

LONG TERM VACANCY AND RESIDENTIAL  
ABANDONMENT IN MINNEAPOLIS

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by  
Susan M. Christopherson

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## INTRODUCTION

Residential abandonment is a process which has affected the central city neighborhoods of most major American metropolitan areas. Although the abandonment of a home or apartment building may only become publicly apparent when the structure is boarded, the process actually begins much earlier. It can be traced to a realization on the part of the owner that his building no longer has economic value. It is at this point that he decides to terminate the rights and responsibilities of ownership.

This process, once begun, may take months or years, during which maintenance is deferred and taxes are not paid. The end result is, too often, an officially "abandoned" structure,--boarded, condemned, and a municipal liability.

A critical period in the life of a potentially abandoned property occurs when it becomes vacant for a sufficient length of time to allow vandalism or severe structural deterioration to occur. Vacancy may result from a weak housing market in the area, the deficiencies of the property itself, or the action of a public agency. It usually occurs when the condition of the property has deteriorated to the point that its attrac-

tion to potential buyers or renters is limited, at least at the price the owner is willing to accept.

At this juncture, the owner still has an interest in the property but is faced with a no-win situation. His options are to rehabilitate the house, cutting his already slim profit margin, on the chance that he can find a buyer; forfeit the house to a willing buyer, taking a substantial loss; or, allow the house to remain vacant, hoping something will turn up.

The owner's decision concerning what to do about his property will be influenced by many factors, including his perception of the value of the property, his feelings about the attractiveness of the neighborhood, and his knowledge of the alternatives open to him in disposing of the property. In many cases, the crucial determining factor is the owner's ability to avoid additional costs in the form of taxes, boarding fees or minimal property maintenance.

The nature of the owner's eventual decision is important, but equally important is the time it takes for him to reach that decision. For many vacant houses, not to decide is to decide in favor of abandonment. The owner's options are literally taken away as the unoccupied house is subjected to vandalism, arson and weather-produced damage.

A delayed decision on a vacant house has conse-

quences not only for the property owner but for the neighborhood and for the city. This study will demonstrate that in certain Minneapolis neighborhoods residential vacancies of over six months will almost always result in abandoned structures, that is, structures which are a public rather than a private responsibility. The reasons for the higher incidence of abandonment in these neighborhoods will be examined as well as the public and private costs incurred.

RESIDENTIAL ABANDONMENT AND NEIGHBORHOOD DISINVESTMENT  
IN AMERICAN CITIES

The problem of abandonment in the nation's inner city neighborhoods first drew public attention in 1970. Although property owners had been fleeing the city for at least ten years, it was not until the early 1970's that abandonment appeared as a contagious phenomenon affecting not just scattered buildings but, in some cities, block upon block. The situation was treated sensationally in the press<sup>1</sup> but did not arouse wide public interest because it affected only a limited segment of the population, and occurred, at least at a contagious level, only in low-income, minority-dominated neighborhoods.

The seriousness of the problem was recognized by those concerned with the future of the cities and the need to provide adequate housing for its low-income citizens. They realized that abandonment was not solely a problem which afflicted particular neighbor-

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<sup>1</sup>"In the Inner Cities: Acres of Abandoned Buildings: Landlords are Now Fleeing the Inner City...", U.S. News and World Report, 26 January 1970, pp. 54-56; "The Wildfire of Abandonment: Entire Blocks are Rotting as Landlords Claim 'We Can't Make a Buck'," Business Week, 4 April 1970, p. 57.

hoods but represented the extreme result of a general trend toward disinvestment in city neighborhoods. This gradual disinvestment could, if continued, leave the city without revenue and with a citizenry composed only of those rich enough to isolate themselves or too poor to leave.<sup>2</sup>

As a consequence of this concern, six studies of abandonment in major American cities were written between 1970 and 1973. These studies varied in the scope of their efforts and in their methodology, but together provide a comprehensive and compelling picture of the disastrous effects of abandonment for the individual property, the neighborhood and the city.

The definitions of abandonment utilized in these studies and the geographic areas examined are summarized in Table 1.

Because abandonment is such a complex problem with so many interlocking causes, each author of the studies summarized above approached the task of understanding the process from a somewhat different perspective.

The study prepared by Anthony Downs for Real Estate Research and the National Urban League Survey focused primarily on the environment of abandonment, the neighborhood. The National Urban League described

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<sup>2</sup>George Sternlieb, "The City as Sandbox," Public Interest, Fall 1971, pp. 25-28.

TABLE 1

Definitions of Residential Abandonment and Study Areas Included  
in Major Studies of Agandonment

<u>Study</u>	<u>Definition of Abandonment</u>	<u>Study Area</u>
Grigsby: <u>Housing and Poverty</u>	Definition of Abandonment Boarded-up	Baltimore
Linton, Miels and Coston: <u>Problems of Abandoned Housing</u>	A process composed of: 1) the physical abandonment of a building, and 2) the abandonment of legal rights to the land	Chicago, St. Louis, New Orleans, Oakland
National Urban League: "National Abandonment Survey:	An occupied building to which the owner no longer provides services, pays taxes or mortgage notes	Cleveland, Chicago, St. Louis, New York, Detroit and Atlanta
Nachbaur: "Empty Residential Buildings in the Inner City"	Vacancy	Northwest Washington, D.C.
Sternlieb: <u>Residential Abandonment</u>	A building which has been removed from the housing stock for no apparent alternative profitable reason and for which no succeeding use occurs.	Neward

Sources:

<sup>1</sup>William G. Grigsby et al., Housing and Poverty (Baltimore, Institute for Environmental Studies, University of Pennsylvania, 1971).

<sup>2</sup>Linton, Miels and Coston, Inc., A Study of the Problems of Abandoned Housing (Washington, D.C., United States Department of Housing and Urban Development, 1971).



<sup>3</sup>National Urban League, The National Survey of Housing Abandonment (New York, 1971).

<sup>4</sup>William Nachbaur, "Empty Houses: Abandoned Residential Buildings in the Inner City," Harvard Law Journal 17, no. 3 (1971).

<sup>5</sup>George Sternlieb, Residential Abandonment: The Tenement Landlord Revisited. (New Brunswick, N.J.: Center for Urban Policy Research, Rutgers University, 1973).

the areas experiencing abandonment as "crisis ghettos" characterized by decreasing family income, increasing unemployment, an increasing number of female-headed households, declining total population, increasing public assistance and high rates of crime. The Survey suggests that abandonment is not primarily caused by racial transition but is a social, political and economic process related to the population and housing changes which have occurred in eastern and midwestern metropolitan areas since the end of World War Two.<sup>3</sup>

Anthony Downs proposed a theory of neighborhood evolution to explain abandonment. The evolutionary process contains five basic stages: 1) racial transition from white to black, 2) declining average resident's income, 3) declining levels of security as the number of low income households rises, 4) rising difficulty with tenants involving rent payment, maintenance of the parcel and turnover, and 5) inability to obtain loans through normal mortgage channels. These are then combined with four additional stages to produce eventual abandonment. The final four stages are: 6) physical deterioration, 7) declining tenant quality, 8) psychological abandonment by the landlord, and 9) final

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<sup>3</sup>National Urban League, The National Survey of Housing Abandonment (New York, 1971).

tenancy decline and departure.<sup>4</sup>

Both of these studies highlight the problem of neighborhoods whose historical role has been to provide a home for people at the lower end of the socio-economic scale for reasons of recent immigration, poverty, or societal discrimination. Neighborhoods now described as "crisis ghettos" have, in many cases, met this need in the cities in which they are located for at least forty or fifty years.<sup>5</sup> Consequently, they have assumed a negative image which adds to their difficulties in attracting stable, responsible residents.

The other major studies of residential abandonment also examined the neighborhood environment but within the context of a market analysis. The study of Newark by George Sternlieb and the national study conducted for the Department of Housing and Urban Develop-

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<sup>4</sup>Anthony Downs, "Possible Program for Counteractive Housing Abandonment" (Chicago: Real Estate Research Corporation, 1971).

<sup>5</sup>According to studies on neighborhood change in Los Angeles and Chicago, the geographic-demographic relationships in a city, including racial concentration, migration patterns or the predominant socio-economic character of a neighborhood, are characterized by their persistence over time. National or metropolitan trends will affect a neighborhood more or less depending on its vulnerability at a particular point in time. Wallace Smith, "Forecasting Neighborhood Change," Land Economics 39 (August, 1963): 292-297; Albert Hunter, "The Ecology of Chicago: Persistence and Change, 1930-1960," American Journal of Sociology 77 (November, 1971): 425-444.

ment by the consulting firm of Linton, Miels and Coston contained examinations of the operation of the rental market in the neighborhoods affected by abandonment and of the general operation of the low-end real estate sector in those neighborhoods. In summary, these studies found that both supply and demand factors operate in "abandoned" neighborhoods to depress rents and housing values and increase costs of operation and maintenance. The negative supply factors, those affecting the property owners', particularly the landlord's, costs, include: destructive tenants, low-paying tenants relative to the costs of maintaining the building, high rates of tenant turnover and rent default, and very high rates of insurance and assessed taxes relative to the market value of the property.

The demand factors which depress the housing market in these areas include: a negative perception of the neighborhood on the part of city residents and residents of the neighborhood, poor public services, including schools, deteriorating commercial facilities and a poor location with regard to jobs and city-wide services.

The race of the neighborhood also plays a part in demand for housing. Both studies suggest, however, that racial discrimination in and of itself does not cause abandonment but rather, the factors which accompany

a restricted black housing submarket, such as withdrawal of capital, exploitive real estate practices, and inadequate public services.<sup>6</sup>

Two other studies of abandonment look at the problem from within the context of the operation of the housing market but focus on particular "side effects", inadequate housing for low income people and public renewal and rehabilitation programs aimed at alleviating residential deterioration.

William Grigsby in Housing and Poverty, a study of abandonment in Baltimore, found that approximately 4.6% of all units in Baltimore's inner city were boarded and the rate of withdrawal of units from the area was 4,000 units per year. Grigsby's study focused on the decline in housing quality relative to cost and one of the major results of abandonment, a decrease in the already limited amount of well-maintained housing for low income people. As in the Linton, Coston and Miels study and the National Survey of Housing Abandonment, high maintenance costs relative to property income appear to be a determining factor in neighborhood de-

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<sup>6</sup>George Sternlieb, Residential Abandonment, The Tenement Landlord Revisited (New Brunswick, N.J.: Center for Urban Policy Research, Rutgers University, 1973); Linton, Miels and Coston, Inc., A Study of the Problems of Abandoned Housing (Washington, D.C.: United States Department of Housing and Urban Development, 1971).

terioration in Baltimore. Grigsby's study indicates that the deterioration of residential properties is not brought about by avaricious landlords but by problem tenants whose economic and social difficulties must be addressed.<sup>7</sup>

William Nachbaur, in a more limited study of long term vacancy in a twenty-one block area of Northwest Washington, D.C., is particularly interested in public policies and programs as they affect declining inner city neighborhoods. He underscores the impossibility of dealing with a deteriorating neighborhood housing market on a house-by-house basis. Like Grigsby, he considers the problems of tenants as a major factor contributing to the problems of neighborhoods.<sup>8</sup>

Despite different approaches, study areas, and variable definitions, all of these studies come to complementary if not comparable solutions. They suggest that abandonment is symptomatic of the social and economic problems which affect the inner city neighborhoods of most eastern and midwestern American cities. It is the result of conditions peculiar to individual proper-

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<sup>7</sup>William Grigsby et al., Housing and Poverty (Baltimore: Institute for Environmental Studies, University of Pennsylvania, 1971).

<sup>8</sup>William Nachbaur, "Empty Houses: Abandoned Residential Buildings in the Inner City," Harvard Law Journal 17, no.3 (1971).

ties as well as neighborhood deterioration.

Although the condition of the neighborhood and the socio-economic status of its residents are crucial considerations, the process of abandonment can be accelerated by a wide range of contributory factors including unavailability of capital, racism, speculation, the level of public services, particularly police and fire protection, community apathy and the rate of new housing construction.

RESIDENTIAL VACANCY AND ABANDONMENT  
IN MINNEAPOLIS

In comparison with other major eastern and mid-western cities, Minneapolis is able to meet the housing needs of most of its citizens. Minneapolitans are generally well-housed because they have incomes high enough to allow them a wide range of housing choices. Because housing production operates independently of the shape of demand, however, some needs are not met.

The Minneapolis Planning and Development Office examined the relationship between income and housing cost in the Minneapolis market and found that while a wide range of rental housing is available, most owner-occupied homes fall into the mid-range price category (between \$15,000-\$20,000 at 1970 dollars). These gaps at either end of the single family housing spectrum cause lower income people to purchase more expensive housing than they can afford. Higher income people, on the other hand, looking for a larger housing investment are limited in the number of houses available to them in the city. Because of the greater availability of housing above this mid-range in the suburbs, higher income buyers will naturally tend to look for housing there.



The other group whose housing needs are not met but whose choices are singularly limited is the low income resident who must reside in rental housing. The amount of rental housing in the low income category is inadequate for their needs but they are hampered by circumstance and economics from looking elsewhere and often must pay high prices for sub-standard structures.<sup>1</sup>

In addition to problems in housing production, the existing supply has not been able to match the changing nature of demand.

As did other cities, Minneapolis lost population during the 1960's, particularly in central city tracts. The largest losses in Minneapolis occurred North, Northwest and directly South of the Central Business District (CBD). The only increases occurred in the Southwestern sector of the city and in peripheral tracts which still had space for the development of single family housing.

As the general population of the city declined, shifting to suburban communities, the minority population of the city increased dramatically. The black population doubled in size from 1960 to 1970 and the Native American population tripled in size. The black

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<sup>1</sup>Minneapolis City Planning and Development, A Population and Housing Summary of Minneapolis (Minneapolis, 1972), pp. 4-8.

population tended to reside in the same neighborhoods, occupied by blacks for the past thirty years, on the "Northside" of the city and in the Powderhorn area, south of the CBD. The continued segregation of this population is demonstrated by the census figures which show that in 1960, the twenty-two census tracts with a black population of over one hundred had 87% of the total black population. In 1970, twenty-five tracts with over one hundred black residents had over 88% of the total black population of the city. The shifts that did take place were movements to the West from the Northwest tracts and further South from the Powderhorn tracts. Because of rising incomes during the 1960's, this movement to the periphery of the city and the near suburbs is generally acknowledged as part of a chain of moves by the middle class, both black and white, to improve their housing opportunities.

The Native American population of Minneapolis is small (only 1.34% of the total population in 1970) but did triple in size between 1960 and 1970. Because of their relatively small numbers, Native Americans comprise only 10% of the total population even in the tracts where they are most concentrated, tract 34 on the near North Side of the city and tract 61, Southeast of the CBD. As a group, however, they have some of the most severe housing problems in the city.