



Is Bulldozing a Way to Prosperity?

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[caption id="attachment_32983" align="aligncenter" width="300" caption="Demolition in



Cleveland. Photo by Mhari Saito for NPR"]

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[National Public Radio ran a segment today on a Cleveland-area land bank](#) . According to reporter Mhari Saito, the Cuyahoga Land Bank (CLB) is scheduled to demolish about 700 properties this year.

The situation in Cleveland looks like this: A family goes into mortgage foreclosure. The

lender takes the home, but is unable to sell it, given the depressed economy. It costs money for the lender to maintain the home while it sits vacant. And, if lenders don't maintain their properties, they can face large code violation fines.

Looking for a solution, the CLB has made an offer to lenders: Pay to demolish the house, and the land bank will take the property from you. Seems like a win-win solution, right? In fact, Saito characterizes it as such. From her report:

Lenders pay \$3,500 to \$7,500 per house. Wells Fargo's Russ Cross says it's a sensible and responsible business plan.

"We want to make loans on an ongoing basis, and to do so, we need stable to rising home values," he says. "We've got to do whatever we can to protect home values in neighborhoods."

[Given the policy catastrophes we've seen at the Saint Louis land bank](#) and the burgeoning land bank growth across the U.S., the policy of running bulldozers over hundreds of properties each year needs to be considered seriously.

Let's talk about the need to "protect home values." While existing homeowners might want to keep their home values at artificially high prices, the fact of the matter is, home values have fallen. Attempting to boost home values by destroying existing home supply is no solution. In fact, consider who is hurt by this solution: Low income individuals, first-time home buyers, and people who want to take a risk on an old property at a low price.

[An op-ed in the New York Times illustrates the value of super cheap home prices perfectly](#) .

A couple (he an artist and her an architect) purchased a home in East Detroit for \$1,900. The home was stripped of wiring and run down, but the couple saw that home as an opportunity to install green appliances and solar-powered utilities. They then purchased two other lots, installed a garden, sold a home to another artist couple at a \$50 profit, and then called their friends (those who had bought the \$100 home) to encourage them to move into the neighborhood.

Had Detroit bulldozed those properties, as the CLB is doing now, such innovation within existing structures would have been prevented.

I suppose the relevant question to ask is whether it is good public policy to prop up home prices by destroying the supply of very cheap homes and increasing the amount of land owned by government. Land banks throughout the United States (and NPR reporters) should [take a closer look at the Saint Louis land bank](#) . After all, the land bank here has existed for 40 years, and the situation has only gotten worse.

About the Author



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[3] <http://www.npr.org/2011/08/29/139971310/land-bank-knocks-out-some-foreclosure-problems>

[4] <http://showmeinstitute.org/publications/policy-study/red-tape/507-standstill.html>

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