

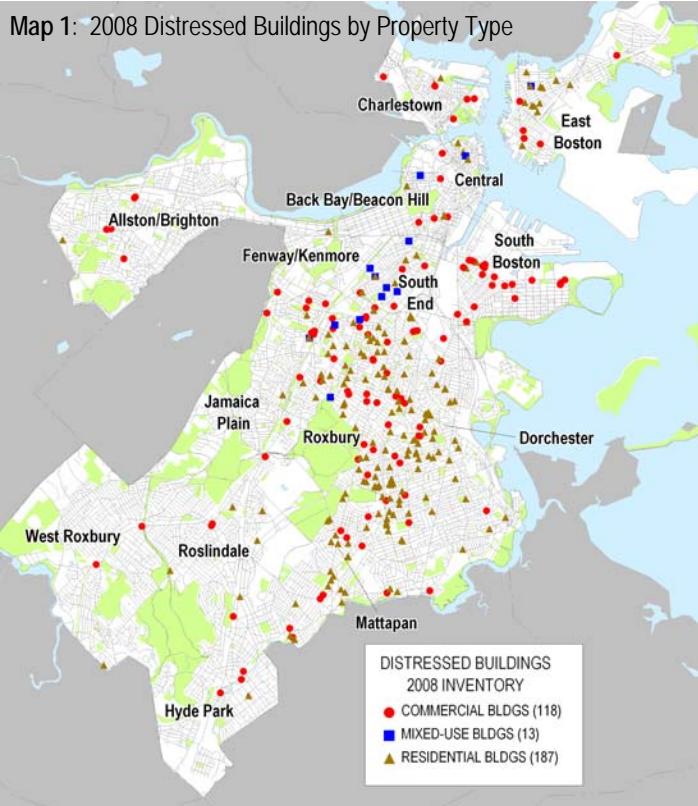


# Trends 2008 Distressed Buildings

CITY OF BOSTON/THOMAS M. MENINO, MAYOR

DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT EVELYN FRIEDMAN, CHIEF AND DIRECTOR

Map 1: 2008 Distressed Buildings by Property Type



## SURVEY OVERVIEW / METHODOLOGY

A distressed building is any residential, commercial, industrial or mixed-use building (excludes sheds and garages on residential property) which is not occupied and has visible signs of physical distress (boarded, burned, open to the elements, otherwise deteriorated, etc.). Buildings used for storage may be surveyed as distressed if it is boarded or appears otherwise unoccupied. In previous surveys, from 1999 to 2007, these buildings were identified as "abandoned." The terminology has changed to "distressed" for the 2008 survey.

The distressed building survey is based on information gathered in previous surveys and data on buildings that are likely to be in distressed condition from the Assessing and Fire departments. A photo is taken of each property and a form is completed from a visual inspection of the exterior of the property using a handheld GPS device. In March of 2008, the City also began surveying Real Estate Owned (REO) properties, which are properties bought back by the lender at a foreclosure auction. REO properties that met the definition of "distressed" were added to the distressed building database.

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Chart 1: Distressed Buildings by Property Type\*\*



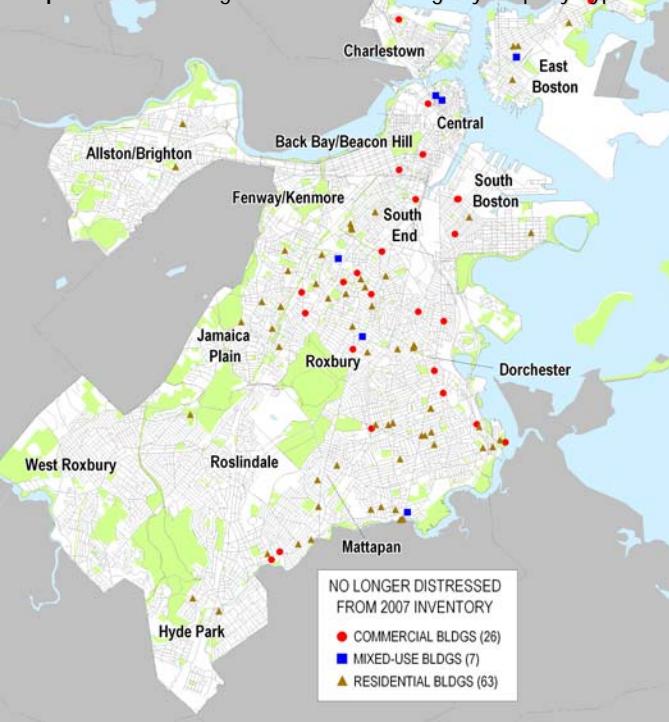


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Map 2: 2007 No Longer Distressed Buildings by Property Type



## SURVEY HIGHLIGHTS

This year's survey is DND's twelfth annual survey. Findings in this report are from survey work completed in the Fall and Winter of 2008. Since the survey began in 1997, the total number of distressed buildings decreased by 70%, from 1,044 to 318 buildings. The number of residential distressed buildings decreased by 77%, from 796 to 187 buildings. Commercial and mixed-use distressed buildings decreased by 47%, from 248 buildings in 1997 to 131 buildings in 2008 (see Chart 1).

Since last year, the overall number of distressed buildings increased 3% from 310 buildings in 2007 to 318. Residential distressed buildings increased by 18%, while commercial and mixed-use distressed buildings decreased by 14%.

69 of the 318 distressed buildings in 2008 were newly added to the inventory, while 96 properties that appeared distressed last year were renovated, demolished or are no longer distressed.

## CHANGES IN INVENTORY

Map 1 shows the 318 buildings identified as distressed in the 2008 survey:

- 59% (187) are residential buildings.
- 37% (118) are commercial, and 4% (13) are mixed-use.

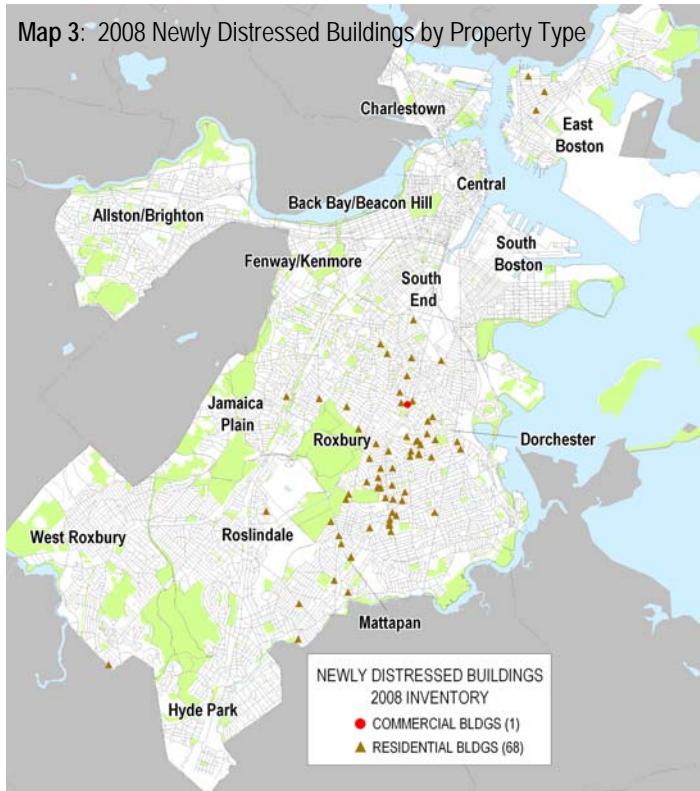
Map 2 shows the 96 buildings from the 2007 survey that were found to be no longer distressed at the time of the 2008 survey:

- 66% (63) are residential buildings.
- 27% (26) are commercial, 7% (7) are mixed-use.

Map 3 shows the 69 buildings added to the distressed building inventory in 2008:

- 99% (68) of the newly identified buildings are residential.
- 1% (1) are commercial.

Map 3: 2008 Newly Distressed Buildings by Property Type





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## PRIVATE MORTGAGE FORECLOSURE

Of the 318 distressed properties identified in the 2008 survey, 84 properties (26%) have recorded foreclosure deeds. The private mortgage foreclosure crisis has greatly impacted the distressed building inventory. All but one building that was added to the 2008 inventory was a foreclosed property.

In the past three years, Boston has experienced a significant increase in private mortgage foreclosures overall. From 2005 to 2008, there were 6,338 properties petitioned and 2,239 foreclosed properties (see Table 1). Furthermore, the number of REO properties has also increased. As of January 2009, there were over 950 existing REO properties in the city (see Map 4). Vacant REO properties pose a significant risk to neighborhoods by attracting crime and lowering local property values. Over time, these properties begin to deteriorate and show signs of physical distress adding to the City's distressed building inventory.

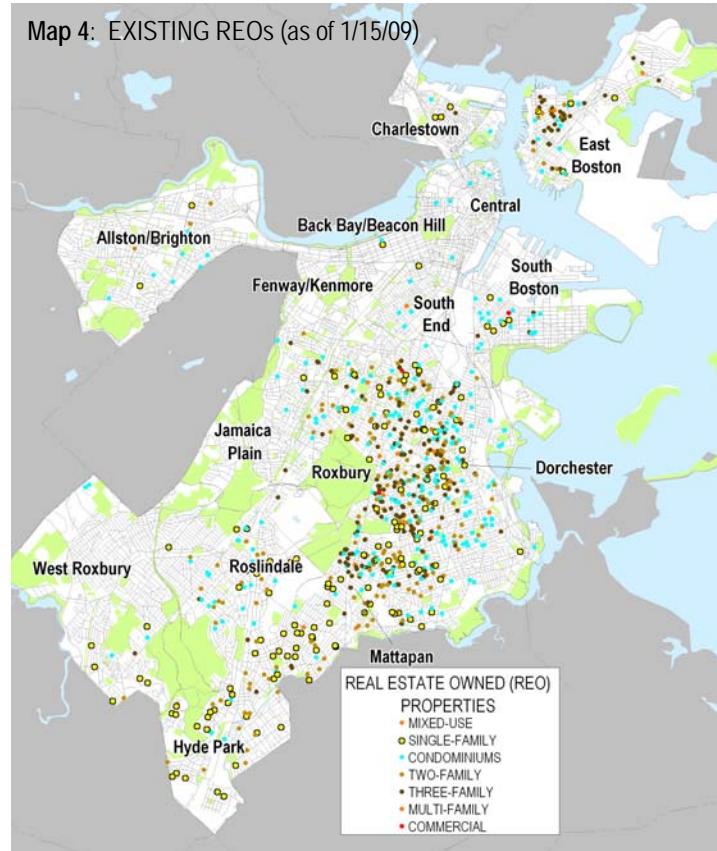
In February of 2008, Mayor Thomas M. Menino created the City's *Foreclosure Intervention Team (FIT)*, a group designed to draw on the expertise of nearly a dozen City agencies and departments - including Boston Police, Inspectional Services, Department of Neighborhood Development, Public Health Commission, Corporation Counsel, Public Works, Transportation, Property Management, Neighborhood Services, Civil Rights, among others - to develop an innovative and strategic approach to the foreclosure issue. Building on the City's early efforts to address foreclosure, the FIT began surveying all REO properties, starting in three particularly fragile areas in Dorchester and Roxbury that had high rates of foreclosure-related blight associated with them. As of January 2009, over 1,500 REO properties had been surveyed, and the original three designated 'FIT areas' have shown signs of improvement.

The Boston City Council has also taken steps to address issues related to private mortgage foreclosures and REO properties. In February of 2008, 'An Ordinance Regulating the Maintenance of Vacant, Foreclosing Residential Properties' was adopted.

Table 1: Foreclosure Activity, 2005 - 2008

YEAR	TOTAL PROPERTIES PETITIONED	%CHANGE PETITIONS	TOTAL FORECLOSURE DEEDS	%CHANGE FORECLOSURE DEEDS
2005	613	-	60	-
2006	1393	127%	261	335%
2007	2432	75%	703	169%
2008	1900	-22%	1215	73%

Map 4: EXISTING REOs (as of 1/15/09)



The ordinance requires property owners to register vacant and/or foreclosing residential properties with the City and identify a local individual or company to maintain vacant properties. The Department of Inspectional Services is responsible for enforcing the ordinance.



# Trends 2008

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Chart 2: Residential Distressed Buildings by Type, 1997

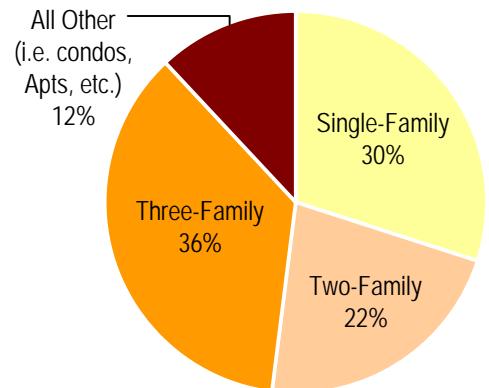
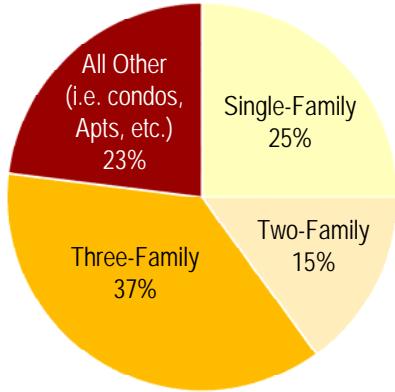


Chart 3: Residential Distressed Buildings by Type, 2008



## RESIDENTIAL BUILDINGS

Charts 2 and 3 show the proportion of residential distressed buildings in each unit size category (single-family, two-family, etc.) in 1997, when the survey began, and then in 2008.

The proportion of distressed buildings in the "All Other" category, which includes condominiums, tax-exempt and multi-family properties, decreased 3% from 2007 and increased 11% from 1997. The proportion of single- and two-family homes has decreased since 1997, reflecting more rehab activity of such properties. The percentage of three-family distressed buildings has seen little change since 1997, representing about a third of the residential distressed inventory.

## TAX STATUS

From 1997 to 2008, the proportion of privately-owned residential distressed buildings that owed taxes increased from 16% to 19%. Although the percentage has increased, this is still a small percentage of privately-owned distressed residential buildings where the City can begin tax foreclosure takings. For 78% of privately-owned residential distressed buildings, the City has little leverage with owners.

The proportion of distressed buildings that were publicly owned/tax-exempted has reduced at a faster rate than privately-owned buildings, decreasing from 15% in 1997 to 3% in 2008 (Charts 4 and 5.)

Chart 4: Residential Distressed Buildings Tax Status 1997

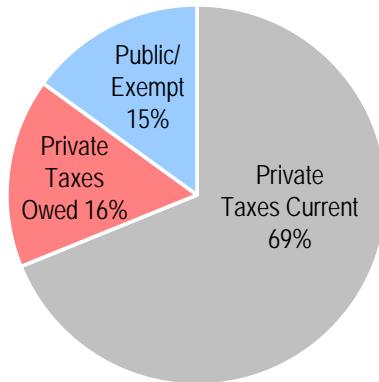
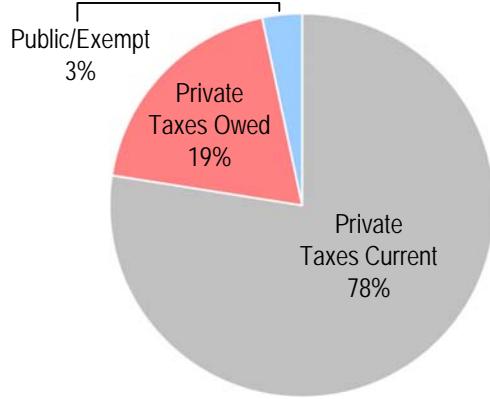


Chart 5: Residential Distressed Buildings Tax Status 2008





# Trends 2008

## Distressed Buildings

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### RESIDENTIAL BUILDINGS BY NEIGHBORHOOD

From 1997 to 2008, there has been a 77% decrease in the number of distressed residential buildings. In 1997, there were 796 distressed residential properties, compared to 187 distressed residential properties in 2008.

Dorchester and Roxbury have seen the greatest reduction in volume of distressed residential properties since 1997. In Dorchester, 103 residential properties have been removed from the inventory since 1997, while in Roxbury 248 residential properties have been removed.

Besides Roxbury, of neighborhoods which had 25 or more distressed buildings in 1997, East Boston, Hyde Park, South End, Jamaica Plain, and Mattapan all had a decrease of 75% or greater from 1997 to 2008. These six neighborhoods have experienced the greatest percentage change in residential distressed buildings since 1997.

Roxbury, Dorchester, East Boston and Mattapan neighborhoods have the highest concentration of distressed residential buildings. Together, these four neighborhoods comprised 84% (157) of all residential distressed buildings in 2008.

Dorchester has the largest number of residential distressed buildings (63) and experienced a 63% increase of distressed buildings from 2007 to 2008. This increase can be attributed to the mortgage foreclosure crisis. All but one of the properties added were foreclosures. Foreclosure numbers in the past two years have been highest in the neighborhoods of Dorchester, Roxbury, Mattapan and East Boston neighborhoods. Roxbury also experienced an increase of 16% from 2007 to 2008 in distressed residential buildings.

Most neighborhoods experienced decreases or experienced no change in the number of residential distressed buildings from 2007 to 2008, with the exception of Dorchester, Roxbury, Mattapan and Roslindale. However, for Roslindale and Mattapan the volumes were not substantial.

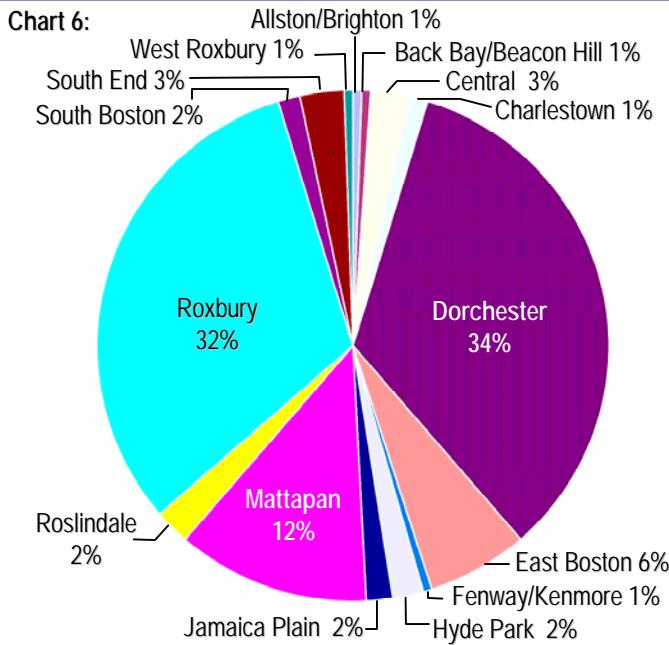


Table 2: Residential Distressed Buildings by Neighborhood

Neighborhood	TOTAL BLDGS			%Change 97-08	2008 %Share
	1997	2007	2008		
Allston/Brighton	3	3	1	**	1%
Back Bay/Beacon Hill	2	1	1	**	1%
Central	14	5	5	-64%	3%
Charlestown	1	2	2	**	1%
Dorchester	166	39	63	-62%	34%
East Boston	52	13	12	-77%	6%
Fenway/Kenmore	1	1	1	**	1%
Hyde Park	44	5	4	-91%	2%
Jamaica Plain	37	5	3	-92%	2%
Mattapan	101	18	23	-77%	12%
Roslindale	11	2	4	-64%	2%
Roxbury	307	51	59	-61%	32%
South Boston	7	5	3	**	2%
South End	47	8	5	-89%	3%
West Roxbury	3	0	1	**	1%
<b>TOTALS</b>	<b>796</b>	<b>158</b>	<b>187</b>	<b>-77%</b>	<b>-</b>

\*\* %Change not calculated for neighborhoods with less than 10 abandoned buildings in 1997.



# Trends 2008

## Distressed Buildings

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Chart 7:

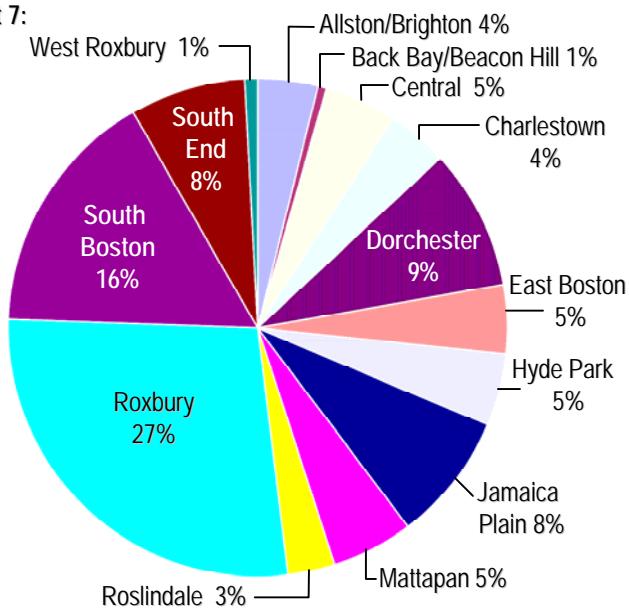


Table 3: Commercial/Mixed-Use Distressed Buildings by Neighborhood

Neighborhood	Counts			%Change 97-08	2008 %Share
	1997	2007	2008		
Allston/Brighton	5	5	5	**	4%
Back Bay/Beacon Hill	1	0	1	**	1%
Central	30	7	6	-80%	5%
Charlestown	0	6	5	**	4%
Dorchester	30	19	12	-60%	9%
East Boston	30	9	6	-80%	5%
Fenway/Kenmore	4	0	0	**	0%
Hyde Park	13	8	6	-54%	5%
Jamaica Plain	15	11	11	-27%	8%
Mattapan	13	7	7	-46%	5%
Roslindale	5	4	4	**	3%
Roxbury	77	40	36	-53%	27%
South Boston	2	24	21	**	16%
South End	22	11	10	-55%	8%
West Roxbury	1	1	1	**	1%
<b>TOTALS</b>	<b>248</b>	<b>152</b>	<b>131</b>	<b>-47%</b>	<b>-14%</b>

\*\* %Change not calculated for neighborhoods with less than 10 abandoned buildings in 1997.

### COMMERCIAL & MIXED-USE BUILDINGS BY NEIGHBORHOOD

The number of commercial and mixed-use distressed buildings has decreased more slowly than residential; however, the total number of commercial and mixed-use distressed buildings in 1997 was significantly smaller than residential buildings (248 compared to 796). From 1997 to 2008, there has been a 47% decrease in the number of commercial and mixed-use distressed buildings, and a 14% decrease from 2007 to 2008.

Of neighborhoods which had 25 or more distressed buildings in 1997, Central and East Boston saw the greatest percentage reductions, of 80%. Roxbury has seen the greatest reduction of volume with 41 commercial and mixed-use buildings removed from the distressed property inventory since 1997. However, Roxbury also has had the largest volume of distressed commercial and mixed-use buildings each year.

Often commercial and mixed-use buildings are more difficult to survey accurately compared to residential buildings, since buildings that are actively used as warehouses are often boarded up and may appear derelict and distressed. This may be especially true in South Boston, where the increase from 2 to 21 buildings since 1997 may be due to a more rigorous survey in an area where old industrial buildings are becoming obsolete and new residential development is underway or in initial planning phases.

From 2007 to 2008, the majority of the neighborhoods experienced a reduction or no change in the number of distressed commercial properties and neighborhoods that increased or decreased, changed by very little in volume. Dorchester experienced the largest decrease, from 19 in 2007 to 12 in 2008. Roxbury decreased by 4 properties, and South Boston decreased by 3 properties. Overall, there was very little change in the number of distressed commercial and mixed-use buildings from 2007 to 2008.



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## NUMBER OF YEARS DISTRESSED

Some distressed buildings reappear on the survey year after year. Table 4 includes a count of distressed buildings by neighborhood in 2008 and the number of years they have been identified as distressed in DND's annual survey.

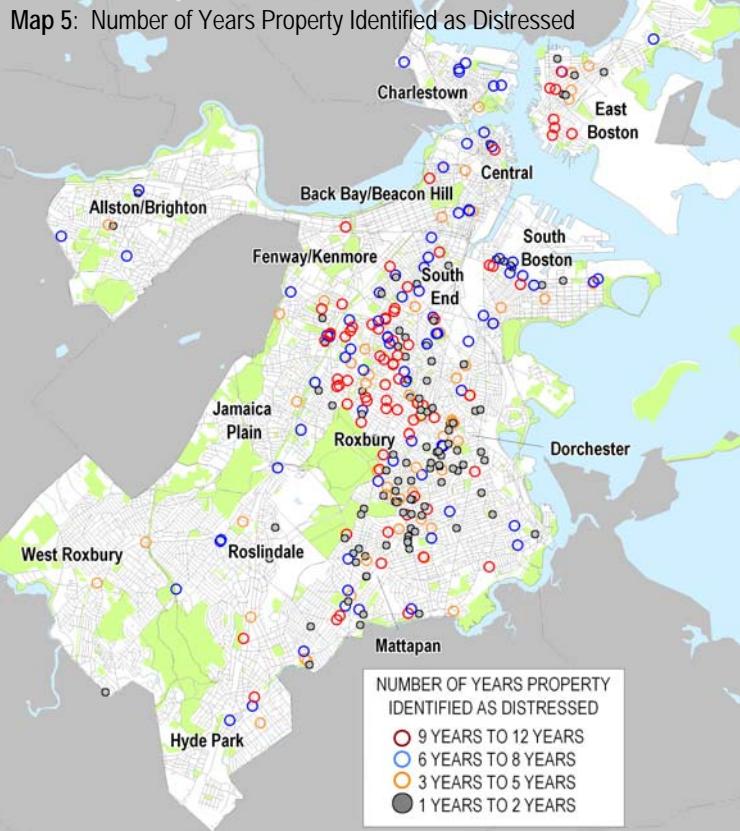
Fenway/Kenmore only has one distressed building but this residential building has been on the list every year. For neighborhoods with 15 or more distressed buildings, the most intractable distressed buildings can be found in Roxbury, South End and East Boston. Map 5 shows locations and ranges of years properties have been identified as distressed since 1997.

Table 4: Average Number of Years distressed, 2008

Neighborhood	Total	1YR-2YRS	3YRS-5YRS	6YRS-8YRS	9YRS-12YRS
Allston/Brighton	6	2	1	3	0
Back Bay/Beacon Hill	2	0	0	2	0
Central	11	1	4	5	1
Charlestown	7	0	3	4	0
Dorchester	75	43	18	6	8
East Boston	18	5	5	4	4
Fenway/Kenmore	1	0	0	0	1
Hyde Park	10	1	4	3	2
Jamaica Plain	14	2	4	3	5
Mattapan	30	16	5	3	6
Roslindale	8	2	3	3	0
Roxbury	95	25	16	22	32
South Boston	24	6	9	6	3
South End	15	4	3	6	2
West Roxbury	2	1	1	0	0
<b>Citywide</b>	<b>318</b>	<b>108</b>	<b>76</b>	<b>70</b>	<b>64</b>

Table 5: Tax Arrearage  
by Assessing  
Land Use, 2008

Map 5: Number of Years Property Identified as Distressed



## PROPERTIES IN TAX TITLE

Table 5 (below) is a breakdown of taxes owed. 56 of the 318 properties on this year's survey are held by private owners who are in tax arrears of approximately \$2.7 million. 20 commercial, mixed-use and industrial properties account for 75% of taxes owed.

Land Use	Sum of Taxes Due	Total Properties
Commercial Property	\$1,877,891	12
Industrial Property	\$15,380	3
Mixed-Use Property	\$125,348	5
Apartment Property	\$70,010	4
Single-Family Dwelling	\$220,000	13
Two-Family Dwelling	\$102,390	7
Three-Family Dwelling	\$265,809	12
<b>TOTAL</b>	<b>\$2,676,828</b>	<b>56</b>



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### CITY STRATEGY

Since 2003, when the City began tracking the outcomes of distressed residential buildings, the overall number of distressed residential buildings has decreased by 30% with 326 residential properties coming out of a distressed condition. The majority (82%) were renovated and put back in use, while 12% were demolished; 6% had other outcomes, such as re-occupancy without rehab work. While a large number have come out of a distressed condition, 243 residential properties were added to the inventory between 2003 and 2008. We anticipate this trend to continue with the increase of foreclosures in the past three years.

Table 6: Trends in Residential Distressed Properties

INVENTORY 2003	270
- Renovated 2004 - 2008	266
- Demolished 2004 - 2008	40
- Other Outcome 2004 - 2008	20
+ Newly Abandoned 2004 - 2008	243
INVENTORY 2008	187

The City's multi-pronged distressed property strategy has been instrumental in reducing distressed properties and meeting set goals. The strategy is implemented by DND and includes the following major components:

- The distressed buildings survey and this trends report are completed each year and examine the causes, as well as, prioritize properties for action. In addition to the report, a list of privately-owned distressed buildings is published on the City's website to encourage potential developers to contact the owners and purchase the property. Also, all private property owners included in the survey are contacted by DND to clarify the status of the building and offer advice or assistance with financing, renovation or marketing.
- DND's Boston Home Center, Office of Business Development and Neighborhood Housing Development divisions may provide funding, project management and technical assistance to eligible private building owners and developers to rehabilitate and redevelop distressed buildings.

- DND's Real Estate Management Division, through the Real Estate Disposition Initiative, uses requests for proposals to dispose of tax-foreclosed distressed buildings.
- Project Pride, a cooperative effort of DND, Inspectional Services and the Sheriff's Department, combats illegal activity on City-owned and privately-owned distressed properties by boarding and securing buildings. The costs are recovered by the City through a lien placed on the property.
- The Foreclosure Intervention Team (FIT) targets areas with concentrated foreclosures and distressed properties. FIT activities include:
  - o Expedited City tax foreclosure takings
  - o Securing buildings, posting "No Trespassing" signs, removing graffiti, and increasing police surveillance
  - o Redevelopment plans to acquire and occupy REO properties
  - o Providing education and counseling to homeowners and tenants affected by foreclosure

In early 2007, DND was selected to participate in the National Vacant and Abandoned Properties Grant Program. The program awarded DND software, hardware and training to foster innovative approaches to solving community problems. With this grant, GIS applications were designed and a GPS handheld device was purchased to enhance field work during the annual distressed buildings survey. For the 2008 distressed building survey all exterior property surveys were completed using the GPS handheld device, which includes a built in camera. After successfully using the device for the distressed buildings survey, the City began using the device for monthly REO property surveys and on-going City-owned property surveys.

The *Distressed Buildings Trends Report* is published by the Policy Development and Research division of the City of Boston Department of Neighborhood Development.

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