

Dan Kildee Transcript

REX:

I'm Rex Lemore and I'm pleased to have the opportunity to welcome you to this webinar series. This is our May 24th session looking at The Distribution of Costs and Benefits regarding Resizing Communities in a Just and Equitable Manner. This webinar series is designed to facilitate thoughtful discourse and innovative collaboration amongst a number of partners and stakeholders throughout Michigan, across the Midwest who may be focusing on the challenges of resizing their communities because of a loss of population, a loss in resources so we're hoping that this material might help to guide them in that work so that they're able to do it in the most effective and efficient way possible.

In addition to our webinar series we will also be making available materials on our website—reading materials and other sessions—that will be relevant to this topic and we encourage participants to access those sites. It's more than just a webinar series as I mentioned but also a place that at future dates that if these materials are interesting and appropriate where you have groups of neighborhoods leaders and community partners coming together and you'd like to revisit this material you can upload this webinar and discuss it in your community settings and thus build a better network of informed practitioners in our state to help us do this in the most efficient and effective way possible.

If you haven't registered already that's no big deal, just send us your email address and your name to ced@msu.edu. If you have any questions there is a chatbox on the left column of your screen where you can enter questions. This seminar is actually being pre-taped and while we will have representatives from the Center for Community Progress participating in the replay, some of your questions may have to hold until another time.

I am really excited about the opportunity to introduce our presenter. Mr. Dan Kildee is co-founder and President of the Center for Community Progress. Certainly a leader known to Michigan leaders throughout the state he has served as a Genesee County Treasurer from 1997 to 2009 and before his election as Genesee County Treasurer Dan served 12 years as a Genesee County Commissioner including 5 years as Chairman of the Board of Commissioners. Dan also served as President of the Genesee Institute, a research and training institute focusing on smart group, urban land reform, and land banking. He is a member of the executive committee of the National Vacant Properties Campaign, the Center for Community Progress, is a successor of the Genesee Institute and National Banking Properties Campaign. He founded the Genesee Land Bank, Michigan's first land bank and a model of all other land banks around the nation and serves as the Chair and Chief Executive Officer.

In 2007 the Land Bank Program was named winner of the Harvard University/Fannie Mae Foundation Innovations in American Government Award for Affordable Housing. In 2009, Dan was named one of the "GOOD 100" by the Los Angeles-based GOOD Magazine, recognizing him as "one of the most important, exciting, and innovative people, ideas, and projects making our world better". I'm very excited and pleased to have the opportunity to introduce Mr. Dan Kildee.

DAN KILDEE:

Thank you very much, I appreciate the opportunity to join you in person at some point in time, certainly today through the benefit of the webinar and through this computer connection that we have. I think I have a slide presentation, I don't know if it's cued up. I will go ahead and take a few minutes to run through this presentation and hopefully give you some of the thoughts of our organization on this particular subject. My history is one as Rex pointed out where I was a local government official, the County Treasurer here in my home town of Genesee County, Flint Michigan. So it's in that job, in that particular work that I came face to face with the problems that American cities like Flint are facing with significant changes in their population and significant changes in the economy having a dramatic affect on the landscape and particularly on neighborhoods. So I will spend a few minutes today walking through some of the thoughts that we've developed on ways to manage this process in a manner as your title suggests in a way that is just and equitable.

To give you little bit better sense of what our organization is, we were launched about a year and a half ago to take this issue of vacancy and abandonment in American cities to a larger scale. Take the challenge of trying to reposition these physical assets to be a contributing factor in city's revitalization efforts. Our mission is really to play that important role in creating vibrant communities throughout the country by providing direct technical assistance to communities, developing new policy approaches and then advocating for those changes through our vast networks of people who work on these subjects, people who have been working on this for many, many years long before our organization was launched. I mention this because any of the communities that are struggling with this problem now do have our organization funded by the Board Foundation, the Charles Stuart Monte Foundation right here in Flint and a number of other organizations. But we've got this organization to serve as a resource for communities that are trying to figure out strategies to deal with this really tough problem.

We're based in Flint, Michigan and Washington, D.C. and we also have an office in New Orleans. Though our work started here in Michigan right now we are present in about a dozen states focusing primarily on breaking down policy barriers dealing with problems of vacancy and abandonment. And that's a particular problem in these cities that have experienced dramatic population loss. And of course this is what we're up against. The properties that are left behind as cities face significant abandonment not only have a significant impact on the quality of life, I mean people who live across the street from a house like this have their lives affected by it. Kids are not really free to play safely in the neighborhood, the likelihood of a house being the source or crime or an accident are much greater. And of course what's the value of your own single family home when you live across the street or next door to something like this. You immediately loose the equity that your family may have invested decades to create. And of course the community loses too, because a vacant house is ten time more likely to be a source of fire. So simultaneously these cities that have lost population and are trying to re-pattern themselves have fewer financial resources available to them and a higher demand for services. This is a really toxic mix of factors.

So the problem? The problem that we're seeing is that we've had a dramatic change in the American landscape particularly in the urban landscape and especially in the northeast and Midwestern United States. Large scale abandonment driven largely by changes in the global economy but the affect that those changes have had on our regional economies and local communities is pretty dramatic, just look at the data. Forty-eight cities in America with a population of more than 50,000 lost significant population in the 50 years between 1950 and

2000. So we can track this trend back to that period when we began to see changes in the auto industry in Michigan and the steel industry in other places. Interestingly enough, of the 48 cities that lost population before the year 2000 the most recent census data shows that 45 of those cities lost population between 2000 and 2010. Detroit for example, which had lost 50% of its population before 2000 lost another 25% since then between 2000 and 2010. Cleveland had lost 48% of its population before 2000, another 17% in the last decade. Buffalo lost half of its population before 2000, another 11%; Dayton 37% followed by 15% loss. My own home town of Flint before 2000 had lost over a third of its population, in the last decade 18% of residents that were left then have left since then. So only of the 48 cities that fit that category, only Washington D.C., Schenectady, New York, and Reading Pennsylvania have rebounded to any extent and been able to see even modest population growth in the last decade.

This problem obviously has a lot of causes. Initially what we saw, even in cities where we had regional stability, cities like Flint saw population loss in the second half of the 20th century mostly driven by racial avoidance and white flight, people who just simply reacted and responded, unfortunately, to efforts to provide equal and fair housing rights to people of color. That problem has been exacerbated and continued to a certain extent by economic flight to suburbs and other regions and the loss of young people, mostly resultant from deterioration in those older cities and economic opportunity no longer being what it was. So these cities experience a reduced tax base: the loss of population equals the loss of value and the loss of wealth, loss of economic activity and reduced governmental revenues to deal with the problems left behind. Job losses in the manufacturing sector obviously drive that, unfortunately these communities are not well positioned to make that transition into the next economy because many of the communities that we are speaking of were manufacturing communities that grew in the industrial era and never really achieved any significant educational attainment levels. So the legacy of that history is one that positions these cities really in a tough spot as we compete for knowledge economies that are so important for the next economy.

And of course aging infrastructure, what's left behind hasn't been repaired: schools, streets, parks, all those public assets. And unfortunately we still haven't made the connection to some of the root causes of this problem, we still have in our land use systems to a great extent and the way we incent development, we still have a bias that favors sprawl. So even if a community is able to put together a vision for itself in the wake of significant population loss, sprawl is still the default development trend and when capital begins to flow again is this economic recovery which is in the basic changes, when it takes root the fear is that without significant changes in policy we are just going to see a return to that continued expansion of our built environment at the expense of older American cities.

I learned a couple years ago when I opened my mouth and began to talk about this problem of the so called "shrinking cities" or what we like to now call legacy cities that to even talk about it often is contrary to certain American ideals. In fact Rush Limbaugh gave me his punching ball for three days back in 2009—which in some ways has validated everything I've ever done in my life—but what I found is that the premise of the American experience around cities is one that is obsessed with continuous expansion, that size of a city determines its quality, that growth equals prosperity so that good cities grow and the shrinking cities are in decline and those must be bad places, our land use plans assume growth, our land systems assume constant appreciation of value across the region, across the map. And as I said in some ways I learned that to not embrace this notion of constant growth is seen by some as being un-American.

So we have that as a backdrop but we have this problem, this most recent problem that is exacerbating this issue of population loss and makes this question of managing the process and creating equity and fairness in the way we treat folks as we revision these cities makes it even tougher, partly because the chronic problems have been exacerbated by obsolete public systems. As a city downsizes it often loses control of its land asset through tax foreclosure systems or code enforcement systems that don't realize that what happens to properties that fall into public ownership through a public system can actually make the effect of abandonment even worse. Selling tax foreclosed properties at public auctions for example is a sure fire way to put those properties into the hands of people who will continue that devolution of use, that downslide in the use of the property.

And then this most recent housing crisis, the mortgage crisis where we've seen lots of home foreclosures even in functioning market areas. In a city with significant population loss, that problem has brought the problem of abandonment or that subject has brought the problem of abandonment into neighborhoods that otherwise were not experiencing that problem. So this most recent crisis has made for a more difficult condition and greater challenge but I think in some ways, if done right and thoughtfully managed, might open the door for some opportunity.

So the challenges these communities face, significant population loss, it requires us to be sort of honest with ourselves about these particular cities and honest with the people who live there. The first step toward a fair and just and equitable approach to this problem is to level with the people who live in—take the city of Flint for example, or the city of Detroit or Saginaw or Dayton—and tell them the truth. The likelihood of these cities returning to their past population levels and reclaiming the use of all the land and neighborhoods that have been left behind, the likelihood of that reality is pretty slim. And it's so unlikely even in an environment where we would see a community like Flint connecting to the next economy; it's still going to be a much smaller city than it was say in 1960 or 1970 at least in the foreseeable future. So we have to be willing to have that honest conversation and then engage in a redesign or a re-visioning of the city so that we can see a future with population concentrated again and a number of interesting, walkable, sustainable neighborhoods that have schools and parks and access to public services that are delivered in a high quality manner on a scale that that government can actually afford.

We need to create some tools then, to get to that vision. Getting to that vision is a tough enough task. Creating tools that help the population migrate in that direction is something we figured out how to do a long time ago, we just called in sprawl, we had all sorts of tools that incentivized sprawl. We need to figure out a way to use those very same tools, those incentives for migration to attract citizens into sustainable neighborhoods that actually work and are functional. Doing that we've got to remember these mistakes of the past, urban renewal comes up all the time. Urban renewal which in the name of new development, in the name of some future vision did a lot of the same things that many of these communities have to do: demolished abandoned housing. Unfortunately urban renewal was done in a way that did not consider the interests or the concerns of neighbors and did not respect the right of individuals who choose to stay in the family home and to stay there and not get left behind and neglected. This is going to be tough but it is important, I think, that as these communities try to re-pattern themselves that they use incentives and not mandates to relocate people. Use, as I'll explain in a few minutes, I think one possible tool which is one I most associate with a land bank tool, but use the capacity and the thoughtfulness and the creativity that we can put into relocation to incentivize folks to move into those places where they really would prefer to be in the first place. Using those tools

to target new density in neighborhoods and cities rather than the tools as they've been used over the last few decades to be magnets for sprawl.

One of the big leaps forward in the last weeks and months is the development of an agenda around this particular subject. Some of you might be familiar with the American Assembly, it's a program started in 1950 at Columbia University. It was started by President Eisenhower when he was the President of Columbia between the time he left our service as a General in the army to becoming President of the United States in 1953 he served as President of Columbia University. And at that time he initiated this notion of creating an opportunity to bring together thought leaders from around the country to really drill down and try to make sense of a challenge. A challenge that we took on at the American Assembly just a few weeks ago was to try to think through these challenges of American cities that have experienced population loss and try to come up with strategies or a vision for how those communities can move forward and prosper. The event was chaired by Henry Cisneros, former secretary of HUD, once the Mayor of San Antonio and Greg Lashutka who happens to be a republican who was the Mayor of Columbus Ohio.

The basic principles that the American Assembly has advanced I think will create a frame work. And in the coming months we will publish a much more specific set of policy resources that will help get us there but essentially the American Assembly believes that these cities are important to the nation because these cities are where the next economy will be driven. Their future, the future of these cities, are going to only be achieved if that reality is grounded in an honest understanding of what the city's economic assets are, building from their opportunities, thinking about the neighborhoods and the city as being a market and an approach that is truly market driven but informed by social and environmental values so that we don't repeat the mistakes of the past. But the notions that the American Assembly has advanced is that all the surplus land should be used for public and interim uses where the private markets aren't functioning but that the cities themselves in order to achieve the kind of excellence that we think they will need in order to be a part of the next economy have to rethink their very governance and leadership, have to rethink their financial capacity and their information infrastructure.

So what that's going to mean is that as we think about how we relocate people within communities, we also have to think about how we govern these places. It's not likely with the way the economy has drawn value into suburban and regional parts of our state that we are going to be able to achieve the kind of role for cities in the regions unless we figure out a way to finance public services. To do that we are going to have to create a whole new set of partnerships at the federal, state and local level and I know there is obviously a significant conversation going on in the state right now about how we do that. It's not going to be easy but I think it's an important premise, that if we're going to figure out ways to relocate within cities, then we also have to think through honestly how the city itself will function within the region and what the relationship between counties and the regional authorities and townships and city governments will be. It's a conversation that we can't miss partly because the financial stress being faced by the cities that we're dealing with is so severe that it's clear that even with a good plan and a good design the ability for a city to achieve that new reality, to achieve that vision is going to require a different kind of financing of government services, one that does not simply rely on a self contained city being able to tax itself enough to spend the money that it needs to be the core, to be that important urban center. It's a tough challenge and it's one that's not going to be solved simply by trying to work harder or work faster, but actually think differently about how government itself is organized.

So going back to the premise of the question that I'm dealing with today, how do we manage this process of re-patterning cities around smaller neighborhoods with higher density populations, how do we manage this relocation question? We have here in Michigan significant tools that if used right can actually help a community achieve that. So I'd like to just quickly walk through three important tools that give these legacy cities a chance to re-pattern itself and to offer its citizens a fair way to get there. One is the tax foreclosure reform; we've fixed our tax system in Michigan so that we don't essentially sell our future to tax speculators in exchange for a few dollars. That tax reform gives us the chance to capture value that might be useful in creating incentives to draw people from neighborhoods that have failed into neighborhoods that might be sustainable. An important corollary to that is the development of land banks, the ability to gain control of those properties that come through either tax foreclosure or mortgage foreclosure or some other system and then make decisions about how we use those properties that come to that land bank, often perhaps using them as the magnet to bring people from a neighborhood that they would like to leave into one that they can then see as a neighborhood where they'd like to raise their family. And then further taking this model to scale at the regional level, recognizing that the entire region benefits from a city which has been able to repurpose itself so the entire region in this particular case can play a role in helping to achieve that vision.

So how does this work? Tax foreclosure reform is pretty simple. We used to sell tax liens, we don't do that anymore. That means the sale of a receivable, basically trading the future tax collection to control of land so some speculator with a laptop computer can gain control of houses all across the city and county and in my own hometown that's thousands of properties. What happens to those properties under the old system? They get sold off to public auction. What can happen with properties that come through the tax foreclosure system now is that potentially that gives us a chance to match a house occupied by a family in a really weak neighborhood with one that would come through the tax system in one of those areas that actually can be sustained and is actually part of that future map, that future vision. The equity that the former owner thinks they have can be translated or transferred to a property in one of those neighborhoods that is perhaps part of that next vision. This is not just a model that allows us to gain control of the property, but to gain control of the equity and the value in those properties. Using that equity as one source to create incentives for relocation is something that is absolutely critical as communities are trying to deal with this problem because we are not going to be able to print enough cash, we're not going to be able to print enough money to create the incentives for that kind of relocation. We can use the value of land that comes to the government through its public tax foreclosure system as an incentive for relocation.

To do that—and this is the Genesee Land Bank notion—is to take those properties into a land bank that doesn't have to convert every property to its highest cash transaction value but can actually use those properties, make decision about the use of those properties in a shrinking city or a legacy city to offer property in stronger neighborhoods as an incentive or an inducement to folks who are really looking for a way out but are trapped in a neighborhood that they've invested in because under no circumstances are they ever going to be able to realize the investment they've made in that property. The land bank is able to offer that type of incentive to an individual who is stuck and otherwise has no way out.

And this is an important part of the Michigan model. This work is fundamentally important to the whole region. To do so requires significant financial resources to rehabilitate existing houses that can be a part of that next future city, to demolish abandoned houses that are not part of that vision, that can't fit into a rational design for a city that's lost half of its

population but because the tax foreclosure system and the land bank model and the Brownfield financing can operate on a county wide or a regional level it's possible to use a whole market basket of properties in a cross finance, multi jurisdictional tax increment taxing plan. Borrowing against future revenue from property that actually can be made valuable or already is and help finance all the moving parts of this strategy that allows for abandoned properties in weak neighborhoods that aren't going to be part of the future to be demolished and stronger properties, or possibly stronger properties and neighborhoods that are part of this new sustainable future can be the subject of reinvestment. Doing that work and then relying on a county wide inventory of properties to supply tax capture actually makes this sort of a plan achievable. Not very many Michigan communities have fully realized the value of these three tools, this is fundamentally a part of what allows us to be fair and equitable and actually recognize the fact that people who leave empty neighborhoods think they are leaving behind a property that is worth something to them. We can recognize that if we use all these tools and use the economic and financing tools that are available to realize that.

And I will just close with a few images. I think one of the fallacies of these shrinking cities or cities that are in a position to be resized is that to see a city become a smaller place somehow means that it is a failed place or that it is not going to be a subject of reinvestment. That's simply not true at all. I will point to a few examples in my hometown of Flint. Again, this is a city that has lost half of its population. It once had 79,000 people all working for general motors, now it has 6 or 7 thousand people working for that company. Had 179,000 people, now just over 100,000. So you'd think that we have an oversupply of land, too many buildings, why would we need to invest in new development? It's because to be fair and just in how we reduce the physical footprint of the city, it means we have to invest in that city. We have to build the smaller city, to invest in quality, in interesting places, not just walk away but to actually invest and rebuild the place that is a new version, in this case, of Flint.

So we take the abandoned department store—this is a building on Saginaw Street, the main street in downtown Flint—using all of these tools that we put together took the 30,000 square foot Hughes & Hatcher building and turned it into a mixed use development. Took the building that once was essentially a flop house sitting right between downtown and our historic neighborhood of Carriage Town and turned it into 17 really interesting apartments. Really going from being an example of a city that had failed and that offered very low value housing to a city that is trying to create a new magnet neighborhood in its downtown by offering really interesting and very affordable space for people to live in. The first grocery store in the city of Flint in decades, a full service grocery store right in downtown, again supported by the effort of the land bank. Yes now in Flint we have bananas. A neighborhood that was once forgotten now the source and the subject of significant rehabilitation, of beautiful historic assets, old houses that were part of Flint's history now can be a part of its future. Those places can be a part of that magnet that we try to create to draw people into much more sustainable, walkable, interesting neighborhoods that are part of the future.

And now my favorite one of all, the biggest emptiest building in downtown Flint, the Durant Hotel which when we acquired it looked like this. It had been empty for 37 years. So when these cities loose population and need to be re-patterned we have to look at the historical assets both in their neighborhoods and in their buildings and realize that to get to be a smaller place we can also become a better place and offer to our citizens a better life, a better opportunity to live in an apartment building like the former Durant Hotel which is now this beautiful open space, so basically a gift back to the community where 150 or so residents now can live in this

really interesting walkable neighborhood. That's one of the ways to be fair and just, to realize that a smaller city can actually simultaneously become smaller and better. And to offer the opportunity not just to new in-migrants from other places who will see this interesting space and want to move there, but first offer this opportunity to the people who stuck in there and lived through these changes and paid a heavy price by living in neighborhoods that are so weak that they couldn't be sustained. They need to be first in line and that's the way we look at this, first in line to take advantage of this kind of new investment.

You can learn a lot more about it, this is my commercial for our land bank conference which is coming up and may already be passed by the time this runs. But this is the work we're doing, the Center for Community Progress. A Flint idea that has now gone across the country and I am happy to share some of my thoughts with you today. Thank you.

REX:

Thank you Dan, that's an excellent presentation. I am certainly appreciative of your work and the insights you were able to offer us on how we can resize our communities in a socially just and equitable manner. I will close this part of our seminar series right now and look forward to chatting with folks in our chat room.

DAN KILDEE:

Thank you.