

Erika D. Smith: Land bank scandal 'a complete disaster' that will linger

Written by Erika D. Smith
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U.S. Attorney Joe Hogsett speaks to media members May 21, 2013, about a federal indictment brought against five local officials, at his offices, Indianapolis. Flanking Hogsett are Robert Jones of the FBI (left); Larry Turner, Indiana State Police; and Brad Blackington, with AUSA.

U.S. Attorney Joe Hogsett speaks to media members May 21, 2013, about a federal indictment brought against five local officials, at his offices, Indianapolis. Flanking Hogsett are Robert Jones of the FBI (left); Larry Turner, Indiana State Police; and Brad Blackington, with AUSA. / Robert Scheer / The Star

It was only two weeks ago that Adam Thies was aflutter about the prospect of solving the city's abandoned housing problem with a new type of land bank. Months — even years — of planning had gone into forming the nonprofit Land Bank of Indianapolis, and the director of the Department of Metropolitan Development was finally

ready to show it off to the public.

And then Tuesday happened.

U.S. Attorney General Joe Hogsett indicted two of Thies' employees, Reggie Walton and John Hawkins, for allegedly taking kickbacks from fraudulent deals they finagled using the city-run Indy Land Bank. Three other men were indicted, too, and collectively, Hogsett said, they made about \$100,000 on an unknown number of properties.

To say this is a public relations nightmare is an understatement.

There's never a good time for a government corruption scandal, but there are worse times than others. For Indianapolis, this is one of the worst times.

Because here's the reality: Indianapolis has — depending on who you ask — between 10,000 and 15,000 abandoned houses and vacant lots spread across the urban core. The problem is not getting better, it's getting worse.

Until this week, Walton was the only person on the city's payroll officially working to combat this problem by gathering distressed properties and selling them to new buyers with clean titles. He was the assistant administrator of abandoned buildings.

Hawkins was a projects manager with Metropolitan Development. He wasn't even supposed to be working with Walton or the Land Bank, according to Thies, who is mystified about how Hawkins got involved.

The bottom line, though, is Walton is gone and the Land Bank program is on hold. We still have thousands of empty properties plaguing neighborhoods across the city. Many have been in the same, rundown state for years, serving as magnets for crime and vermin.

Lots of residents are so sick of looking at empty houses and lots that they're desperate for someone — anyone — to solve the problem. It doesn't matter what that solution is — tear the house down, fix it and sell it to a new homeowner, build a new house on the empty lot — as long as they don't have to look at the ugliness anymore. But demanding that is much easier than doing it, especially when the only agency in the city that can do it has its hands tied.

So now what?

Thies says the Land Bank of Indianapolis is still the best solution — and I agree (although it needs a new name in the

Unlike the city-run Indy Land Bank, the Land Bank of Indianapolis is run by a board of directors, which includes City-County Council members, real estate developers, community leaders and others. The nonprofit recently appointed its first executive director, Katy Brett, who has a background in community development.

Transparency is the goal. Still, convincing the public that it's a good idea to trust employees of another land bank to handle abandoned properties will be tough.

"I think this whole thing is going to be a disaster for a while. A complete disaster," Thies said. "We can't use the words 'land bank' anymore. The words are tainted."

Walton and Hawkins, according to the indictment, manipulated the system by selling several properties to nonprofit straw buyers at a reduced rate and then making a profit when they were later sold to for-profit businesses. But it is indeed the goal of all land banks to move abandoned and tax-delinquent properties into the hands of private owners as quickly as possible.

Where a nonprofit land bank has an advantage over a city-run land bank is in making deals. The Land Bank of Indianapolis will have a staff of about seven when it's up and running later this year — far more than just Walton at the Indy Land Bank. That means it will have the resources to vet buyers and, more important, form relationships with buyers who want to make a difference in neighborhoods.

Buyers such as Hearts & Hands of Indiana, which buys old houses in the urban core, uses an all-volunteer crew for repairs and then sells the houses to families who need them most.

"When we look at our service area and we see all the abandoned houses, we wonder why more of them aren't made available to people like us," said Jim Simmons, vice president of Hearts & Hands. "We'd love to be buying them from the land bank, but that hasn't worked so well so far."

Indeed, the Indy Land Bank has been known around town as something of a black hole. Getting someone on the phone there or even to return a message has been a challenge. It's typical for a buyer to wait months, even years, to get a clean title for a house purchased from the Land Bank.

"If they would just take the time to talk to people in the neighborhoods who care, who have a vision of what to do with those properties, but they don't," Simmons said.

That might be the only good thing to come out of this scandal. With the Indy Land Bank out of the way and the Land Bank of Indianapolis on the rise, finally, people like Simmons might get what they want and what our neighborhoods need.

Contact Star columnist Erika D. Smith at (317) 444-6424, erika.smith@indystar.com, on Twitter at [@indystar_erika](https://twitter.com/indystar_erika) or at www.facebook.com/ErikaDSmith.Journalist.