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Vacant buildings a rising blight

SALISBURY — As more homeowners jump ship on their mortgages, the number of vacant buildings in the city continues to rise.

More than 230 vacant buildings are registered with the city, and there are 90 more in the queue, according to officials. Not only are some of these buildings economically hazardous, but they are also magnets for criminal activity.

Salisbury Police Chief Barbara Duncan said some of these buildings become an "attractive nuisance."

"Typically, what we find is illegal drug activity surrounding these locations and underage drinking," Duncan said. "It becomes the location to facilitate larger, criminal events."

A Homer Street resident who wished to remain anonymous said homes in the area become vacant because crime is so bad. However, a vacant home across the street from his residence is well-kept by its owner.

"It's not an eye sore," he said. "Someone cuts the grass and checks it every once in a while."

Certainly vacant homes are prevalent in low-income neighborhoods — there are 16 registered on East Church Street. But some area neighborhoods with homes priced at millions of dollars are also seeing vacated homes, which are continuously lowering property values.

Kurt Drechsler, president of the Harbor Pointe Community Association, said foreclosed, bank-owned and abandoned homes are scattered throughout the neighborhood.

"We recently had a home that went to bank auction and was sold for ($80,000 or so)," Drechsler said. "Considering some of the houses out there were bought for $300,000 or even $1 million, it kind of affects everyone in the neighborhood."

Drechsler said four or five homes in the community were outright abandoned by their owners.

"They loaded up the truck and just moved away," he said. "It has gotten a little bit better, but the problem is a lot of the foreclosures have brought prices down dramatically."

Vacant Building Registry

The city's Vacant Building Registry was established by the Department of Neighborhood Services and Code Compliance in 2006 as a so-called "inventory" used by several departments to monitor these structures.

"Oftentimes, but not always the case, vacant buildings are unkempt and become a potential nuisance for surrounding properties, and in some cases they attract vandalism," Stevenson said. "(And) certainly if the properties are not maintained, there could be an impact on the value of surrounding homes."

The cost of registering a vacant property is $25. A property must be registered within 180 days after it's vacated. A condemned b uilding must be registered in 30 days, and the owner must submit a rehabilitation plan.

"Surely, some property owners fail to provide that rehabilitation plan, and at that point we may issue municipal citations and maybe forward it to court," Stevenson said.

"But that's the worst case scenario, and it doesn't happen that often."

Duncan said her agency works closely with the NSCC on many initiatives, and the registry is an example of that coordination.

"If it wasn't for the leg work and extra effort made by the men and women that work in NSCC, law enforcement would have a much more difficult time concentrating on pushing down crime," she said. "A lot of issues they tackle really clear the road to focus on law enforcement and crime reduction, this being one of them."

A tough road ahead

The real estate market officially crashed in 2008, and experts say there's no clear end in sight.

Arvi Arunachalam, an assistant professor of finance at Salisbury University, said there are two types of financial home abandonment: low income households who can't pay their mortgages and see increased interest rates, and middle class households who decide not to pay their mortgages due to a loss in property value. The latter is called "strategic default."

"The term never came into existence until the real estate crash," Arunachalam said.

“These are people who can afford to pay the mortgage, but elect not to because they’re repaying a loan in which they do not see any returns for themselves.”
Both cases produce what is known as a “negative feedback loop” that pushes down surrounding property values.

Arunachalam said now is the best time to buy a home, because interest rates are the lowest in recorded history and home prices have plummeted. However, he said, this summer saw the worst home sales in the last 50 years.

“A lot of people who own homes can’t sell them because they will lose money, so they go into foreclosure,” he said. “(And) it’s a condition that spreads across the neighborhood. They think ‘why should I keep paying my mortgage when the value of my home is plummeting?’ ”

Unfortunately, the revival of the real estate market is highly dependent on the revival of the unemployment crisis. Arunachalam said people can afford to buy homes, but won’t make the investment because they don’t feel secure in their jobs.

“Buying a home is the single largest investment a person makes in their lifetime,” he said. “But if you’re not sure you have a job, you’re not going to buy a home.”

Arunachalam said the next year will bring a new wave of foreclosures, as a five-year grace period expires on what’s called “ninja loans” or Adjustable Rate Mortgages. These loans were given to buyers who had no income and no assets, and came with the option of only paying a portion of the interest for the first five years.

“After the five-year period, (which ends this year for most borrowers), the interest rates will jump significantly,” Arunachalam said.

Borrowers with ninja loans can refinance, but most can’t afford to because it requires 20 percent equity in the house.

“The only way things can get better is if the banks accept the loss in value of the homes and provide homeowners with a new rate of refinancing,” Arunachalam said.
“But banks won’t do that because it will wipe out their capital. It could break a lot of banks.”

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