Troubled Asset Acquisition Program

Tackling Debt & Blight

Sustainable
Communities
Framework

A program of National Commonwealth Group

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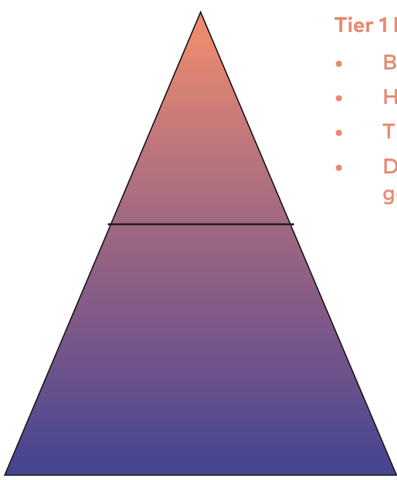
The United States is experiencing a multitude of problems — the fallout from the Covid pandemic, climate change, the war in Ukraine, the cost of health care and prescription drugs, industry concentration tantamount to monopolies, the worst inflation in 40 years, extreme political tribalism, unprecedented levels of consumer, student and business debt, a 40 plus year loss of industry, growth of blight and more.

Many of those problems could be addressed if more money were available for state and local governments as well as citizens. But the current makeup of the U.S. Congress makes it is unlikely that any funding bills adequate to the need will pass.

What about banks, the other primary source of money? New money created by banks and credit unions when they make loans (see below) is largely only available to the already wealthy and businesses on Wall Street that can use debt to expand their wealth.

What about the rest of us? State and local governments, main street small businesses, non-profit organizations and the population in general are already burdened with the highest debt in modern times. According to the Cleveland Federal Reserve, “In the second quarter of 2022, national household debt rose to $16.15 trillion, the highest on record, and nearly 30 percent higher than the period preceding the 2008 financial crisis.”[1] Adding more debt does not dig us out of the hole that we are in.



Tier 1 Participants

- Benefit from the current financial system.
- Have access to capital & credit as needed.
- Their wealth grows as a result of participating in the current system.
- Do not need government assistance but often receive it as tax breaks, government contracts, etc.

Tier 2 Participants

- Do not benefit from the current financial system.
- Any credit obtained costs more than it yields.
- Their wealth usually decreases within the current system.
- Often need assistance from government & others, e.g., pre-K, child & elder care, health and prescription drug benefits, paid family & medical leave, housing assistance, etc.

In fact, sky-high debt and the amount of money in circulation are tied together. Debt drives our economy. How? State and federally chartered banks[2] (and credit unions) actually create ***new*** money out of thin air in the form of the national currency (i.e., dollars in the U.S) when they make loans.

The fact that commercial banks actually create money was confirmed by the Bank of England in this 2014 video,[3] which states that the main way in which money is created "runs contrary to the view sometimes put forward that banks can only lend out depositions that they already have. In fact, loans create deposits, not the other way around."

The bank describes that process in greater detail in this bulletin[4] and in this 2015 Working Paper.[5] And while those focus on the Bank of England and U.K. banks, the principle applies worldwide. Thus, the vast majority of national currency in circulation originates as debt. And if debt is the core problem we are trying to fix, then getting banks to lend more to the 99% only exacerbates the problem.

A potential solution is to establish banks owned by governments, called public banks,[6] whose principal constituent is the general public rather than shareholders. Those banks are modeled on the highly successful Bank of North Dakota (BND).[7] A case can be made that a public bank could also be a bank owned by a non-profit, in that it would likewise have a public benefit mandate.[8]

Add to that mix state and federally chartered credit unions,[9] which have long served a function quite compatible with the purpose behind public banks.

Credit unions are 501(c) non-profit cooperatives. They serve the public (their members) and not shareholders. So, when it comes to the credit needs of consumers, small businesses and other small borrowers, a credit union is likely a preferred solution over a government-owned public bank.

The premise of public banking is that all profits realized from banking operations would inure to the benefit of the public, and thus are returned to the people, in contrast to shareholder-owned banks which solely benefit their owners.

However, it doesn't eliminate the core problem of too much debt. Even if all gains flow back to society, loans still generate more debt.

Fortunately, there is a means by which substantial amounts of new money can be injected into state and local governments, small businesses, non-profits and the general population without creating massive amounts of new debt. In fact, it can help achieve large-scale debt reduction.

> That solution is found via a new kind of non-profit owned bank that we call a "public benefit bank" (PBB). A PBB is a non-profit financial entity that issues a people's currency (called a complementary currency)[10] rather than the national currency (e.g., dollars or euros.). A PBB does not require permission from a government entity to operate and can set its own rules on the issuance and distribution of its complementary currency.

A PBB has an unlimited checkbook in creating and issuing a complementary currency. And it can issue that money just by spending it into the economy or providing various forms of grants to others to spend it. In so doing they do not increase the amount of debt in society and can actually be used to reduce debt in various ways (as explored below).

However, there are times when debt can be used constructively, and in those cases, we advocate using a credit union and/or a non-profit owned development bank.[11] Development banks have historically been used almost exclusively outside of the United States,[12] often to serve poorer nations. Like the proverbial cobbler's children going without shoes, the U.S. has not yet addressed its own needs with its own development bank(s).[13]

> What is a development bank? Also called a development financial institution or DFI, it is a national or regional financial institution designed to provide medium- and long-term capital for productive investment, often accompanied by technical assistance. These banks are often established and owned by governments or nonprofit organizations to finance projects that would otherwise not be able to get financing from commercial lenders. That fits the kind of circumstances contemplated herein.

As stated, credit unions are non-profit entities and are dedicating to serving their membership rather than shareholders. We advocate for using a combination of PBBs, credit unions and development banks to address our objectives. Tier 2 consumers defined above can be prime beneficiaries, along with local governments, community banks and credit unions, main street small businesses and local non-profits.

1 Debt

The largest share of consumer debt in the U.S. is mortgage debt, followed by student debt, credit card debt and auto loan debt.

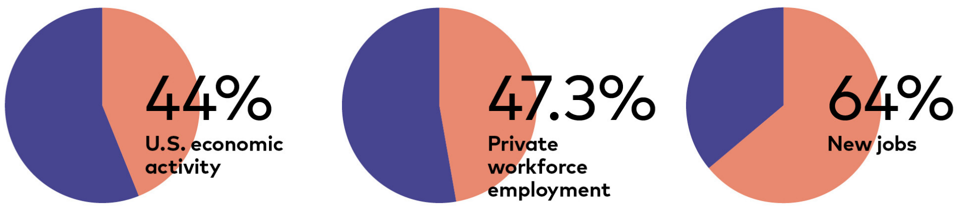
The pandemic has increased indebtedness, and directly and indirectly negatively impacted the nation's ability to manage that debt. The economy as a whole is hampered due to that debt burden.

This document explores what might be done to address that problem in a manner that helps both individual borrowers and the nation.

We begin with the topic of mortgage debt, the continuing effect of the pandemic on foreclosures and offer a solution. We then explore student debt, which has unique attributes and requires a different solution.

Coronavirus & the Economy

The pandemic devastated local economies, directly impacting the millions of small and mid-sized companies that account for around half of all U.S. economic activity.[14,15,]



The unemployment rate was 3.6 percent in June 2022, down considerably from the high at the end of the February-April 2020 recession and close to its pre-pandemic rate of 3.5 percent.

The government prevented millions of foreclosures using the foreclosure moratorium and mortgage forbearance program, even keeping foreclosures below historical levels. But those programs are over and hundreds of thousands of borrowers are scheduled to go into foreclosure as this recent article details.[16]

Yet they aren't the only ones in trouble.

The smaller, community-based lenders that provided those consumers with credit are also at risk. Community banks and credit unions are an important segment of the financial ecosystem, far exceeding their aggregate industry share with regard to small business, commercial real estate and agricultural lending. Local economies depend on these local lenders to provide services unavailable from big Wall Street banks.

Now, with pandemic-related foreclosures looming, many community banks will have to severely curtail lending. Some will not survive.

What Can be Done?

The most critical thing needed by the vast majority of Americans, both businesses and individuals, is ***more money*** – in substantial and ongoing amounts. The common wisdom is that this money has to be authorized by Congress, an uphill battle given current circumstances. Fortunately, there is another way in which society can get the money it needs, and it does not require ***any*** action by Congress. In this article, Money – It's Not What Most of Us Think,[17] we explore what money is, where the majority of it comes from (the banks) and alternatives we have to obtaining money.

In particular we point out that we the people, ***can issue our own money*** and use it to address our own needs. Sound crazy? It's not, and in fact, it has been done many times. The Federal Reserve has called such money "Private Money" as described in this 2008 article published by the Cleveland FED titled "*Private Money in our Past, Present, and Future*."[18] That article states,

> "The government isn't the only entity allowed to issue money. Private citizens and businesses can too, and throughout U.S. history, they often have." Such private money goes by various names such as virtual currencies,[19] complementary currencies, local or community currencies,[20] cryptocurrencies,[21] and collectively – alternative currencies.

The Need for Private Money

Throughout history there have been, and currently are, thousands of complementary currencies, as we outline with several examples in this article *Complementary Currencies in Use*.[22] In fact, the world's most pervasive complementary currency goes by the much more familiar name of airline or frequent flyer programs.[23] Describing conditions in the U.S. from the 1800s to the 2000s, that FED article notes that:

> "The list of those who have issued private money in the United States is long. Besides state and national banks (that is, banks established by state or federal charter), transportation suppliers such as canal, turnpike, and railroad companies have issued money . . . Each of these examples of private money arose to *serve purposes that were not well served by government-provided money*. These purposes include having a currency suited for making small purchases, having a medium of exchange in remote locations, and having a means of exchange ***during financial panics***."

In the section titled "Private Money in the Internet Age," the author states, "With advances in information and communication technology—not the least of which is the ability to embed a wafer-thin computer chip into the equivalent of a credit card—it seemed certain that a new form of private money, 'electronic money,' would arise as an alternative to paper money and coins in everyday transactions."

In 2009, shortly after that article was written, Bitcoin[24] became the first version of the cryptocurrency type of private money that has since evolved into thousands of similar cryptocurrencies issued worldwide.

The pandemic also spurred the proliferation of local currencies, as articulated in this Bloomberg article, *Short on Money, Cities Around the World Try Making Their Own*,[25] and this article *How Tenino's wooden money is reviving the idea of local currencies*.[26]

All of this begs the question of who should issue "the people's money." We believe that is an appropriate role for local non-profit organizations, as they start with a public benefit mandate and are structured to serve the general public and not a select few. That is where the PBB entity comes in.

How Does this Help Solve the Foreclosure Problem?

A complementary currency program would simultaneously aid both lenders and borrowers.

It could be used to acquire troubled loans and assets from community banks and credit unions. This not only relieves the lender of the non-performing asset, but can provide them full market value for those assets.

Once those loans and other debt instruments are acquired from those institutions, borrowers could be granted payment forbearance or reduction until they are back on their feet. That effort could block foreclosures and keep homeowners in their homes, and eliminate seizure and repossession of automobiles and other vehicles, often critical for the owner to travel to and from their workplace or seek new work.

The credit union and development bank could likewise issue new currency to make such purchases, only in dollars. This would be similar to banks that currently purchase credit card debt, car loans, mortgages, business debt and other financial instruments from other banks, familiar to many as the concept of "my bank sold my mortgage to another bank".

However, when it comes to real estate and other such tangible assets, the credit union would not be the best entity to make such purchases. The better entity would be our development bank.

The key is that the price paid the seller, if in dollars, would likely be at a discount from the amount paid if the purchase were made with a complementary currency. Thus, it can be left up to the seller if they want dollars, the complementary currency or both.

Here is a deeper exploration of those core ideas.

Acquisition of Mortgages/Notes & OREO Property

Growing mortgage defaults represent one of the most substantial problems facing the nation. Currently there is no systemic solution.

Downstream from the job losses caused by the closure and contraction of local businesses is a growing number of homeowners defaulting on their mortgages,[27] likely much worse[28] than the wave of foreclosures the followed the financial crisis of 2008-2012.

Foreclosures have a compounding negative effect on local communities,[29] including evicted homeowners potentially exacerbating already high homeless numbers,[30] dropping property values,[31] decreases in tax revenue to local governments prior to foreclosure, and increases in OREO[32] property held by banks and credit unions that are bad for their liquidity.[33] This problem could become so acute that many smaller banks and credit unions might not survive unless they can offload those assets without taking massive losses.

There are two key dimensions to this issue pertaining to the pre- and post-foreclosure circumstances that potentially could be addressed by a non-profit issuing a complementary currency. And given that a non-profit would have few practical limits on how much currency it can issue, this represents a significant pool of funds.

Pre-foreclosure

If the mortgage and note can be acquired by a non-profit using a complementary currency or dollars, the non-profit would be the new mortgage holder and would be in a much better position than the former lender to accommodate the needs of the homeowner (including such things as a moratorium on mortgage payments, a renegotiated mortgage, a conversion into a rental or rent-to-own agreement, etc.).

These measures would keep the homeowner in the home and avoid the widespread damage caused by a completed foreclosure. All that is enabled if a non-profit organization issues a complementary currency or has a credit union that can issue dollars.

Post-foreclosure

Here the lender has taken possession of the property. But banks and credit unions are in the money rental business, not the property rental business. The vast majority of property seized sits idle (unoccupied and non-revenue generating) until the lender can dispose of it. Idle property tends to degrade (often rapidly) and drop further in value. Lender-owned OREO property is practically useless to all concerned.

Putting such property back into productive use can benefit just about everyone. Using it to house the homeless is one example. If a non-profit can use a complementary currency or dollars to purchase such OREO property, that will greatly expand its ability to address a problem that would otherwise require vast sums of capital. Doing so could provide those banks and credit unions critical funds to ensure their survival. In fact, should they accept such a currency in exchange for those troubled assets, they will realize the following direct benefits:

- Lower risk to FDIC due to reduction in loss sharing instances, with resultant lower FDIC fees to the bank. Banks getting fair market value (instead of incurring incremental losses on the asset) results in better FDIC claim experience and claim payment exposure.

- Banks better able to manage Capital Adequacy Ratios and Non-Performing Loans (NPL) to Loans ratios, keeping them within the FDIC and regulators' limits, thus preventing more bank failures and sustaining their capability to transact NPLs off their books.

- Increase continuous flow of capital into the market as banks able to continue lending due to reduced ALLL (Allowances for Loans and Lease Losses) reserves needed.

- Increase in capital for community banks allows them to better manage fluctuations in Fed Reserve Requirements – resulting in a more sustained flow of continuous lending to their communities.

- Decrease if not full elimination of "charge offs" on non-performing assets due to NCG's ability to purchase at full fair market value. Increases realized capital for banks and acceleration in deal transactions, greatly reducing if not eliminating "hold time" on a non-performing asset.

Acquired Properties Become Hard Assets

There is another direct impact that the acquisition of properties will have on a non-profit. Those assets become tangible assets on the non-profit's books. Here's why that matters.

As pointed out in the Bloomberg and other article above about local currencies proliferating worldwide, the highlighted city Tenino, WA, issued its currency backed by U.S. dollars (its "re-serve") in the city's coffers. As this article[34] points out:

> "Notes backed by U.S. dollars are only a halfway measure, because the amount of local currency available is limited by the amount of federal dollars the town has on hand to exchange it with."
>
> It further speculates, "What happens when the nature of the reserve is changed? Let's say a local community decides to go to a more permanent solution, and takes some of its budget to buy, say, gold or silver bullion (the real stuff, and not just paper), or for that matter, to *monetize abandoned or seized* property, from automobiles, or houses, or other types of hard assets sitting in its impound lots or auction warehouses? With this, the nature of the "reserve" changes from fiat currency (federal reserve notes) to hard assets. Once this decision is taken, the local currency would have material backing, and would probably begin to circulate more generally."

Thus, a non-profit that issues its own currency (complementary or dollars) to purchase assets from other banks or credit unions would wind up with those assets on its books and become ever more financially solvent. And while we do not advocate that the non-profit link these assets to their complementary currency directly (making it an asset-backed currency, which might cause it to viewed as a security,)[35] the currency nonetheless should be viewed as even more stable as its issuer is increasingly stronger financially. Thereafter, if the non-profit issues more currency to pay for infrastructure or other projects, the money so issued would likely have greater tangible backing than is the reality for even most government-issued currencies. Fiat currencies like the dollar are not backed by any tangible assets[36] (like gold), but simply the "full faith and credit of the United States".

Student Loans: Another Massive Debt Problem

Student loans form another class of debt that is of equal or greater significance to the financial health of the country. The unprecedented level of debt held by existing and former students is most recently estimated at approximately $1.73 trillion.[37] That's about $740 billion more than all credit card debt.

> "1.7 trillion dollars. That's a massive number. To put this figure into perspective, it's larger than the gross domestic product of all but 11 countries."[38]
> — *Scholarship America*

However, it is the individual statistics[39] that convey the magnitude of the problem. 2019 college graduates who earned a four-year degree left school with student loans averaging $28,950. Graduate students with advanced degrees had over $80,000 in student debt; medical school grads in excess of $200,000 and dental school graduates almost $300,000. Student loans have lifelong effects that can continue even into retirement.

The drag on the overall economy is considerable.

Americans burdened with student debt often have to settle for lower-paying, lower-skill jobs just so they can start servicing their debt.

> "Students with outstanding loan payments were 36 percent less likely to purchase a house, and other research indicates that, 'Those with student loan debt also are less likely to have taken out car loans. They have worse credit scores. They appear to be more likely to be living with their parents.'...Last but not least, the prospect of such overwhelming debt is making an increasing number of students, especially low-income students, think twice about attending college at all — a decision that will compound the already-impending shortage of educated employees facing the U.S. workforce."[40]

This article[41] explores in greater depth a number of the damaging consequences of that debt, while on a more positive note, points out that for every dollar spent on forgiveness more than one dollar is generated and reinvested in the economy.

Given the magnitude of this problem, many have been calling for student loan forgiveness, no strings attached, and the case for doing so is actually very practical.[42] The benefits of such forgiveness to the student borrowers are explored in this article.[43]

But the devil is in the details.

Even though President Biden has announced that up to $10,000 of student debt will be forgiven (in some cases up to $20,000), that still leaves a huge ongoing problem. He has previously rejected the call to use an executive directive and prefers that Congress pass appropriate legislation.[44]

Regardless of the amount of loan forgiveness, there is the question of whether canceled debt is taxable, explored in this article[45] and on the IRS website.[46] Debt forgiveness used to trigger a tax obligation that could result in an "out of the frying pan and into the fire" dilemma where the student might not have to pay the lender, but would have to pay IRS.

Fortunately, senators Elizabeth Warren and Bob Menendez added a clause to the recent $1.9 trillion American Rescue Plan (ARP) bill that ensures that student loan borrowers who see their debts wiped out in the next five years aren't saddled with a massive tax bill.[47]

Which brings us to the role that complementary currencies can play.

While the administration and Congress are negotiating, we are in a position to buy up student debt. We would be free to help borrowers in a myriad of ways, ranging from open-ended payment moratoriums to outright loan cancellations and debt forgiveness for some or all of those debts.

Given the new tax exemption for loan forgiveness, that would allow us to unburden consumers from their student loan debts, help them to move on with their lives and positively contribute to the economy.

Acquisition of Other Troubled Assets

Car loans, business loans and other similar debt instruments would fall into the same category of troubled assets. Such debt could likewise be purchased with a complementary currency (from our PBB) or dollars (from our credit union or development bank) and the borrower granted similar payment leniency, benefiting both the lenders and the borrowers.

In addition, a credit union would be able to issue credit cards. This would allow those non-profits to roll over credit card debt by card users who are experiencing financial hardship. The issuing credit union would then be able to offer payment forbearance and other negotiated terms that could aid the distressed card holder.

Conclusion

A complementary currency issued by a regional non-profit organization and used to purchase troubled assets from banks and credit unions can be a lifeline for both lenders and borrowers, whether individuals or businesses. It prevents much of the downstream hazard for local lenders and the communities that rely on their services, helps maintain the tax base for local governments, and helps preserve neighborhood integrity.

National Commonwealth Group has developed a number of other programs that can take advantage of the benefits realized from issuing a complementary currency. NCG has combined those programs under one initiative called the Sustainable Communities Framework (SCF).[48]

2 Blight

Blight is a 40-year-long problem exacerbated by the pandemic.

> A blighted property is any commercial, industrial, or residential property that endangers the public's health, safety, or welfare because the structure or improvement upon the property is dilapidated, deteriorated, or violates minimum health and safety standards, in addition to the economic loss to the community.

> Blight markers such as deteriorating and abandoned homes and buildings, and weedy, trash-filled vacant lots can be found in urban, suburban and rural communities regardless of size, age and level of affluence. Blight is in small downtowns with vacant storefronts and empty, deteriorating big box stores, shopping malls, mills and factories and all kinds of industrial properties.

> In contrast to debt which usually has a common set of lenders, owners of blighted properties can be corporations, individuals or governments. Some properties are abandoned with no defined ownership at all.

Although the nation's debt problems have been growing for decades, blight has a clear starting point tied to the birth and growth of what became known as the "rust belt."[49]

Rust Belt's Patient Zero

The Rust Belt originated in the Great Lakes states but infected the entire nation. Its commencement can be traced to a specific date and location: September 19, 1977, Youngstown, Ohio. That date came to be known as Black Monday,[50] when Youngstown Sheet and Tube[51] abruptly closed, putting approximately 5,000 workers on the street with no notice. That marked the beginning of the demise of the U.S. steel industry, which over the next year saw many more mills close and more than 50,000 workers lose their livelihoods.

The ripple effect was enormous. For the workers, it triggered the first highly localized mass unemployment in the country and a concentrated debt crisis leading to the first large-scale home foreclosures. That in turn led to a flood of abandoned homes, many of which ultimately became vacant lots still visible throughout the city. But the damage was not limited to the steel companies and their workers.

In a complex financial ecosystem, businesses that directly or indirectly depend on an anchor industry or business collapse when those anchor entities collapse, as explored in this article[52] and this one.[53] Those job losses can far exceed those of the anchors.

However, companies that go out of business are just part of the problem. In fact, many of those anchor shutdowns result from the company being relocated, often to another country. The two key drivers behind this mass migration offshore are taxes and labor.

The tax motive is explored in this PBS segment *Corporations go overseas to avoid U.S. taxes*.[54] Current tax law still encourages companies to locate elsewhere, although many are pushing President Biden and the current Congress to change tax laws to reverse that trend.

Labor costs have for many years driven companies to move their operations offshore, as explored in this article *How Does Global Outsourcing Affect Business Strategy?*[55] and in this article *Who is Killing American Manufacturing?*[56] That last article points out that "In the first decade of this century, America lost 56,190 factories, 15 a day."

However, that trend is starting to reverse somewhat based on increasing labor costs and other issues developing offshore, as explored in this article *How Much Does It Cost to Manufacture Overseas Versus at Home?*[57]

The problems this offshoring creates in the communities left behind are explored in this NPR interview with mayors whose cities lost anchor businesses, *Company Towns, After The Company Leaves Town.*[58] But whether a company has shut down or relocated, the net effect has been a massive de-industrialization[59] of America, an economic pandemic that has swept the nation for more than 40 years, leaving widespread destruction in its wake.

Other Factors

Anchor entities, however, can create problems when they arrive as well as when they leave. In 1962 the first Walmart, Target and Kmart stores opened. By the end of 2015, Walmart had 4,614 stores and Supercenters in the United States, while Target operated 1,805 stores and Best Buy had 1,050.

Wherever they have located, there is ample evidence that they have caused a substantial loss of smaller businesses in those locales. Their negative impact on local communities is explored in this article *Study proves it: Walmart super-stores kill off local small businesses*,[60] and this article,[61] this one,[62] and this one.[63]

Then there's the impact of online mega stores like Amazon, as explored in this article *Amazon Unbound review: how Jeff Bezos engulfed and devoured us all*.[64] As that article points out, Amazon has produced the wholesale demise of many other main street small businesses, beginning with local book stores and marching on to all manner of other industries.

So, just what is blight?

Blight is the existence of deteriorating, substandard, vacant, and abandoned properties of all types, residential, commercial and industrial. It can be found just about everywhere, and where it exists, it usually contaminates adjacent properties in a fashion that is quite analogous to plant blight described here.[65]

When found in residential neighborhoods, as explored in the HUD article *Mitigating Neighborhood Blight*,[66] it decreases surrounding property values, erodes the health of local housing markets, poses safety hazards, and reduces local tax revenue.

When found in inner cities (called urban blight), as explored in this article *What is Urban Blight?*[67] it can bring down surrounding property values, may become havens for illegal activity like drug dealing, and are more prone to fires, which can spread to other buildings.

Blight can also be found in small towns and cities, as explored in this article *What about Rural Blight? Housing and Neighborhood Conditions in Southeastern Small Towns*.[68] It is nearly impossible to drive down a small-town main street anywhere in the U.S. and not see a significant number of shuttered businesses.

Governments and local communities have tried a variety of solutions, as described in this article *How Cities are Taking on Blight*.[69] They have tried a number of funding mechanisms as explored in this example.[70] Yet most of those efforts have had marginal benefit at best. Usually, the constraining factor is limitations on funding. There never seems to be enough money to address the scale of the problem.

The NCG Solution

National Commonwealth Group's approach offers a solution to the funding problem. NCG can acquire blighted properties using our complementary currency and/or dollars from our development bank. Such acquisitions are very much in line with the mandate of a development bank. The currency can then be used to rehabilitate, repair, reuse or repurpose those properties if they are salvageable, and demolish them and clean up the site for new use if not.

Of those that can be reused and/or repurposed, many can be turned into enterprises not contemplated in their original configuration. This article demonstrates the creative uses that can be made of such properties *Creative Uses for Downtown Buildings in Small Towns.*[71]

Perfect Pairing

This represents a perfect pairing with our Entrepreneurship and Workforce Development Program[72] (EWDP), and in particular, our online business incubation, acceleration and idea generation and development platform.

Our platform can be used to help launch new small and medium-sized businesses and non-profits, and grow existing ones.

In addition, it can be used to establish, develop and pursue any projects that can result in a solution to a problem, a new business and jobs and internships. With respect to repurposing blighted properties, NCG, governments, community leaders and others can present "challenges" to participants to tackle an objective such as "What can be done with this abandoned shopping mall?" or "How can we encourage urban agriculture[73] in our community?" Thus, whole teams can be focused on a particular problem, unleashing collective genius.

The EWDP program provides a post-pandemic, 21st century solution to business incubation/acceleration and workforce development. Previously, a physical presence in the region served was required and prospective entrepreneurs, their teams, advisors and workforce development participants needed convenient access to that facility. This program allows us to service any individual or group in all areas with an active EWDP program, without limitation as to the number of simultaneous participants or physical proximity to the resources being provided. No other brick-and-mortar system can come close to matching the reach and scope of this system.

A Fresh Start

Repurposing and reusing such properties is, however, dependent on obtaining ownership. Having funds to purchase them is a first step. But obtaining title can be difficult because ownership and claims (i.e., liens)[74] are often unclear.

In particular, such properties can be owned by a wide variety of entities including corporations, individuals, local governments like counties and cities, and lending institutions (especially post seizure). Worst are those with no clearly identified owner, a particular problem with abandoned properties.

One approach is to go through the laborious process of trying to determine who has current clear title and then attempting to transfer title. That complexity involves determining if there are any liens on the property. All of that can be time consuming and fraught with complications and risks.

There are a couple of ways that process can be cut short. One common method is through a government auction[75] often called a "sheriff's sale." Once the government entity has seized the property and it is sold at auction, all previous title history and liens becomes irrelevant, as the sale represents the date upon which title and claims are fixed.

Eminent Domain

Another method that can wipe out past ownership history and any liens against the property is eminent domain.[76] This is a process by which a government can seize any property, real or otherwise,[77] provided the seizing party will use the property for a public benefit and pays the existing owner (if identifiable) a fair market price for the property.

This right is embedded in the U.S. Constitution under the Fifth Amendment[78] and is referred to as the "takings clause." All subordinate governments under the federal government inherit that right within their jurisdiction.

Eminent Domain & Blighted Properties

Thus, eminent domain can be used by any government authority to seize blighted properties so that they might be rehabilitated for the benefit of the general public. That concept is explored in this article "*Eminent Good Sense?:" Using Eminent Domain to Curtail Demolition by Neglect*.[79]

When dealing with blighted properties that can be located almost anywhere within a particular state, having either the federal or state government be the entity exercising its eminent domain powers would greatly simplify things. Otherwise, trying to get multiple jurisdictions to use their authority to seize properties (such as an industrial park located in two adjacent cities or towns) can be a daunting task.

However, even if the state or federal government would be willing to have their eminent domain powers used for dealing with blight throughout a state, there is one other wrinkle. The entity exercising that right also has to ***pay*** just compensation for the property seized. And therein lies the rub. Funds to obtain those properties would constitute one of the single largest financial barriers.

Assignment of the Power of Eminent Domain

However, there is a way for everyone to have their cake and eat it too. Whereas the federal government or the state would likely lack the funds to pursue such a program, NCG and others like it that establish PBBs credit unions and development banks can issue the funds needed as a complementary currency and dollars. Conversely, the federal or state government would have the legal authority to exercise eminent domain, which NCG and other non-profits do not have by default.

Fortunately, the federal government has the legal authority to delegate (assign)[80] its eminent domain authority for a particular property or set of properties. That right is described in this report *Delegation of the Federal Power of Eminent Domain to Nonfederal Entities*.[81] The assignees can be public and private corporations, non-profit organizations, interstate compact agencies, state and local governments, and even individuals. All other government entities may likewise delegate their eminent domain authority.

Limitations on Assignments

However, such assignment should come with boundaries, objectives and obligations that ensure that the property seizure is in the public's best interest and not just a way to enrich one party at the expense of another. Unfortunately, there are many examples of the misuse of eminent domain that have produced backlash.

The assignment agreement should therefore clearly define what the assigned eminent domain right can be used for. This model legislation[82] could serve as a guide to some of the language that might be included in the assignment contract in dealing with blighted properties.

Likewise this book, *Eminent Domain: How to use eminent domain to stop foreclosures, rescue homeowners and save communities*[83] by Michael Sauvante,[84] chief architect of the SCF program, (free pdf copy)[85] provides the framework for using eminent domain at the local level to stop foreclosures.

Beyond the constraints in usage that should be included in that agreement, the number one obligation that the government assignor should require is that the assignee be responsible for all costs associated with the proceedings. That is, the assignee needs to pay a fair market value for any property seized and if they need to go to court to compel the owner to sell, all court costs etc. would likewise be the obligation of the assignee. And of course, once ownership is obtained, the contract should provide that all the funds needed to rehabilitate those properties should likewise be provided by the assignee.

And in the case of a federal government assignment, Congress routinely delegates eminent domain power to executive branch agencies for carrying out federal programs that require the acquisition of property interests. The Department of Housing and Urban Development[86] (HUD) would be one of the most appropriate agencies for dealing with both blighted properties and properties subject to foreclosure by lenders. The Consumer Financial Protection Bureau[87] (CFPB) might be one of the best agencies to address eminent domain issues related to auto loans, credit card debt, student loans and other consumer debt, all of which might be seized.

All in all, an eminent domain rights assignment by an appropriate federal agency could greatly facilitate addressing blight throughout the country.

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