
APPENDIX F

Vacancy Fine for Commercial Locations

(from the Small Business Committee)

Recommendation

Adopt a vacancy fine for commercial locations.

If you're specifically interested in fees relating to vacant properties (and I would definitely suggest calling it a fee or a fine, and not a tax), there are certainly some other cities out there you could look at. Generally, these fees increase over time, the longer the property remains vacant. In February, 2006, San Diego enacted an ordinance allowing the city to fine property owners up to \$5,000 (the first quarterly fine is \$250, the next quarter is \$500, etc.) The law also makes owners file a statement of intent with the city every year.

You might also consider a vacant property registration ordinance, which requires that owners register with the local government. One of the difficult issues (although this may not be the problem in your case) is that owners who abandon property are not always easy to find. This way, either the owner, or a local contact, if the person lives out of town, is known in case the property becomes a nuisance. The registration fees can help cover costs for city departments to monitor and inspect the property. Wilmington, Delaware has an ordinance with a sliding annual fee that goes up based on length of vacancy.

Both of these fees become liens on the property if they are not paid.

One issue you might come up against is that sometimes people or organizations, who really want to do something with a property, have to hold on to it for a while before they're able to (a CDC might need

to acquire a few properties before they can start a project, while also raising funds for rehab, for example), so you might want to consider that the fee can be waived in certain instances.

Off the top of my head, I believe that Milwaukee, Wisconsin also has these types of ordinances, as I'm sure many more cities do as well. Let me know if this is helpful - I can probably put you in touch with folks in at least San Diego and Milwaukee if you're interested. Best of luck to you; I know you've got a lot of work to do.

The costs of a Vacant Building

by Donovan Rypkema National Trust

The downtown's economic value is based on its commercial activity and its real estate. The real value of downtown buildings depends on their ability to support commercial activity. According to analysis by Donovan Rypkema of the Real Estate Services Group, an empty downtown commercial building has substantial impact on the community's overall economy. For example, a hypothetical vacant small building in a typical community could annually cost the local economy:

- > \$200,000 in direct retail sales
- > \$112,500 in secondary retail sales
- > \$24,000 in salaries
- > \$10,000 in rents
- > \$1,050 in property taxes
- > \$8,960 in business profits
- > \$7,600 in bank deposits
- > \$5,000 in utility collections
- > \$3,200 in advertising revenues

While these are only hypothetical figures, they demonstrate clearly the relationship of commercial activity and real estate value: Each is dependent on the other and the overall economic value of the downtown comes from this interdependence.

A Case Study on Land Value Taxes in Wilmington, Delaware

By Eleanor D. Craig, November, 2003

To fine vacant dwellings. The fine is graduated and increases as the length of vacancy increases. If the dwelling has been vacant for one year, the fine is \$500, increasing arithmetically to \$5,000 if the structure has been vacant for \$10,000. This fine qualifies as a land value tax by punishing speculators and encouraging owners to generate income from their properties, or alternately, to sell their structures.

From Kentucky Main Street

A bill enacted by the General Assembly of Kentucky- Gretchen Kuechler found it. It is "an act relating to the taxation of abandoned urban property by cities of the second class." It allows cities to levy a "separate rate of taxation on abandoned urban property."

The definition of "abandoned" seems to be key and one of the 3 points necessary is that the property has been tax delinquent for 3 years. Under MS law, cities can take action –sell- properties that are tax delinquent for 3 years.