

Auctions are not best options for abandoned property

July 29 2015, by Jared Wadley



An abandoned property. Credit: Cindy Cornett Seigle

If officials in distressed cities want their communities to recover, abandoned commercial and residential properties would be available

through a managed sales program rather than auctions, according to a new University of Michigan study.

Managed sales through land banks or city planning departments can lead to more owner-occupied homes, additions of side lots to homes and businesses, and less property flipping, said Margaret Dewar, U-M professor of urban and regional planning.

Population loss and employment decline in many cities nationwide have led to thousands of abandoned [properties](#). As a result, owners stop paying [property taxes](#), which sends the property into foreclosure. The governments then sell tax liens or sell the property at auction, depending on state law.

"The objectives of the sales are to recoup at least some of the lost municipal revenue quickly and to move property back into private ownership," Dewar said.

But this system is not the best approach to assure that abandoned property returns to productive use that yields future tax revenues, she said.

Dewar studied the reuse of tax-foreclosed properties in Flint, Mich., and Detroit. The method of sale of these properties has ramifications for future use. A county government in Michigan has to offer tax-foreclosed property at auctions.

"This allows governments to receive immediate revenue if the property sells, but this strategy has promoted prolonged disinvestment," she said. "Auctions have not allowed prospective bidders to inspect properties."

Purchasers usually have had to deliver full payment within 24 hours. Dewar said those individuals with the financial means to accept these

conditions have often flipped properties, extracted payment from people who had intended to use the properties, or rented houses without making improvements until the county again took the property for failure to pay taxes.

In contrast, managed sales aim to assure lasting reuse. Dewar saw how city department staffs scrutinized prospective owners and their plans for reuse. In addition, interested purchasers had an opportunity to inspect the property, remove any liens against the title and arrange financing.

Managed sales also were associated with much better property conditions than were auctions. A smaller share of properties sold through managed [sales](#) remained vacant lots, Dewar said. Fewer properties returned to tax foreclosure or experienced speculative flipping.

Officials can improve outcomes by alerting the public about properties to be auctioned, she said. This would also include holding open houses for prospective buyers to examine the properties.

"Auctions could allow more time for a purchaser to find funds to pay for property and clear title," Dewar said.

In addition, public officials could reduce the share of foreclosed properties sold at [auctions](#) by advocating for changes in state law, she said.

The findings appear in the current issue of the Journal of Planning Education and Research.

More information: "Reuse of Abandoned Property in Detroit and Flint: Impacts of Different Types of Sales." *Journal of Planning Education and Research* 0739456X15589815, first published on July 16, 2015 [DOI: 10.1177/0739456X15589815](https://doi.org/10.1177/0739456X15589815)

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