous submissions under the Uniform Statewide Building Code for site concerns. Mr. Ferguson stated that simultaneous submission could save time.

2. Presentation: Residential Developer's Perspective

Robin Miller of Miller & Associates then spoke about adaptive use of historic buildings to create market-rate housing. He relies primarily on federal historic tax credits, state historic tax credits and the City of Richmond tax abatement program as funding tools. His company also focuses on adaptive reuse, urban revitalization, historic preservation and mixed-use development. **Mr. Miller** briefly discussed with the work group several construction projects of his company in the Richmond area in various neighborhoods that involved refurbishing older structures: Oregon Hill, the Museum district, The Fan District, Shockoe Bottom, and Old Manchester.

Mr. Somanath asked if blight was confined to cities. **Mr. Miller** stated that blight was spreading to suburbs. **Mr. Ingrao** asked Mr. Miller to review with the work group the process that resulted in his company purchasing and renovating the Robert E. Lee school. **Mr. Miller** stated that the Richmond School Board gave the school to the City of Richmond, which then issued invitations for bids on the project. He further stated that his company was successful because it had the support of the neighborhood association. He noted that his company changed its bid to accommodate the association such as changing the total units from 55 to 40.

Mr. Ingrao asked if federal tax credits were available for the types of projects Miller and Associates did. Mr. Miller responded that the tax credit was for urban renewal and that apartments were not considered covered. He further stated that Virginia had set up a tax credit to save historic buildings. That tax credit could conceivably be used with affordable housing in mind.

The consensus of the group was that legislation is needed to speed up the process of acquiring blighted property.

3. Presentation: Brownfields Redevelopment

Chris Evans and **Kathy Frahm** of the Department of Environmental Quality provided the work group an overview on the status of brownfields redevelopment. **Mr. Evans** explained that a "brownfield" is an abandoned, idled or underutilized industrial or commercial property where expansion or redevelopment is complicated by real or perceived environmental contamination. Typical concerns of prospective participants in the program include unknown liability, costs and regulatory processes, the possibility of additional or undiscovered contamination, difficulty in getting a loan, and the possibility

of civil action being taken by neighboring property owners. **Mr. Evans** and **Ms. Frahm** the discussed the key components of the state's brownfield program:

- Limitations on liability for individuals not responsible for the contamination;
- Amnesty from civil penalties for self disclosure;
- Voluntary remediation program;
- Site assessment assistance;
- Federal grants to localities for redevelopment projects;
- Low-interest loans for remediation costs; and
- Tax incentives.

Ms. Frahm stated that the goal of the program is to mitigate concerns about Brownfields and speed up the process that leads to development. Brownfields can be in blighted areas and knowing rules and having certainty in the process of acquiring the property is important to developers. **Mr. Evans** reviewed the community and economic benefits to the state as a result of the 122 sites that have been successfully cleaned up and the 40 projects that were currently underway. The estimated economic benefits are: over \$700 million in capital reinvestment; more than 700 full time jobs created and 500 jobs saved; over 2,500 part time jobs created; and 1,700 acres cleaned up. Community benefits include a cleaner environment, restoration of abandoned sites, reduced pressure for open spaces, and increased tax base.

Ms. Frahm and **Mr. Evans** also discussed real estate transactions with environmental components. Federal Brownfields grants and amnesty from civil penalties for self-disclosure were also discussed briefly.

Mr. Heatwole asked if DEQ had established a Memorandum of Understanding with the Environmental Protection Agency. **Ms. Frahm** replied that the MOA was completed two years ago and that it served to provide assurance from the federal government that it would not intervene or interfere in a brownfield cleanup operation conducted in Virginia pursuant to the program. **Ms. Frahm** also stated that the federal enforcement bar added additional assurance to participants by putting in place a bar on prosecution by the EPA.

Mr. Heatwole then asked if there was a federal tax credit for brownfield cleanup. **Mr. Evans** replied that there was such a tax credit and that, although it was originally scheduled to sunset in 2002, it is now permanent. **Mr. Evans** stated that he would provide additional information on the specific of how the tax credit worked.

Delegate Suit asked if there was an inventory of brownfield sites and **Ms. Frahm** answered that a site inventory had not been done yet. She further stated that part of the problem is that some owners may be afraid to have property designated as a brownfield.

4. Presentation: Successful Projects of the Richmond Redevelopment and Housing Authority

Lee Householder then spoke to the work group about the Richmond Redevelopment and Housing Authority's (RRHA) revitalization and blight removal efforts. **Mr. Householder** stated that the RRHA was currently working in 19 redevelopment and conservation areas located throughout the City. An overview of the activities over the last year was cited as follows:

- 81 properties acquired at a cost of \$2,500,000
- 44 properties demolished at a cost of \$353,000
- 30 families relocated at a cost of \$313,000
- 15 families receiving rehabilitation grants totaling \$530,000

These activities came to a total of \$3,696,000 in public investment. The total amount of private investment in these projects amounted to \$20,000,000. **Mr. Householder** also informed the work group that 110 homes had been newly constructed with an average price of \$150,000. **Delegate Suit** asked how many projects required eminent domain action and **Mr. Householder** replied that approximately 5% require eminent domain and most of those are done to resolve title issues and not because of an unwilling seller.

Mr. Householder then proceeded to provide an overview of typical blight removal and subsequent revitalization via the establishment of an Authority-approved development area.

1. City Manager requests the RRHA to conduct a blight study.
2. City Council approves funding for the study and redevelopment plan.
3. RRHA procures a consultant.
4. Public meetings are held involving affected property owners and neighborhood organizations, with the objective of achieving consensus for a draft plan.
5. Final redevelopment plan is prepared and approved by the RRHA.
6. City Council reviews and adopts the plan.
7. RRHA proceeds with the funding and implementation of the plan.

Mr. Householder then discussed the work of the RRHA in the Randolph, Carver, Southern Barton Heights, West Cary Street, and Blackwell neighborhoods. Six other neighborhoods the Housing Authority targets are the Neighborhoods in Bloom initiative areas for which blight removal is a component.

Several questions of the work group concerned the lengthy amount of time it takes for the Housing Authority to acquire property and whether developers could expedite the process. The group also discussed what the state could do to assist cities and housing authorities to do more.

Mr. Somanath asserted that the state should look into the possibility of allowing a developer to use his own resources, thereby using private money instead of appropriations. **Mr. Householder** responded that, to his knowledge, the property would have to be condemned by a public entity and that the statute would not allow the property to be subsequently given to a private developer.

Mr. Shapiro asked how the RRHA funded the projects. **Mr. Householder** stated that funding came from \$2.5 million in Community Development Authority bonds. In addition, 20% came from other sources including some funds from Housing Opportunities Made Equal, Inc. (HOME). **Delegate Suit** asked if RRHA provided down payment assistance in the instances of housing purchased. **Mr. Householder** stated that while the City did not provide such assistance, some was provided by HOME.

5. Presentation: Cooperation Between Traditional Cities and Surrounding Localities.

Jack Berry, President and CEO of the Richmond Metropolitan Convention & Visitors Bureau, then spoke regarding how the City of Richmond and the surrounding Counties of Henrico, Chesterfield and Hanover used regional cooperation to help eliminate blight in downtown Richmond. **Mr. Berry** indicated that fifty-seven parcels were acquired downtown by eminent domain. Approximately \$454 million has been invested downtown because it will have an overall effect of benefiting the entire region. He then discussed at length the largest regional partnership to date involving Richmond and surrounding counties: the Greater Richmond Convention Center. The funding commitments were shared among the localities in the following manner: Richmond 50%, Henrico 35%, Chesterfield 13%, and Hanover 2%.

Delegate Suit concluded the meeting by the work group will begin its work in the 2005 interim by exploring what can be done legislatively to foster blight removal and revitalization and to develop policy locally and statewide.

The meeting adjourned at 11:50 a.m.

PRESENTATIONS AND REPORTS*

1. Dealing with Blighted Properties, Walter C. Erwin, Lynchburg City Attorney, September 23, 2004.
2. Overview of Current City Conditions and Strategies for Urban Revitalization, Linda McMinimy, Virginia First Cities Coalition, September 23, 2004.
3. Developer's Perspective on the Blight Removal Process, Earl M. Ferguson, President Artcraft Development L.C., October 28, 2004.
4. Residential Developer's Perspective, Robin Miller, Miller & Associates, October 28, 2004.
5. Brownfields Redevelopment, Department of Environmental Quality, October 28, 2004.
6. Successful Projects of the Richmond Redevelopment and Housing Authority, Lee Householder, Richmond Redevelopment and Housing Authority, October 28, 2004.
7. Cooperation Between Traditional Cities and Surrounding Localities, John F. Berry, President and CEO, Richmond Metropolitan Convention & Visitors Bureau, October 28, 2004.

**Full copies of presentations made to the work group may be retrieved from the Commission's website: <http://dls.state.va.us/houscomm.htm>*