

RECLAIMING VACANT HOUSES & PREVENTING FORECLOSURE

Lessons from LISC's New York State Vacants Initiative

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Executive Summary

Lessons from New York State in Light of COVID-Induced Housing Instability

The housing instability caused by COVID has continued into 2022. According to the U.S. Census Bureau's Household Pulse Survey, as of January 10, about 7% of adults in households with mortgages reported being behind on payments, even as foreclosure moratoria were ending at the federal and state levels around the country. In this context, the recent experiences of New York State provide important lessons for policy and practice in addressing vacant houses and preventing foreclosures. New York's approach to these problems has been a holistic one enabled by state legislation and supported by the work of LISC as an intermediary and program manager. This report, a collaboration of LISC and the Urban Institute, provides evidence of outcomes from the law and LISC initiative in reducing vacant houses and foreclosures in jurisdictions across the state. It then suggests lessons for policy and practice.



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New York State suffered significant numbers of foreclosures during the Great Recession, especially in communities of color, but it is notable that the state saw a large upswing in vacant houses, and houses in the foreclosure process, during the years *following* the recession. In 2014, New York State saw nearly 45,000 foreclosure cases filed, down only slightly from a historic high in 2009,¹ and by the third quarter of 2015, New York State had the second-largest home foreclosure inventory in the nation, with 4.77% of mortgages in foreclosure.

While all vacant houses can negatively impact communities and be difficult to resolve, one particularly challenging type that was seen more frequently in New York during this period is the so-called “zombie.” Zombies are one- to four-unit houses with a mortgage in delinquency or somewhere in the foreclosure process. They commonly result from a bank initiating a foreclosure, but not seeing it through to completion. In these circumstances, households often leave upon receiving a notice of intended foreclosure, either because they expect to lose their home or because they mistakenly believe it has already been foreclosed upon. Even though homeowners have left, because the bank does not yet have title to the home, the property remains in a state of deterioration and legal limbo (hence the name zombie). Zombies come with a variety of challenges, including legal and policy challenges such as the need to track down responsible banks, and they substantially affect communities by destabilizing neighborhoods and shrinking a locality's tax base.



Zombies are one- to four-unit houses with a mortgage in delinquency or somewhere in the foreclosure process. They commonly result from a bank initiating a foreclosure, but not seeing it through to completion.

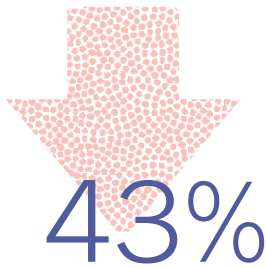
The “Zombie Law” and the Zombie and Vacant Properties Remediation and Prevention Initiative

To respond to the policy challenge zombies present, the Office of the Attorney General of the State of New York (the OAG) drafted legislation that was modified and championed by legislative leadership as the Abandoned Property Neighborhood Relief Act,² passed by the New York State Legislature in 2016. The Act—also known as the “Zombie Law”—became a first-in-the-nation tool for cities, towns, and villages to begin addressing the backlog of vacant and distressed houses with bank liens. (For important terms and definitions, please see Appendix A.) The law required financial institutions that held delinquent mortgages, or mortgages formally in the foreclosure process, to maintain and secure the houses and comply with exterior housing-code and property-maintenance requirements, with a penalty of \$500 per day per house for failing to properly maintain the property.

While the law was *necessary* to address zombies, it was not in itself sufficient to carry out this work without funding and a parallel capacity-building and technical-assistance program to help local governments enforce the law. Fortunately, shortly before the Zombie Law passed, the OAG settled its litigation with several banks for their role in the nationwide mortgage and financial crisis. The New York settlement proceeds were designated for housing initiatives and the banks could elect to fund affordable housing nonprofits to administer some of their settlement proceeds. LISC was one such nonprofit recipient of funds. From the broader pool of funds given to LISC, it committed \$12.6 million to work with cities, towns, and villages across the state in a program known as the Zombie and Vacant Properties Remediation and Prevention Initiative (the “Vacants Initiative”). The program provided grants to municipalities, which used the funds to hire staff and consultants and to purchase technology. It also included technical-assistance and peer-learning components.

The program was the first in New York State to assist local governments in leveraging the Zombie Law, and in addressing zombies and vacant houses more broadly, through a capacity-building approach involving strategic code enforcement, as described below.

Outcomes of the Law and Initiative



The total number of distressed vacants and/or zombies dropped from 25,752 to 14,600—an overall reduction of 11,152, or 43%—within two to three years.

Within two to three years the Zombie Law in combination with the Vacants Initiative had a substantially reduced the number of vacant houses in the grantee communities.³ Among reporting municipalities that knew the number of vacant houses in their jurisdiction at the inception of the initiative, the total number of distressed vacants and/or zombies dropped from 25,752 to 14,600—an overall reduction of 11,152, or 43%—within two to three years. While there was some variation in reported reductions, ranging from 8% at the lowest end to 81% at the highest, the typical (or median) result was a reduction of 46% and the average (or mean) result across places was a decline in vacant and zombie properties of 43%, the same as the aggregate result across municipalities. These figures suggest fairly consistent results, and that places small and large experienced gains. The largest declines in the number of distressed vacants were decreases in zombies, and the municipalities with the greatest reductions were ones with higher ratios of zombies to vacant houses without liens.

The Urban Institute’s interviews and analyses found that before the grant most municipalities had very reactive processes for addressing zombies and other vacant houses—largely triggered by receiving many and frequent complaints from constituents. By the end of the grant, in contrast, grantees were able to systematically identify most, if not all, of the vacant and distressed houses in their neighborhoods, and in the case of zombies, hold banks accountable by requiring them to bring the houses up to code—a significant achievement, given the complexities of the mortgage foreclosure process and mortgage servicing industry.



PHOTO CREDIT: CITY OF CORTLAND

One of the most significant results of the initiative was grantees’ enhanced capacity to coordinate and **collaborate** across local government departments or agencies, and with community-based organizations and nonprofit partners. Although each municipality developed its own approach to address vacant houses, the most effective programs started with steps to improve a local government’s data and technology capacity for **identifying** and **assessing** vacants, such as mobilizing stakeholders to survey properties in their neighborhoods. These programs then moved into **code enforcement**, which also included research on the property status of vacant houses and explored banks’ involvement in the houses. When necessary, municipalities decided on and conducted priority **litigation**, which often moved banks to be accountable for and accelerated the resolution of repairs, expedited the foreclosure case, or in some cases transferred ownership of the house. Because these assessment and enforcement actions required the involvement of multiple agencies, some of the most effective programs hired a dedicated staff person (the “**quarterback**”) tasked with coordinating among city agencies and engaging with nonprofit and institutional partners. Perhaps most importantly, on the grounds of equity and generally preventing hardship, effective programs also included an active **foreclosure prevention** component.



The experiences of the Zombie Law and Vacants Initiative offer a range of insights and ideas for state and local policymakers, government officials, and their community partners in New York, as well as for the federal government and other states and communities.

A core ingredient in the successful implementation of the Zombie Law was LISC’s intermediary role. Interviewees who received grants from LISC cited LISC’s experience and expertise working with cohorts of municipalities and community-based organizations on housing and community development issues, saying this know-how ensured that LISC could build the capacity of local governments to more effectively implement the Zombie Law. Through its many technical-assistance, coaching, and cohort activities LISC was able to facilitate peer learning, document lessons learned, and foster the exchange of these learnings among and across a diverse cohort of municipalities all united in one common goal to address zombie houses and reclaim vacant houses regardless of cause. In many respects LISC and the Zombies Initiative built the foundation for a statewide “community of practice” on strategic code enforcement to enhance and expand the abilities of local governments to reclaim vacant properties. According to interviewees, LISC did this in part by acting less as a funder and more as a collaborator: for example, one said, “This work is a marathon, not a sprint, [and] LISC was a thought partner . . . not just a funder. I feel like I didn’t have to hide.”

Policy and Program Recommendations

The experiences of the Zombie Law and Vacants Initiative offer a range of insights and ideas for state and local policymakers, government officials, and their community partners in New York, as well as for the federal government and other states and communities. Below we outline three levels of policy and program recommendations—one to support the practice of strategic code enforcement, another addressed to New York State needs, and a third related to federal policy and the experiences of other states.

PROGRAM AND PRACTICE RECOMMENDATIONS

- **Support strategic code enforcement.** State and local government can support proactive rather than reactive strategies that recognize code enforcement as a critical component of housing preservation and neighborhood revitalization, and use data to analyze where to most equitably, efficiently, and effectively allocate resources and personnel and take enforcement actions to hold banks and property owners accountable.
- **Support vacant property coordinators and task forces.** Strategic code enforcement requires close coordination with relevant municipal departments and county agencies. Many of the grantees successfully leveraged their zombie grants to hire part- and full-time coordinators to facilitate collaborations with other public agencies and with community-based organizations, civic groups, and other partners.
- **Invest in capacity-building intermediaries and regional networks.** Successful implementation of the Zombie Law depended significantly on having LISC, a nonprofit intermediary, manage and oversee the capacity building of the municipal grantees. Regional networks, universities and land banks are also potential partners to support implementation.

NEW YORK STATE POLICY RECOMMENDATIONS

Despite the effectiveness of the Zombie Law, it addresses solely those vacant houses that are subject to bank liens. Legislative and policy attention is needed for other types of vacant houses that also require repair and repurposing. It is also important to document the law and program impacts more formally.

- **Amend the Zombie Law.** Amendments to increase transparency and bank accountability and to fund enforcement of the Zombie Law will make it a more effective tool for municipalities to reduce the number of vacant and deteriorated houses across New York State.
- **Address heir properties, also referred to as estate or probate properties.** The grantees shared that after vacants with liens, the next-biggest category of vacant houses is “heir properties.” These are houses where the owners have died and heirs have not come forward to probate a will or transfer title in a trust or establish the legal right to the house through intestacy. Many heirs are not aware they have a legal interest in a house, and policy and practice strategies are needed to preserve family wealth and prevent abandonment.
- **Document and assess policy and program impacts.** New York’s Zombie Law and Vacants Initiative represent a significant investment in local government code-enforcement capacities that few states have attempted. Policymakers and practitioners in New York and beyond would benefit from a more in-depth policy assessment and program evaluation that could guide future state and local vacant-housing stabilization and preservation initiatives.

RECOMMENDATIONS TO THE FEDERAL GOVERNMENT AND TO OTHER STATES

The experiences of the Zombie Law also pose lessons to other states and the federal government about foreclosure prevention and vacant-house reclamation.

- **Design, adapt, and adopt comprehensive and holistic vacant-property legislation.** A main lesson from the New York zombie experience is that it’s critical to have a state law that clarifies bank/lender responsibility to maintain vacant houses throughout the mortgage-foreclosure process. The law should be accompanied by provisions that give local governments power to bring enforcement actions and capacity building resources and collect penalties to ensure bank/lender accountability.
- **Expand resources to develop aligned and collaborative policy systems for preventing and reclaiming vacant houses and abandoned properties.** While the OAG settlement and LISC provided resources to help localities implement the Zombie Law, the Vacants Initiative did not provide resources for repairs, rehabilitation, or demolition of vacant houses. Grantee communities used their own housing and community-development resources and/or relied on expertise and resources from land banks, nonprofits, and community-based organizations. These resources are typically limited. Based on the New York experience, we make the case for state and federal government to expand their current housing and community-development investments and then coordinate prevention and rehabilitation programs and resources as part of a more holistic and comprehensive vacant-property reclamation policy system. LISC has also advocated for the passage of



PHOTO CREDIT: CITY OF DUNKIRK

recent federal legislation that includes significant affordable housing resources, which would help scale this work. We also support the Restoring Communities Left Behind Act, which would provide flexible affordable homeownership resources to mission-based entities working in disinvested communities.

- **Provide additional resources to help communities prevent mortgage and tax foreclosures.** This report notes the important role of the HOPP network of organizations that provide housing counseling and legal services, funded by New York State in part through bank settlement proceeds. LISC also advocates for increased federal resources to support at-risk homeowners, including fully funding the U.S. Department of Housing and Urban Development's (HUD) Housing Counseling Program and

strong homeowner protections. As millions of families are struggling to pay their rent or mortgage as a result of the pandemic, and the federal foreclosure moratorium and expanded forbearance protections expire, there will be increased demand for housing counseling services to help distressed borrowers know their rights and to provide them assistance.

- **Expand and align resources that preserve existing housing and rehabilitate vacant houses for safe, affordable housing (homeownership and rentals).** Transferring properties to productive use—especially if they were to be used for affordable housing—involved substantial costs that sometimes exceeded the assessed value of the house, making it impossible to repair by conventional means without public subsidy. One particularly important federal policy change would be the adoption of the **Neighborhood Homes Investment Act (NHIA)**, which would provide federal tax credits to support the development and rehabilitation of single-family houses in designated disinvested urban and rural communities, where the cost of developing or rehabilitating a home is often higher than the value of the completed home. LISC is also working to ensure that Homeowner Assistance Fund resources, intended to help at-risk homeowners experiencing a financial hardship from COVID-19, catch up on their mortgages, are highly targeted to lower income households and that state housing finance agencies work with community-based organizations on program implementation.
- **Develop, align, and fund strategic policy and program plans for reclaiming vacant houses and other vacant properties.** New York's Vacants Initiative illustrates the complexities that confront communities when trying to adopt and implement effective, efficient and equitable vacant property policies and programs. The challenge for many municipalities in New York and beyond is how best to align and coordinate the multiple actors, agencies, and resources and navigate dynamic legal, policy and political systems. An ideal approach to this policy conundrum is for the local governments, in collaboration with their nonprofit and community-based partners, to develop a strategic policy plan that builds consensus around a series of core principles, implementing policies and pressing community priorities. By providing local governments the resources to develop these plans, communities could expand capacities and develop a more systematic vacant property reclamation system.

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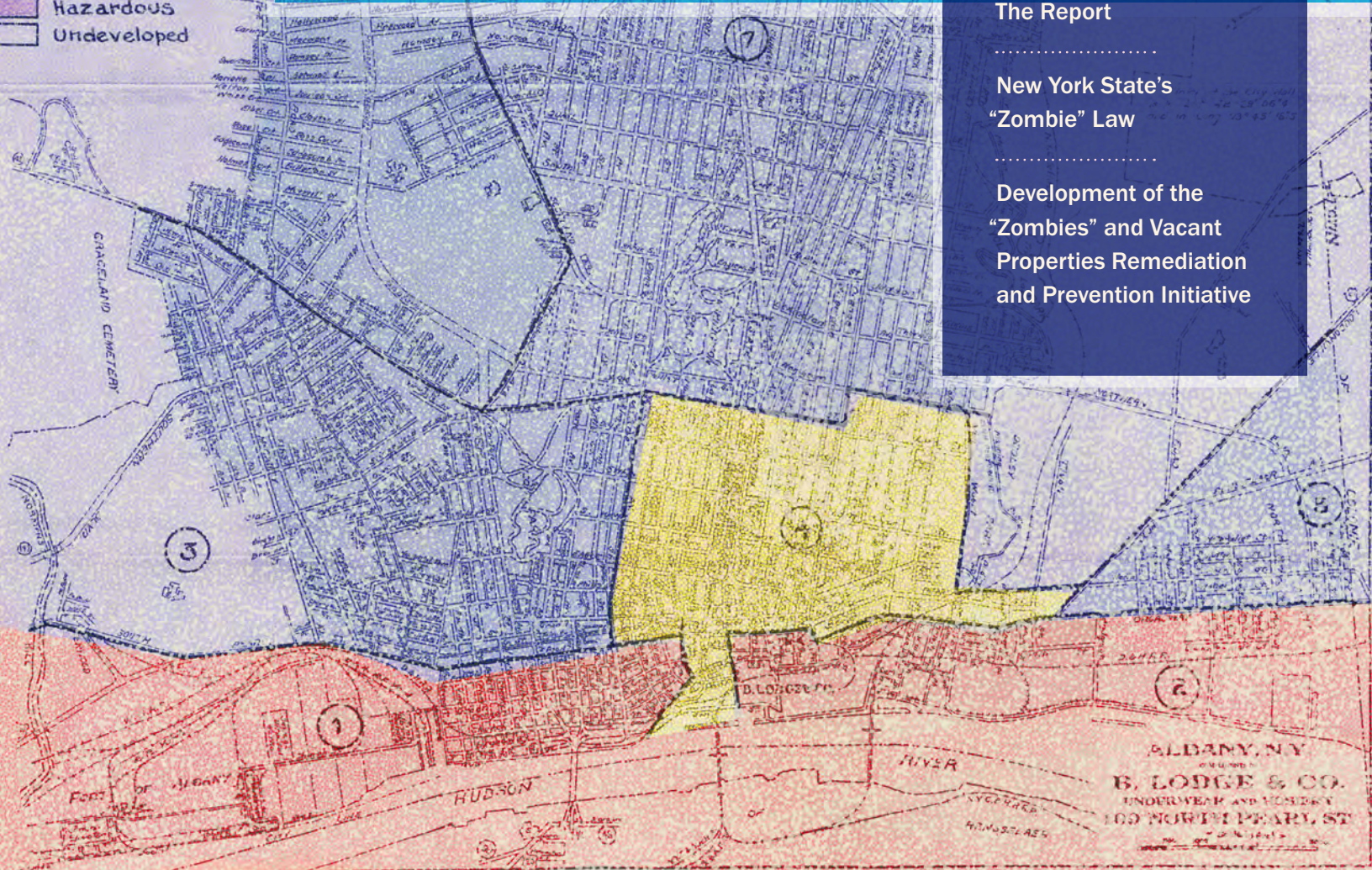
Introduction and Overview of the Law and Initiative

The Problems and Policy Challenges Caused by Vacant Houses and Abandoned Properties

The Report

New York State's "Zombie" Law

Development of the "Zombies" and Vacant Properties Remediation and Prevention Initiative



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The Problems and Policy Challenges Caused by Vacant Houses and Abandoned Properties

The housing instability caused by COVID has continued into 2022. According to the U.S. Census Bureau's Household Pulse Survey, as of January 10, about 7% of adults in households with mortgages reported being behind on payments, even as foreclosure moratoria were ending at the federal and state levels around the country. Although this threat is substantial, the problems posed by foreclosures, vacancy, and abandonment⁴ are not new. They create extreme hardships for individuals and families, and over time for neighbors, communities, and local government. For individual households, the consequences of foreclosure are severe—they face wealth stripping, displacement from community, disruptions to health,⁵ and potentially, homelessness.⁶ Neighbors are also affected; home values can decrease⁷ when a house is situated next to vacant and deteriorating properties, making it more challenging to sell the property or obtain repair loans. Increased rates of local foreclosures have been shown to be a leading indicator of increased property crime.⁸ For local government, vacant and abandoned houses impose direct costs in activities such as cutting grass, removing trash, and boarding up dwellings; responding to nuisance calls and criminal activity; and demolishing unsafe structures. There is also the impact of reduced property-tax rolls from abandoned properties and surrounding ones, ultimately reducing the municipality's tax base.⁹ The tax foreclosure process itself is expensive and in New York State is the purview of counties in many instances, meaning some municipalities don't have control over property-tax foreclosures in their jurisdiction.¹⁰ As many vacant houses are at greater risk for catching fire, some estimates of the direct annual police and fire expenditures rise to almost \$1,500 per property,¹¹ and one analysis of vacant properties in Chicago estimated that when a foreclosed home became vacant it could impose as much as \$34,000 in direct costs, in addition to \$220,000 in indirect costs to surrounding property owners.¹²

Institutional racism, past and present, significantly contributes to foreclosure and vacancy. A critical factor in the Great Recession was banks' targeting Black and Latinx households with predatory lending schemes, and in the wake of the Great Recession, Black households had over half of their household wealth erased through foreclosures and housing value declines.

Institutional racism, past and present, significantly contributes to foreclosure and vacancy. A critical factor in the Great Recession was banks' targeting Black and Latinx households with predatory lending schemes, and in the wake of the Great Recession, Black households had over half of their household wealth erased¹³ through foreclosures and housing value declines.¹⁴ To this day, houses in majority-Black neighborhoods are devalued by \$48,000 on average, reaching \$156 billion in cumulative losses,

with impacts on the ability of Black households to maintain their properties and pass them down to their heirs. This devaluation exists regardless of physical characteristics of houses and community conditions, suggesting institutional racism in assessment and appraisal practices plays a large role.¹⁵ Indeed the structural and overt racism built into home appraisals compounds the devaluation process¹⁶ because it prevents homeowners in Black and brown communities from obtaining loans to repair and make capital improvements, creating a downward spiral of increased deterioration and accelerated vacancy.

The Report

At this moment—when the pandemic has already had disproportionate public-health and economic impacts on people of color—it is critical to understand both public policy and community-based practices that can mitigate the destabilizing effects of housing vacancy on communities and prevent foreclosures resulting from COVID-related mortgage arrears. Fortunately, the experiences of state and local government, nonprofits, and community developers in responding to the impact of the Great Recession provide a valuable template. This report is a case study of the initial outcomes and policy influence of a path-breaking New York State law, the New York State Attorney General’s funding, and LISC’s capacity-building initiative to help 76 municipalities across the state implement the new law. Although it focuses primarily on the challenge of vacant houses, the fallout of foreclosures, and threatened foreclosures, also has lessons for foreclosure prevention and neighborhood stabilization more broadly.

This report is a collaboration between the Urban Institute and the Local Initiatives Support Corporation (LISC), with Urban providing independent assessment of the impacts and challenges of LISC’s Zombies and Vacant Properties Remediation and Prevention Initiative (Vacants Initiative), and LISC providing additional information about effective practice and making policy recommendations, based on its experiences as program manager and co-creator (with the New York State Office of the Attorney General).¹⁷ The report draws on interviews, document review, and focus groups¹⁸ led by the Urban Institute with state and local officials, code enforcement directors and staff, and nonprofit and institutional partners from grantee communities to showcase some of the initiative’s more innovative approaches.

The report first describes the context and motivation for adopting the New York State Abandoned Property Neighborhood Relief Act (the “Zombie Law”) and launching LISC’s Vacants Initiative. It then describes high-level outcomes of the law and associated capacity-building initiative, before turning to the strategies municipalities deployed to achieve these outcomes. The report then documents LISC’s role in supporting towns, villages, and cities as they sought to take advantage of new tools provided by the legislation to hold banks accountable, while also building out their strategic code enforcement practices more generally. It concludes with program and policy recommendations to local, state, and federal government, and to philanthropy.

New York State’s “Zombie” Law



In 2014, New York State saw nearly 45,000 foreclosure cases filed, down only slightly from a historic high in 2009, and by the third quarter of 2015, New York State had the second largest inventory in the nation, with 4.77% of mortgages in foreclosure.

While New York State suffered significant numbers of foreclosures during the Great Recession, especially in communities of color, it is notable that the state saw a large upswing in vacant houses, and homes in the foreclosure process, during the years *following* the recession. In 2014, New York State saw nearly 45,000 foreclosure cases filed, down only slightly from a historic high in 2009,¹⁹ and by the third quarter of 2015, New York State had the second largest inventory in the nation, with 4.77% of mortgages in foreclosure.²⁰

While all vacant houses can negatively impact communities and be difficult to resolve, one particularly challenging type is the so-called “zombie” house. Zombies are one- to four-unit houses with a delinquent mortgage or a mortgage that is languishing somewhere in the foreclosure process. They commonly result from a bank initiating a foreclosure, but not seeing it through to completion. New York is a judicial foreclosure state requiring a court judgment of foreclosure which protects homeowners and tenants but often causes significant delays when the foreclosure is for a vacant house. In these circumstances, households often leave upon receiving a notice of intended foreclosure, either because they expect to lose their home or because they mistakenly believe it has already been foreclosed upon. Even though homeowners have left, because the bank does not yet have title to the home, the house continues to deteriorate and remains in legal limbo (hence the name zombie). Most states do not hold the foreclosing bank responsible for maintaining the property until a bank takes title pursuant to a foreclosure sale, and the property commonly falls into disrepair, causing problems for neighbors and making it more difficult to sell to a new owner.²¹ Across the country, recent estimates of zombies numbered 8,078 in the second quarter of 2021, with the current number of vacant houses estimated at 1.4 million.²²

The Act—also known as the “Zombie Law”—became a first-in-the-nation tool for cities, towns, and villages to begin addressing the backlog of vacant and distressed houses with bank liens.



PHOTO CREDIT: NYC DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Until recently, municipalities in New York State had very limited tools to respond to the challenge of deteriorating zombies.²³ Financial institutions that held the mortgages had no legal responsibility for external upkeep during the foreclosure process, and no meaningful incentive to accelerate the process, especially in areas where the housing market was weak and they were unlikely to realize significant gains from selling the property.²⁴ New York is a judicial foreclosure state which means mortgage foreclosures must be taken to court, providing important protections to owners and tenants but also contributing to delays in obtaining judgments of foreclosure when houses are vacant. To respond to this policy challenge, the Office of the Attorney General of the State of New York (the OAG) drafted legislation that was modified and then championed by legislative leadership and passed as the Abandoned Property Neighborhood Relief Act by the New York State Legislature in 2016. The Act—also known as the Zombie Law—became a first-in-the-nation tool for cities, towns, and villages to begin addressing the backlog of vacant properties with bank liens.²⁵ The law mandated financial institutions that held delinquent mortgages, or mortgages formally in the foreclosure process, to externally maintain and secure the houses and bring them up to code, with a penalty of \$500 per day per house for failing to ensure maintenance. It also required financial institutions to register zombies with the New York State Department of Financial Services (DFS), in a registry accessible only to elected officials and their designees, who could access the names and contact information of lienholders and mortgage servicers, to reach them and hold them accountable for the condition of the houses. Later legislation added an accelerated foreclosure process for zombies.²⁶ After the mortgage foreclosure crisis, New York State sought to take swift legal action to abate its vacant and abandoned properties.

While the penalties on banks were potentially substantial, it is important to understand that they are not automatically assessed but are triggered only when local code enforcement officials determine that a property is in disrepair, with a bank lien, and initiate action. Such legal actions are expensive and take time to produce results whether through court judgment or settlement. As described below, municipalities did not initially know which vacant houses were zombies, or even have code enforcement practices in place to systematically determine the number of vacant properties in their jurisdiction. To LISC and the OAG, this meant that while the law was necessary to address zombie properties, it was not in itself sufficient without funding and a parallel capacity-building and technical-assistance program.

Development of the “Zombies” and Vacant Properties Remediation and Prevention Initiative

Fortunately, shortly before the Zombie Law passed, the OAG settled its litigation with several banks for their role in the financial crisis, and a portion of the settlement proceeds was designated for housing initiatives. From this broader pool, LISC devoted \$12.6 million to work with cities, towns, and villages across the state, in a program known as the “Zombies” and Vacant Properties Remediation and Prevention Initiative (the Vacants Initiative). The program was the first in New York State to assist local governments in leveraging the Zombie Law, by addressing both zombies and vacant houses more broadly, in a strategic way. The program provided grants to municipalities, which were used to hire staff, purchase technology, and build partnerships. It also included technical-assistance and peer-learning components.

For a municipality to be invited to apply to the program, it needed both a population greater than 5,000 and at least 100 vacant one- to four-family houses within its jurisdiction. Of the 100 invited to apply, and a small additional group of municipalities that proved they met the criteria, LISC ultimately selected 76 grantees for the first phase of the program, which started in 2016 and originally was expected to run 12 to 24 months. Grants ranged from \$50,000 to \$350,000, depending on the size of the municipality as well as local need and context. From LISC's perspective, the initiative was designed to flexibly support programs that were themselves tailored to local needs, with the goals of integrating a municipality's zombie-mitigation strategy into other code enforcement strategies, building local capacity to reduce and repurpose vacant houses of all types, and improving outreach to homeowners facing foreclosure. The strategies LISC's Vacants Initiative sought to support fall into the framework of strategic code enforcement, described in the box below.

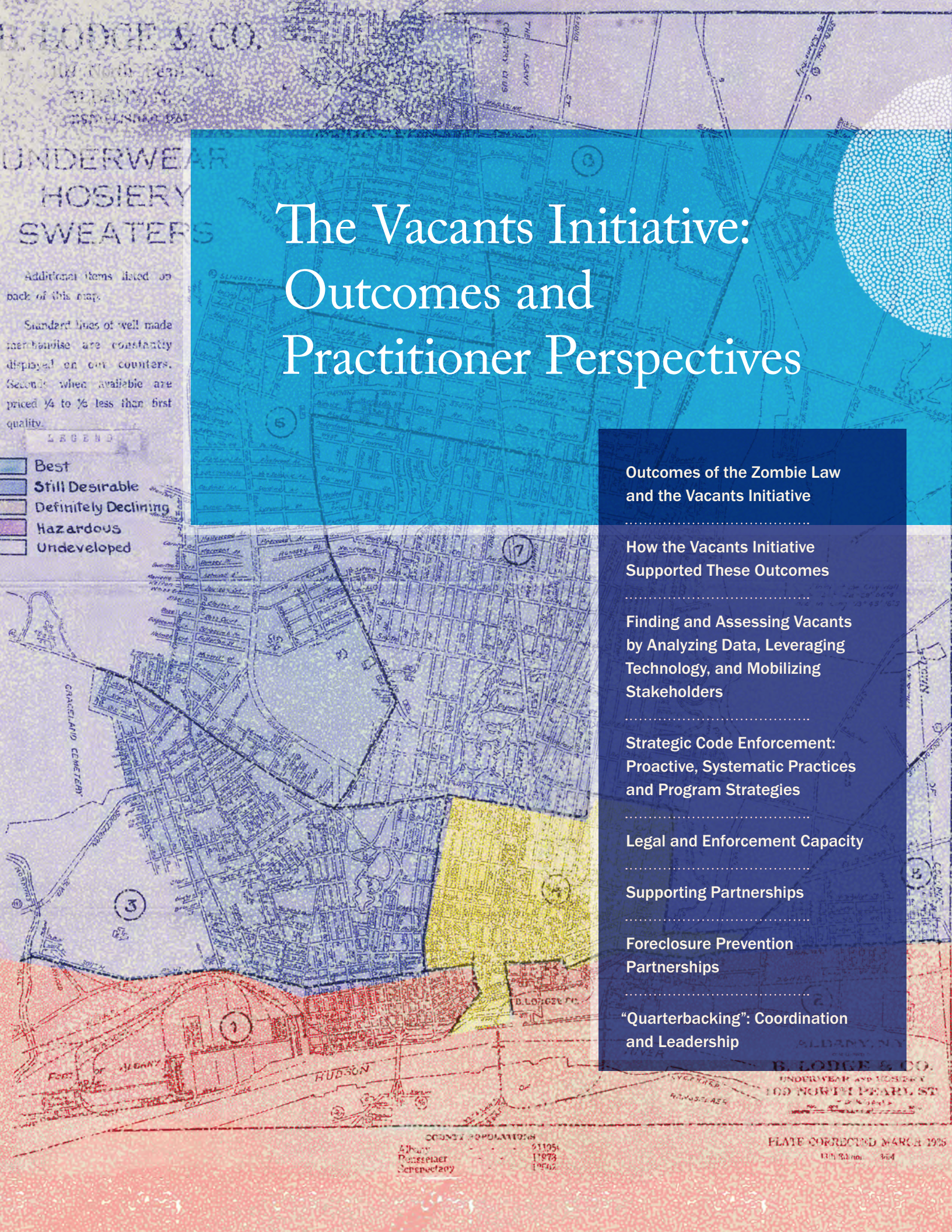
PRINCIPLES OF STRATEGIC CODE ENFORCEMENT

Through the Vacants Initiative, LISC helped municipalities apply the principles and practices of strategic code enforcement (CE) to vacant houses. Strategic CE is an emerging code enforcement model that encourages programs to deploy their inspection resources, administrative and judicial remedies, and policy tools in a new, proactive way, to further the wellbeing of residents, neighborhoods, and the broader community. Instead of being entirely complaint-driven, strategic CE programs identify community priorities and inspect properties in ways that achieve the greater buy-in necessary to achieve effective and timely compliance. Strategic CE also demands close inter-agency coordination and must be rooted in meaningful partnerships with community groups and neighborhood residents. Although a community and

its local government can take many different paths towards adopting and implementing strategic CE, its values and practices include:

- Understanding code enforcement as an **organic system**
- Elevating **compliance above enforcement**
- Ensuring decisions are **data-driven**
- Defining and tracking **measures of success**
- Engaging in **collaborative** and coordinated actions
- Developing and supporting **proactive leadership**
- Elevating and prioritizing **equitable** actions, impacts, and outcomes

Strategic Code Enforcement – A New Model for Reclaiming Vacant Properties and Stabilizing Neighborhoods. Kermit Lind and Joe Schilling. VPR Network (2016) <https://vacantpropertyresearch.com/translation-briefs/code-enforcement/>



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- Legal and Enforcement Capacity
- Supporting Partnerships
- Foreclosure Prevention Partnerships
- “Quarterbacking”: Coordination and Leadership

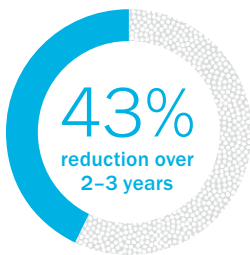
COUNTY POPULATION

| | |
|-------------|-------|
| Albany | 51105 |
| Rensselaer | 17978 |
| Schenectady | 19542 |

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Outcomes of the Zombie Law and the Vacants Initiative



11,152
fewer deteriorated
vacant homes

Among the 30 (out of 76) municipalities reporting their starting number of vacant houses and systematically inventorying their zombies or both zombies and vacants, there was a reported net reduction of 11,152 distressed vacant and/or zombie houses—a decrease of 43% (from 25,752 to 14,600)—over the two- to three-year program.

As part of their zombie strategies, as described below, many municipalities developed a comprehensive inventory of their vacant and zombie houses for the first time, and created new tools to address them. Since accurate information about vacant and zombie houses is difficult to obtain, for reasons described below, these comprehensive assessments are important data sources to assess program outcomes.²⁷ Among the 30 (out of 76) municipalities reporting their starting number of vacant houses and systematically inventorying their zombies or both zombies and vacants, there was a reported net reduction of 11,152 distressed vacant and/or zombie houses—a decrease of 43% (from 25,752 to 14,600)—over the two- to three-year program.²⁸ While there was some variation in reported reductions, ranging from 8% at the lowest end to 81% at the highest, the typical (or median) decline in the number of vacants and zombies was 46%, and the average (or mean) result across places was a 43% reduction, similar to the municipalities' aggregate reduction. These findings suggest fairly consistent results, and that places small and large experienced similar gains. The variation in percentages was most often explained by variations in the proportion of zombies among total vacant houses. Municipalities losing population due to deindustrialization were more likely to have high concentrations of vacants without liens—houses that have been vacant for a while. Municipalities with more stable populations, often suburbs of the deindustrializing cities, were more likely to have higher concentrations of zombies that were more likely to be resolved using the Zombie Law. In this context, the resolution of a vacant could be through bringing the house up to code, rehabbing and repurposing it, demolishing it, or selling it.

The Urban Institute's interviews and analyses found that before the grant most municipalities had very reactive processes for addressing vacant and zombie houses—largely triggered by receiving many and frequent complaints from constituents. There was varying capacity around the state, with much work carried out by underfunded and understaffed code enforcement departments using outdated methods.²⁹ For smaller and rural municipalities, code enforcement was a particular challenge—for instance in **Gouverneur**, New York, a town of approximately 7,000 in St. Lawrence County, one person performed the work of the code enforcement officer, as well as being the building permit issuer and inspector, and the federal and state housing program administrator. Due to capacity challenges, before the onset of the Vacants Initiative most municipalities understandably had to focus their code enforcement resources and efforts on occupied housing—especially houses presenting health and safety risks. While some places had created local vacant-property registries, and others used a less formal system requiring owners and lenders to pay a fee and fill out a property registration form, interviewees reported that these strategies were ineffective, because many of the owners had already abandoned

The Vacants Initiative:
Outcomes and Practitioner Perspectives



BEFORE



AFTER

ABOVE: Newburgh, NY

PHOTO CREDITS: (TOP) NEWBURGH COMMUNITY LAND BANK;
(BOTTOM) HABITAT FOR HUMANITY OF GREATER NEWBURGH

their homes and the lienholders were not legally required to maintain the vacants, meaning that even when registration took place, it did not necessarily result in compliance. LISC worked to meet municipalities where they were regardless of capacity and provide the technical assistance and support for them to advance to the next level of vacants work.

By the end of the grant, in contrast, grantees were able to identify most if not all of the zombies and, depending on the scope of their workplan, other vacants in their neighborhoods—a significant achievement, given the complexities of the mortgage foreclosure process and mortgage servicing industry. Many local governments increased their data and technological capacities to more regularly and efficiently document, track, and map their zombies and their vacants without liens. One of the most significant results of the initiative was an enhanced capacity to coordinate and collaborate across local government departments or agencies, and with community-based organizations and nonprofit partners.



In many ways the Vacants Initiative served as a statewide platform for helping municipalities develop a strategic approach to their code enforcement operations.

Whether through vacant-properties task forces or zombie coordinators (“quarterbacks”), described below, or both, the grantees now have a more comprehensive perspective and a strategic code enforcement approach in place. In fact, a number of grantees expanded their zombie capacities to also address other types of vacants and apply lessons from zombies to other code enforcement issues. The alignment of these capacities enabled several grantees to more efficiently and effectively resolve zombie cases, improved methods that in turn would mitigate or minimize the negative impacts and costs associated with both zombies and other types of vacant properties. In many ways the Vacants Initiative served as a statewide platform for helping municipalities develop a strategic approach to their code enforcement operations, and many of the local zombie and vacants activities reflect the core principles and practices of strategic code enforcement, such as data-driven decisions, cross-agency collaboration, cross-sector partnerships, and proactive and equitable interventions.

This increased capacity, combined with the “stick” of the Zombie Law itself, led to increased engagement and accountability among lending institutions. Although lenders’ level of responsiveness did vary from locality to locality, most grantees felt the banks, mortgage servicers, and their property preservation firms were more engaged thanks to the Zombie Law. By communicating that lending institutions were legally responsible for maintaining the house during the foreclosure process—enabling local governments to charge the banks for their property cleanups, and authorizing fines for failure to maintain—the law created strong incentives for the banks to take the necessary actions. The zombie coordinators, code enforcement staff, and local zombie and vacant-property task forces leveraged these legal responsibilities to nudge, persuade, and in some cases demand that lending institutions clean, secure, and maintain properties. A handful of the banks worked closely with the local zombie teams to facilitate rehabilitation and repair of the vacant home, and in some cases partnered with local land banks to facilitate their acquisition of the zombie home for future rehabilitation or repair and resale, or even for demolition.

How the Vacants Initiative Supported These Outcomes



THE MOST EFFECTIVE APPROACHES:

Assessments of vacants leveraged technology and stakeholders

Vacant properties were researched and codes enforced

Litigation brought accountability and accelerated repairs

Not every municipality undertook the same strategy to address vacant properties. But the most effective approaches started with a marshalling and *assessment* of vacants in the jurisdiction, a process that was enhanced by leveraging technology and mobilizing stakeholders to survey neighborhoods. These programs then moved into *code enforcement*, which also included research as to property status and banks' involvement in the properties. When necessary, municipalities initiated priority *litigation*, which often brought accountability to banks and accelerated the resolution of repairs, expedited the foreclosure case, or transferred ownership of the property. Because these assessment and enforcement actions required the involvement of multiple agencies, some of the most effective initiatives had a “quarterback” tasked with coordinating among city agencies. Perhaps most importantly, on the grounds of equity and generally preventing hardship, effective approaches also included an active *prevention* component.

Finding and Assessing Vacants by Analyzing Data, Leveraging Technology, and Mobilizing Stakeholders

Data, and its collection and analysis using technology, are critical in the initial stages of any successful strategic code enforcement program. Data and technology are not synonymous, however. Ideally, municipalities should align their technology to fit their existing data availability, or obtain and upgrade their technology to collect, organize, and analyze the data more effectively. Delays in approvals and the length of some municipalities' procurement processes (including the necessary vetting by information-technology staff and consultants, and the purchase of hardware, software, and licenses), as well as the need to train staff sometimes meant new technology was not available for use until midway through or near the end of the grant period. Regardless of when it was obtained and used, technology proved to be a major efficiency booster and tool for making data-informed decisions for municipalities, and it continues to benefit the local governments that use it. Below, we outline the two different ways of leveraging data.

DATA

In addition to conducting an initial inventory of vacants, many municipalities collected information from code enforcement records, resident complaints, nuisance calls to police departments, fire-hazard investigations by fire marshals, court records, and water and utility shutoffs. These data came in many forms, depending on the resources of local systems; while some were already in special databases, others were represented in Excel spreadsheets or written with pencil on paper that was stored in filing cabinets. Even when these data could be effectively compiled, grantees found that it is not always straightforward to determine whether a home is vacant. Sometimes a neighbor of a vacant house will maintain the yard, or the lights

The Vacants Initiative:
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To confirm vacancy, they conducted three inspections of each suspected vacant house at different times of the day and on different days of the week over a 90-day period

may still be on if electricity is not yet disconnected. The external condition of the house may be decent if recently abandoned, and it may not be obvious to a surveyor of the property that it is vacant, especially when, on occasion, people experiencing homelessness or engaging in illegal activity may temporarily move in or, in other reported cases, when individuals fraudulently posed as landlords and rented vacant houses to unsuspecting tenants. The converse is also true: there are occupied houses in such deteriorated condition that they appear vacant although people are living in them.

These challenges meant that local governments needed to adopt additional proactive ways to identify vacants. For example, to satisfy the requirements of the Zombie Law, the City of **Rome**, with a population of around 32,000 in Oneida County east of Lake Superior, *conducted research* in the county clerk's office on recorded liens, and to confirm vacancy conducted three inspections of each suspected vacant house at different times of the day and on different days of the week over a 90-day period. Rome also contracted with a community-based organization to have volunteers and paid workers systematically drive each street in the city, called windshield surveying, to visually assess each house for vacancy indicators such as overgrown grass, trash, mail, and general property conditions. Collecting these data enabled the city to put together a list of suspected vacant properties and then conduct further research to determine ownership and mortgage liens. The City of Rome then shared the vacancy, mortgage lien, and house condition of the houses with the New York State Department of Financial Services (DFS) so the properties could be added to the DFS Registry where banks had failed to do so.



NYC HPD inspects a suspected vacant house with its indicators of vacancy checklist.
PHOTO CREDIT: NYC DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

The Vacants Initiative: Outcomes and Practitioner Perspectives



PHOTO CREDIT: NYC HPD

provide owners' last known addresses and also whether lienholders are paying taxes on behalf of owners. In some grantee municipalities, such as the City of **Jamestown**, in Chautauqua County east of Lake Erie, *police and fire emergency records* were used to prioritize code enforcement action, especially in cases of suspected arson.

Developing a database of the vacant houses and information about each one (physical condition, code violations, records of ownership and liens) is a critical component of strategic code enforcement's *data driven decision-making*. Although most local governments collected and analyzed data using the technology described below, some smaller or cash-strapped municipalities compiled data on paper or in Excel spreadsheets. Whether using a file cabinet or a technology-based method, data collection is the critical first component and is key regardless of the timing of technology adoption.

TECHNOLOGY

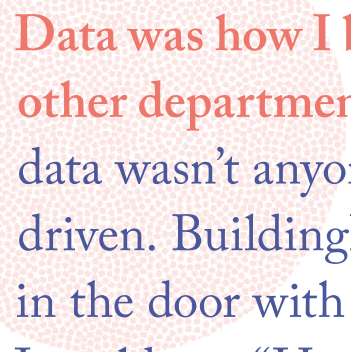
In their applications, grantees most often identified the need for several kinds of technology. They stated that they needed tablets for code enforcement officers to use in the field, with software that links to the code enforcement database back at the office for immediate upload including photos. They proposed the need for new code enforcement software or cloud-based platforms, or upgrades to their present systems; for software or a web-based platform that integrates multi-departmental records, sorted and organized by property; and/or for systems that provide spatial and historic mapping and can provide data analysis.

As they progressed through the grant, new data and technological systems were often paired with active surveying strategies. For example, BuildingBlocks, a Tolemi (formerly Opportunity Space) product, was selected by the OAG after rigorous vetting of technology products to complement this and another OAG settlement funded strategic code enforcement initiative. As New York municipalities began using this program, it became clear that, as a high-capacity, user-friendly data platform it was extremely useful for tracking vacants. BuildingBlocks could

DFS then added the houses to the registry after review and confirmation they should be registered, and made some calls to mortgagees and servicers to seek compliance.

Most important, cross-referencing and overlaying the multiple sources of data by property address, and compiling a list of properties with the most vacancy indicators, was a useful tool for identifying the most troubled houses for follow-up inspections. For example, municipalities accessed utility-company data—such as *water shutoff* or usage information and *electrical shutoff* information—as potential signs of vacancy, and also examined property tax delinquency records. In another case, **The Western New York Law Center** and the **Office of the Erie County Clerk** worked together to provide weekly printouts of *foreclosure filings* and *property transfers* to the municipal grantees in Erie County to assist them with identifying both new, at-risk homeowners and potentially vacant houses. Owners and lienholders had to be identified before they could be held accountable. *Property tax records*

receive datasets from a wide range of software and cloud databases. Code enforcement, police, fire, water shutoffs, tax assessor and collector records, and building department records could all be automatically uploaded and sorted and used to analyze where vacant houses and lots are, their condition, and problems they were causing for their communities. Some municipalities engaged community associations, block associations, and individual residents to use data platforms to identify suspected vacant properties. **Syracuse**, a larger Central New York city of about 150,000, trained residents to input information using Loveland Technologies' platform, accessible by smartphone app, to collect photos and information about vacants in their neighborhoods. Loveland then transmitted information directly to the city's code enforcement department.



Data was how I built trust and mutual respect with other departments. Before [the “Vacants Initiative] data wasn’t anyone’s problem who wasn’t complaint driven. BuildingBlocks was my way of getting in the door with some of these departments because I could say, “Here’s this wonderful system I can offer you access to that will improve your operations internally, but in exchange I need your data.”

— PRACTITIONER IN ALBANY

Across places, grantees used resources from the initiative to buy tablets for code enforcement officers who did not have access to them before, to purchase new code enforcement software or platforms, and to access systems that integrated records across departments and allowed them to be analyzed and mapped. For example, **White Plains**, a city of about 58,000 in Westchester County directly north of New York City, used BuildingBlocks to interest multiple city departments in working collectively to identify and troubleshoot houses that were highly distressed and creating nuisances in their communities. Digitization and supplemental data-collection tools helped municipalities keep information all in one place and spot patterns in the data, enabling them to become more proactive with zombie identification and enforcement. Even a larger city in Western New York, **Rochester**, shared, “BuildingBlocks allowed us to centralize all of our data on one platform. All the data was siloed.” An officer from **Auburn**, New York, echoed the importance of technology saying, “[W]ith the iPads . . . [code enforcement officers] can go out and write things electronically and violations get uploaded on the spot. Overall, they reduced the level of action that needed to be taken in writing a codes case.”

New York City

New York City used its Vacants Initiative grant to create its first comprehensive repository of information about vacancy and foreclosure. The dataset was created by compiling, cleaning, and integrating multiple sources on vacancy, and physical and financial distress, from various city and state agencies. Then, using these compiled data, the grantee developed statistical models to predict which properties were likely to be zombie houses. A field associate then conducted exterior surveys to improve the accuracy of the models. During the grant period, the New York City Department of Housing Preservation and Development (HPD)'s Zombie Homes Team created its own survey tool using ArcGIS's Survey123 app and conducted 500+ exterior surveys. Through this app, HPD collected photos and other evidence to document mortgage holders' failure to maintain zombie houses and shared this evidence with the New York City Law Department, who collects civil penalties for the mortgage holders' failure to maintain these homes. The field manager also coordinated with other agencies in the city, including the Department of Buildings, the Department of Sanitation, and HPD's Office of Enforcement and Neighborhood Services, to address immediate concerns about the houses. A staffer reflected, "There is lots of cross-departmental collaboration, with relationships built over time. In each agency we have a point person we've built a relationship with that we can rely on for taking action when we need it." After identifying zombies, the team referred the first set of ten cases to litigation when servicers failed to remediate code violations. The houses selected were very deteriorated and each had a lien from a different major bank, which served to highlight the harm zombies were creating on their blocks and to pressure the banks to be accountable across their entire vacant portfolios. A city staff person observed:

Through litigation, we've brought a lot of servicers to the table who want to talk with us more proactively. After our first round of litigation, some servicers came to us to set up a working relationship to talk about properties we've surveyed in their portfolio.

Through regular phone meetings with the servicers HPD is now able to resolve many maintenance and repair issues without the need for litigation.



Strategic Code Enforcement: Proactive, Systematic Practices and Program Strategies

Most grantees used Vacants Initiative funds to staff up or enhance code enforcement activities in ways that let them focus on zombie and other vacant houses, where previously they often prioritized occupied houses and had few resources left to address vacants. Once suspected vacants were identified, code enforcement personnel researched property ownership, lienholders, any property tax arrears, tax or mortgage foreclosure status, whether the house is on the DFS Registry, and whether utilities are connected. This research confirmed the vacancy status, type of vacant (subject to a lien, not subject to a lien, real estate owned), ownership, and lienholders. To obtain compliance many municipalities used systematic proactive code enforcement inspections (a system for inspecting all vacant residential properties on a schedule) and/or intensive code enforcement outreach to owners, lienholders, and servicers. Using these methods together was far more effective.

For example **Auburn**, a small city of roughly 27,000 in the Finger Lakes region, used a two-pronged approach to address zombies and non-mortgaged vacants that emphasized intensive code enforcement in close coordination with the legal team, achieving a high rate of compliance. The city's strategy included up-front research by code enforcement in tandem with the legal department to identify all owners, servicers, and maintenance companies associated with each house; frequent in-person inspections and windshield surveys of inventoried vacants; regular outreach and "tough talk" to banks and servicers informing them of their obligations and the threat of legal action if non-compliance continued; in-person contact with maintenance companies and contractors to ensure repair protocols were followed; and use of city maintenance staff to make repairs that servicers failed to do timely.

Olean, a small city in the heavily rural Southern Tier, hired additional code enforcement officers and created a standardized, comprehensive enforcement checklist that helped surface vacants that had previously evaded detection.

In addition to hiring additional full- or part-time code enforcement staff, many municipalities revised inspection and reporting procedures for their code enforcement departments to fold zombie inspections into their routine inspection schedules. For example **Fulton**, a city of 11,300 in Oswego County, used its grant to hire and train an additional full-time code enforcement officer. This officer, along with other officers in the city, was focused on integrating zombie houses into regular inspection schedules of occupied residential properties.

Elmira: Small City Code Enforcement Success

Elmira, a city in New York's Southern Tier region, used its grant to hire a dedicated code enforcement officer designated just for vacants, who was also the person responsible for contacting banks listed on the DFS Registry to persuade them to comply with the maintenance requirements. Elmira's grantee team indicated the grant helped the city make code enforcement personnel more approachable by sending them to local markets to hand out pamphlets about the role of code enforcement and educate residents about zombies and all vacants. In general, code enforcement officers felt they were able to craft more strategic and targeted enforcement strategies. As one observed, "[B]efore this grant, I really never thought about doing code enforcement like we're doing it now. . . . We're getting so much more accomplished. Data-driven code enforcement is phenomenal." Changing from a reactive to an intensive proactive approach yielded much better results and higher job satisfaction.



PHOTO COURTESY
OF CITY OF ELMIRA

Legal and Enforcement Capacity

In addition to spending grant funds on technology and code enforcement, many of the grantees used their grants to hire attorneys and paralegals for their legal departments or to retain outside counsel to bring actions and enforce the Zombie Law and other laws useful for improving maintenance of, and repurposing, vacants. Nearly three-quarters of recipients in the first round of grants (“Zombies 1.0”) spent a portion of their grant on expanding their legal capacity, on ownership and lien searches, and/or on hiring legal counsel to bring actions under local code enforcement law. For example, through a legal consultant, a grantee city of some 18,000 in the Capital Region, **Amsterdam**, brought over 270 cases to codes court, of which 227 were completed by the end of the grant period with an estimated 80% compliance rate. In **Erie** and **Niagara counties** in Western New York, the Western New York Law Center was engaged to research problem houses, advise on strategy, assist in connecting at-risk homeowners to foreclosure prevention assistance, or bring legal action around zombie properties. There were three primary areas of legal work that municipalities performed: Zombie Law enforcement, Article 19-A, and vacant house registries.

ZOMBIE LAW ENFORCEMENT

Amsterdam also successfully used the Zombie Law to obtain compliance from lienholders without having to go to court, obtaining two bank-funded demolitions. The city also cited coordination with DFS, which assisted with over 60 distressed zombies that did not go to court by helping to identify servicers and acting as a liaison when Amsterdam’s direct communication with servicers was not productive. Overall, officials felt they were able to leverage this law to make banks accountable.

The small, upstate city of **Auburn**, like most municipalities, was able even at the beginning of the initiative to charge property owners of occupied housing for any necessary clean-up in response to trash, snow, or grass code violations. However, in the case of zombies, the Auburn grantee team reported being better able to charge yard work, and also any necessary external repairs to the houses, to the mortgage servicer or lienholder. As one staffer said, “They [banks] get a bill that’s big enough for them to perk up a bit . . . then they get after it. After they get that first bill, they’re calling us trying to figure out what to do to not get a second bill.”

Niagara Falls: Enforcement of the Zombie Law

Niagara Falls, a small city near the Canadian border in Western New York, started out by assessing each zombie separately and reaching out to its respective lienholder to discuss a resolution of that individual property. After a few months, however, city officials noticed they were sending Zombie Law violation letters to the same lienholders multiple times on multiple properties without much response. They came up with a lienholder-based strategy, grouping all zombies by their lienholder and writing letters to each lienholder listing all the Zombie Law violations for all the zombies on which that lienholder had a delinquent mortgage. At \$500 per property per day in accumulating fines, this strategy brought lienholders and mortgage servicers to the negotiating table. In some cases, financial institutions offered to pay for demolitions where the cost of external repairs would be more expensive and otherwise stepped up to bring the houses up to code and to complete foreclosures. Over time, Niagara Falls developed relationships with the lienholder representatives and after a while it was no longer necessary to write letters as new vacants appeared—a simple call to the representative would result in a resolution. The United States Conference of Mayors awarded Niagara Falls its Outstanding Achievement Livability award for cities under 100,000 in population for this Zombie Fight Project, an innovative way of holding banks and servicers accountable. What began as fraught interactions evolved into working relationships, with outcomes that benefitted the city and the banks too. The banks avoided fines and litigation costs and Niagara Falls obtained compliance.

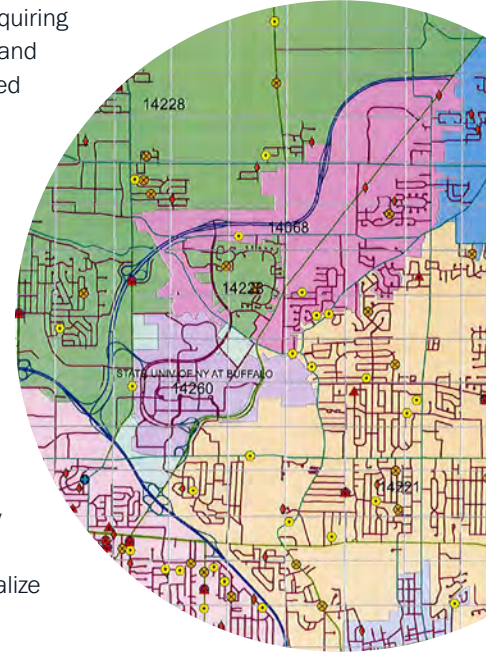
ARTICLE 19-A

In other cases, the Vacants Initiative funded actions utilizing Article 19-A (of the Real Property Actions and Proceedings Law)—a New York State law that enables municipalities to obtain title to abandoned properties that pose harm to communities, and then transfer them to another owner. These actions were used to gain title primarily to vacants without mortgages, but also to zombies on occasion. In **Rochester**, officials said the program enabled them to dramatically increase their capacity to initiate Article 19-A proceedings, with the grant paying for title searches, process servicing, and court-filing fees to aid this process. Rochester increased the number of Article 19-A proceedings it initiated from three per year to 40 over two years—resulting in nine properties transferred to new ownership, three brought into compliance by the existing owners, and five acquired by the city. In **Jamestown**, municipal staff shared that, before the grant, code enforcement had been completely divorced from the legal side of property reclamation. Through the grant, the staff worked to ensure that code enforcement officers had the legal knowledge and support they needed to understand the suite of options for dealing with a vacant house.

VACANT HOUSE REGISTRATION

Beyond strategies to pursue legal action using the Zombie Law, Article 19-A, and traditional housing-maintenance code provisions, several grantees updated their existing ordinances or established new registration ordinances to help them better monitor the ownership and condition of vacants. For example, **Albany**, the state capital city about 135 miles north of New York City, revised and simplified its vacant building ordinance, which had been created as a model ordinance in 2000, to enable easier prosecution. Similarly, **Smithtown** (on Long Island) developed a proposed local law requiring abatement of unsafe buildings and disseminated it to hamlets and villages that were subunits of its geography; the law was adopted by one of the villages in September 2019.

Some municipalities also established rental registries. The use of rental registries is one strategy to prevent landlords from renting out substandard housing and collecting rent without maintaining properties. While not strictly a vacants strategy, in addition to helping tenants, registries are a strong vacants prevention tool, because a lack of maintenance can result in vacancy and abandonment over time. During the initiative, **Smithtown** and **Amherst** passed ordinances to establish rental registries to assist with identifying vacant houses. In spring 2019, the Adirondacks region's **Saratoga Springs** updated its existing vacants registry ordinance, first enacted in 2016, to bring it into conformance with newer state laws. It also planned to introduce a bill to penalize demolition by neglect.



RIGHT: Detail of the town of Amherst's Vacant and Zombie Properties map.

Supporting Partnerships

The initiative supported internal and external partnerships that were critical to reducing vacants and zombies, including collaborations through vacant-property task forces, land banks, colleges, housing studies, and community-based and civic organizations, as well as partnerships with other municipalities and foreclosure-prevention partnerships.

VACANT-PROPERTY TASK FORCE

Many municipalities established a “vacant-property task force,” comprised of department heads of all the divisions within a municipality that touched vacant houses, such as the legal, code enforcement, police, or fire departments. These task forces shared information and prioritized actions; they were reported to be helpful in both small and larger cities, such as the city of **Newburgh** (23,000 residents) and also **White Plains** (150,000).

LAND BANKS

The initiative also helped municipalities form connections with city, county, and regional land banks, as an important strategy for success. (Land banks are government or nonprofit entities, often given special powers to transfer ownership of vacant properties for productive use or allow for demolition when reuse is not possible.) For example, the Buffalo-area town of **Cheektowaga** (population 86,000) worked with the land bank for the county, the *Buffalo Erie Niagara Land Improvement Corporation (BENLIC)*, to transfer a land bank property within the town with a rehabilitation scope of work and a lien that would not be removed until the purchaser completed the rehab and brought the property up to code. For its “sales with scopes” properties, BENLIC also did its due diligence to ensure buyers had proper funds available to rehabilitate the property when it was sold to them. This kind of communication helped land banks attract greater interest from developers when a land bank issued a request for proposals (RFP).

Municipalities also helped their land banks narrow down lists of properties to earmark those prime for rehabilitation, and then helped the land banks acquire them, often for the purposes of producing affordable housing. The city of **Newburgh** and the *Newburgh Community Land Bank* have a close working relationship where the land bank obtains properties from the city and other sources, stabilizes these vacant row houses, and transfers them either to nonprofit housing groups including *Habitat for Humanity* and *RUPCO* or directly to homeowners for rehabilitation. RUPCO has also used federal low-income housing tax credits to convert the vacants into affordable rental housing. In the view of one practitioner, these kinds of partnerships helped determine that a property that might otherwise have been demolished was viable for rehabilitation:

We have one that I just issued a certificate of occupancy. At first glance, the land bank assumed it was going to be a demolish [sic]. There was raw garbage, [but] once we did our assessment... the roof is good, the foundation is good, that's the house they went after. It took about a year to issue the certificate of occupancy. It was the worst house in a very good neighborhood. That property is now on the market for low- to moderate-income individuals.

COLLEGES

In other municipalities, departments were able to develop partnerships with local colleges or other anchor institutions to bolster capacity. **Buffalo State College** was retained by nearby **Tonawanda City** to assemble data and set up a database of code-enforcement-related information including building permits, violations, zombie properties, no-mortgage vacants, and housing-condition survey data. **Schenectady's** vacants grant work aided the city's participation in a regional project through the Center for Technology in Government (CTG) at the **University at Albany**. The project enabled municipalities to collect and share better data on distressed properties through the Community Officials Data Exchange (C.O.D.E.).³⁰

HOUSING STUDIES

Buffalo and nearby **Dunkirk**, a city of roughly 13,000 on the shore of Lake Erie, engaged consultants to research and produce a baseline housing study that scored and ranked



The Albany Victory Gardens located on vacant property acquired and assembled by the Albany County Land Bank.

PHOTO CREDIT: ALBANY VICTORY GARDENS

the condition of each house into five categories (best to worst), which provided principles and recommendations for prioritized use of limited public resources to address the most deteriorated properties. In both cities, development of the study was guided by task forces and commissions of city residents and stakeholders.

COMMUNITY-BASED ORGANIZATIONS AND CIVIC GROUPS

Some municipalities partnered with local civic groups, community organizations, residents, and other stakeholders. For example **Buffalo**, New York's second-largest city, worked with residents to obtain information about vacants and troubled occupied properties, which helped the city prioritize use of time and resources by building department and code enforcement personnel in order to target areas where intervention is most needed. **Syracuse** used its block association network, supported by its Department of Neighborhood and Business Development, to share information about identifying and addressing vacants. Syracuse also received authorization from LISC to reallocate some of its grant to pay for a participatory budgeting³¹ process to have city residents decide which vacants would be repaired through its Blight Busting program. This involves opening up the selection and ranking of rehabilitation projects to the community through a participatory process, a very effective way of obtaining community support and involvement.

Partnership Innovations: Capacity Building Through Local and Regional Initiatives

WESTERN NEW YORK LAW CENTER—ERIE AND NIAGARA COUNTIES


As a complement to the local capacity-building activities that LISC helped to develop across the state, the nonprofit Western New York Law Center (the Law Center) has provided supplemental program and technical capacity to a number of grantees in Erie County and some in Niagara County.³² By operating at the county scale, the Law Center was able to provide more direct legal guidance and litigation capacity to the local government grantees and work on vacant-property and mortgage-foreclosure policy issues confronting the communities in Western New York. The Law Center served as an important regional capacity-building hub within this emerging statewide network of zombie grantees that LISC was responsible for managing and coordinating. The zombie grants enabled Erie County cities and towns, and a few in Niagara County too, to sub-grant some of their Vacants Initiative funds to the Law Center to perform foreclosure-prevention outreach, research vacants, and bring additional court actions. The Zombie Law enabled the Law Center to sue banks for failure to maintain vacants on which they held liens. The Law Center's role—in organizing the Erie County municipalities, training them together, pulling in the resources of the Erie County Clerk's Office to systematically and frequently share lis pendens and title-transfer information, and securing pro bono research services from law students—had a major collective impact beyond the work of any individual municipality or nonprofit acting on its own. The Law Center also had the expertise to, for example, help the first-ring Buffalo suburb of **West Seneca** set up a town housing court, in session one day a week, to hold property owners and lienholders accountable. LISC's statewide network has also

facilitated the Law Center’s sharing of its expertise, through its participation in group calls and webinars organized by LISC.

RUST2GREEN (R2G), A CORNELL UNIVERSITY AFFILIATE—CITY OF UTICA

Rust2Green illustrates another type and scale of nonprofit organization that can provide core, backbone support to local governments in the design, launch, and implementation of vacant house programs. The small Central New York city of **Utica** hired a part-time R2G consultant to draft its Vacants Initiative application and workplan, and to implement the program.³³ R2G provided a full suite of technical, administrative, data-collection, and community-engagement activities, and helped to select and onboard the city’s current zombie coordinator. R2G worked with city staff and geographic information system (GIS) consultants to complete the initial inventory and database of zombie and other vacant houses. It convened and managed a cross-sector vacant-property task force (the Foreclosure Response Team) and working groups to provide input and guidance for the zombies work and to align and better coordinate existing initiatives to handle existing vacant properties and prevent future foreclosures. R2G leveraged its relationships with housing and community-development nonprofits in the region by helping to develop foreclosure-prevention training for at-risk homeowners.

R2G engaged the *Community and Regional Development Institute* (CaRDI at Cornell University) to collect data on foreclosures and track and develop surveys for data collection. It also worked to increase the city’s GIS capacities and completed research and local state analysis related to the costs and negative impacts of foreclosures in Utica and the region. Among the partnerships developed by local government grantees, few nonprofits played such a comprehensive and integral role as R2G. The organization helped Utica with its zombies work until the city developed the capacity to run a strong program on its own.



Foreclosure Prevention Partnerships: Municipalities Team Up with the HOPP Network

ANOTHER SIGNIFICANT FEATURE OF THE VACANTS INITIATIVE is the close partnerships that developed between the municipalities and the Homeownership Protection Program (HOPP) providers in their counties, which enabled grantees to be certain homeowners had access to assistance with their mortgage and tax-arrears challenges. All initiative grantees were required to conduct foreclosure prevention, by design. In developing the program with LISC, the OAG learned through its interviews that many municipalities were still not aware of the suite of programs available to their residents, including the state's HOPP network. HOPP provides free housing counseling and direct legal services, including representation in court proceedings, through legal services offices and HUD-certified housing counseling agencies, many of which are run by community-based nonprofit organizations. HOPP also administered the \$100 million OAG-settlement-funded Mortgage Assistance Program (MAP) that provided zero-interest mortgage loans up to \$80,000 to eligible New York homeowners. MAP loans enabled at-risk homeowners to remove subordinate liens from their houses, which in turn enabled them to then modify their first mortgages and stay in their homes.

Municipalities developed several strategies to bolster foreclosure prevention, focused on campaigns to increase awareness about available foreclosure prevention resources, including the HOPP network and the MAP loan program. They contracted with housing counseling organizations to develop education and outreach campaigns, helped code enforcement officers distribute fliers to

at-risk homeowners in the course of carrying out inspections, conducted social media campaigns, tabled at street fairs, took out billboards, and coordinated with faith communities. Several municipalities partnered with nonprofits to send letters to homeowners with delinquent home mortgages. Because municipalities did not have access to a state registry of such mortgages, several cities wrote letters without names and addresses that were then forwarded to HOPP providers (who did have access) who then mailed them. This process was a value-add to HOPP network member organizations, which did not have their own resources to conduct extensive outreach on their own.

Some cities, like **Smithtown**, even made personal visits to families in distress to connect them with whatever resources could be helpful. In **Albany**, local foreclosure prevention personnel took to hand-writing notes to at-risk homeowners, believing that often a personal touch can decrease people's fear around reaching out to ask for help. **Ogdensburg**, a city of around 10,000 on the St. Lawrence River in northern New York, developed an innovative property-tax amnesty program, marketed it to 264 households, and discharged 77 property-tax liens—thereby assisting 58 families to remain in their houses. **Amsterdam** conducted outreach to over 1,400 households at risk of property or tax foreclosure and informed them about resources available through the city and the OAG's HOPP and MAP programs. The City of Amsterdam also reduced the number of houses on which tax foreclosure was

RIGHT: HPD worked with the Center for New York City Neighborhoods to connect at-risk homeowners to foreclosure prevention resources.

imminent by 300 (from 700 to 400), collected over \$2 million in back taxes, and kept hundreds of people in their houses.

The **Village of Hempstead** on Long Island strongly engaged at-risk households. These efforts included mailings sent to 2,800 households, eight community meetings, and sponsoring “Meet Your Lender” foreclosure-prevention fairs, as well as tracking and follow-up with at-risk households that requested housing counseling or legal services. **Lockport**, a small city about 20 miles east of Niagara Falls, used a network of 38 community partner organizations, including the Buffalo Urban League and Consumer Credit Counseling Services, to disburse materials on foreclosure prevention. Corporation counsel for **Poughkeepsie**, a Hudson River Valley city of some 31,500 people, reviewed a local law pertaining to tax liens, and recommended revisions that were adopted and implemented to permit the acceptance of partial tax payments to prevent residential property-tax foreclosures when possible, and to allow the acquisition of private properties in order to move highly distressed vacant houses through the foreclosure process more quickly when necessary.



Municipalities developed several strategies to bolster foreclosure prevention, focused on campaigns to increase awareness about available foreclosure prevention resources, including the HOPP network and the MAP loan program.

The quarterback's role included acting as both the internal and public-facing lead on vacant houses, by coordinating among departments, trouble-shooting when problems arose, and interfacing with elected officials.

“Quarterbacking”: Coordination and Leadership

Some municipalities used their grant to hire a full-time “zombie coordinator” or “zombie quarterback.” These positions had a singular focus on zombies and vacants, and a project-management role that coordinated with both internal departments and external actors. This strategy prevented the initiative from landing on an already overextended manager’s or staff member’s plate—a challenge that hampered many of the grantees that did not employ a specialized coordinator. The quarterback’s role included acting as both the internal and public-facing lead on vacant houses, by coordinating among departments, trouble-shooting when problems arose, and interfacing with elected officials. Some coordinators were housed in their code enforcement departments, while others were located within their community or neighborhood development divisions. One **Niagara Falls** official commented, “I think a quarterback increased capacity, and if nothing else started conversations between people who should’ve been talking already but weren’t.”

Municipalities with designated quarterbacks and coordinators also tended to be more innovative in the vacants work because they had a comprehensive overview of the scope of issues and how they could be resolved. For example, a member of Rochester’s grant team reported:

The added value... of a staff person dedicated to managing both internal and external communications involving vacant properties is almost immeasurable... It allows this person to work directly with the inspection staff and their supervisors to identify which path every vacant case should be on from an enforcement perspective,... ensure inspection staff are properly following through on pushing the appropriate path to resolution,... and connect inspection staff and neighborhood leaders' vacant priorities with the demolition unit.

Smithtown tasked a seasoned ordinance enforcement officer to coordinate its Zombie 1.0 “workplan and to coordinate agencies and staff that did not work together previously. The quarterback oversaw the hiring and deployment of five part-time code enforcement officers who surveyed 1,087 streets, investigated 2200+ distressed houses, issued 522 violations, and subsequently brought 116 vacant houses into compliance. Reflecting on the progress this enabled, a grantee said:

In the past, [you’d have] multiple departments using available resources to investigate the same complaint. One hand didn’t know what the other was doing. [A quarterback] allowed us to facilitate information sharing about these complaints before going into the field, and then work together to address the complaint.

Albany: Zombie Property Coordinator

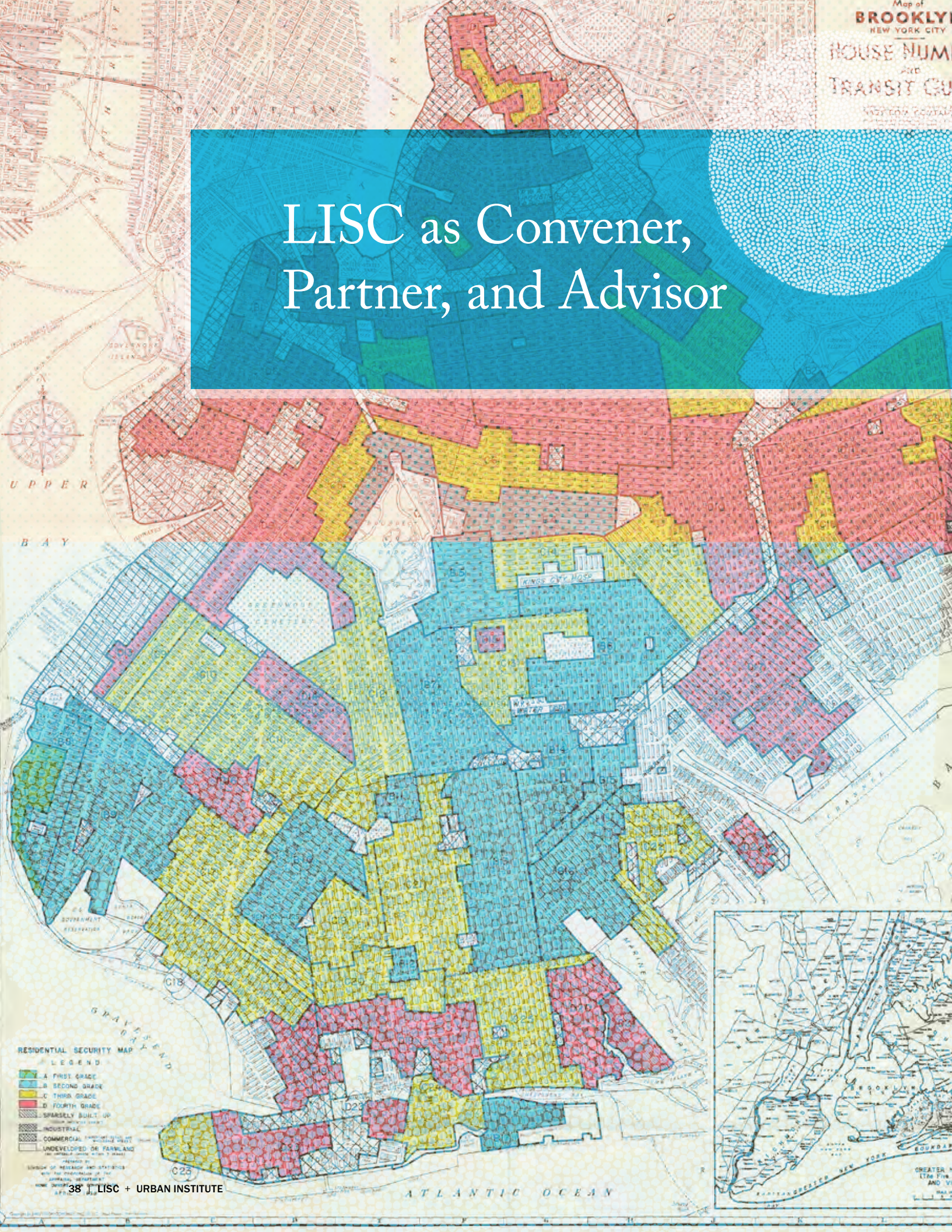
Albany used its grant funds to hire a full-time “neighborhood stabilization coordinator.” This coordinator developed a complete vacants inventory and strategy, leveraging and aggregating cross-departmental data to coordinate responses and confirm over 1,000 vacant properties, assigning them to different strategies depending on their status. (Before the coordinator came on board, city data on vacant properties was siloed in the various departments, and only reflected how each department interacted with these properties.) The coordinator also conducted foreclosure-prevention outreach, advocated for revised city legislation on vacants to better align policy and practice, opened up preventative and prosecutorial opportunities for specific properties, and chaired a vacant-buildings task force that included both nonprofit partners and private citizens. The coordinator advocated for shortening the tax foreclosure timeline for vacant properties through state legislation, and proactively identified zombie properties with maintenance issues to hold the responsible financial institution accountable. Albany’s coordinator also took advantage of learning and partnership opportunities with other municipalities, specifically replicating Niagara Falls’ strategy of using data to bring zombie lawsuits against major financial institutions for clusters of zombies. The coordinator functioned as the nerve center for all of the vacants work, developing and staffing coalitions, organizing the vacants work within Albany’s city government and managing relationships with its partners to collaborate on vacants reduction.

An Albany neighborhood block-by-block cleanup.

PHOTO CREDIT:
CITY OF ALBANY.



LISC as Convener, Partner, and Advisor



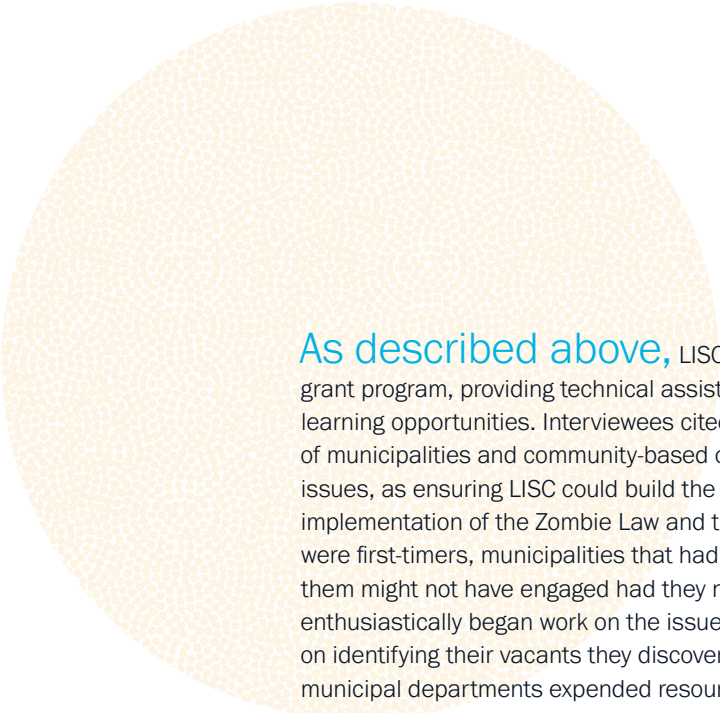
RESIDENTIAL SECURITY MAP
LEGEND

- A FIRST GRADE
- B SECOND GRADE
- C THIRD GRADE
- D FOURTH GRADE
- SPARSELY BUILT UP
- INDUSTRIAL
- COMMERCIAL
- UNDEVELOPED OR FARMLAND

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GREATER
NEW YORK
AND VICINITY
MAP



As described above, LISC co-designed with the OAG and then administered the grant program, providing technical assistance to individual municipalities and creating peer-learning opportunities. Interviewees cited LISC's experience and expertise working with cohorts of municipalities and community-based organizations on housing and community development issues, as ensuring LISC could build the capacity of local governments for more effective implementation of the Zombie Law and the Vacants Initiative. Included in the cohort of grantees were first-timers, municipalities that had never before applied for discretionary funds. Some of them might not have engaged had they not been recruited, but once given the opportunity they enthusiastically began work on the issue. As these municipalities with lower capacity worked on identifying their vacants they discovered the extent of the problem, recognized how many municipal departments expended resources on these properties, and saw the benefits of building capacity to address the vacants.

Beginning with LISC's work with the OAG to develop criteria to invite municipalities to apply, then throughout the grant period, LISC served as a thought partner, resource hub, and connector and convener. From the beginning of the grant program, LISC helped municipalities develop and tailor their workplans to align with local dynamics and priorities. It was also flexible in enabling grantees to change course when strategies were not working, and to revise workplans and budgets accordingly. LISC met grantees where they were and helped them get to their next level, whether it be work in a few of the program buckets or all of them and with or without quarterbacks. Through monthly one-on-one calls with grantees, LISC was able to field challenges municipalities were having (sometimes pushing them to consider different approaches to

their grant program), share ideas other municipalities were implementing, and troubleshoot. LISC also recognized the newness of the Zombie Law and sought to provide relevant trainings and webinars for grantees about how they might more effectively use the law to achieve better results. As the

program and grantees adapted and evolved, so did LISC, and as the information-sharing hub LISC disseminated the adaptations and evolutions to the local governments that could benefit from them. As one municipality reported: "Because of [LISC's webinars], we were able to share ideas, approaches, and information. LISC acted as the eyes and ears, allowing us to talk to each other and present a united regional front."

Another important characteristic of LISC's management was its ability to adapt its capacity-building activities across a diverse cohort of grantees. Several municipalities already had elements of strategic code enforcement in place, such as data and information systems and strong cross-agency collaborations and community networks. Because the more experienced municipalities had many of these capacities already in place, LISC worked with them to expand, enhance, and align these capacities. The code enforcement operations in other municipalities,

LISC served as a thought partner, resource hub, and connector and convener.

however, were still for the most part reactive. In many cases, the long-term investments in code enforcement were modest at best. For these grantees LISC had to devote more attention, especially at the launch of the initiative, to adapt and expand their capacities to effectively implement the Vacants Initiative. The work was an iterative feedback loop, with grantees learning from one another at each level.

Though phone calls and webinars were useful tools for bringing grantees together remotely, some of the best knowledge-sharing opportunities were the LISC program's four in-person, regional trainings that brought people together to share experiences and insights. There were more than 200 participants, including the grantees as well as their partner land banks and nonprofits. Some participants shared that the convenings helped grantees have a statewide discussion about vacants solutions that could “be sent up the chain of command” to state and local policymakers—highlighting, for example, challenges with the accuracy and accessibility of the state DFS Registry.

Through its many intermediary and cohort activities LISC was able to facilitate peer learning—to document and foster the exchange of lessons learned across a diverse cohort of municipalities, all united in a common goal to address vacant houses and develop strategies to repair, stabilize, demolish, or reclaim them. In many respects the Vacants Initiative built the foundation for a statewide “community of practice” to enhance and expand the critical capacities of local governments to inventory, assess, and come up with solutions for vacant houses.³⁴ Some observed this community of practice model is commonly used by nonprofits but was a new tool for government employees and much appreciated. According to interviewees, LISC did this in part by acting less as a funder and more as a collaborator. As one interviewee observed, “This work is a marathon, not a sprint [and] LISC was a thought partner . . . not just a funder. I feel like I didn't have to hide.”

“One-size-fits-all legislation or funding . . . doesn't work. There was power in being part of a network, in talking to other cities.”

— VACANTS INITIATIVE GRANTEE



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Additional items listed on
back of this map.

Standard lines of well made
merchandise are constantly
displayed on our counters.
Seconds when available are
priced 1/4 to 1/2 less than first
quality.

LEGEND

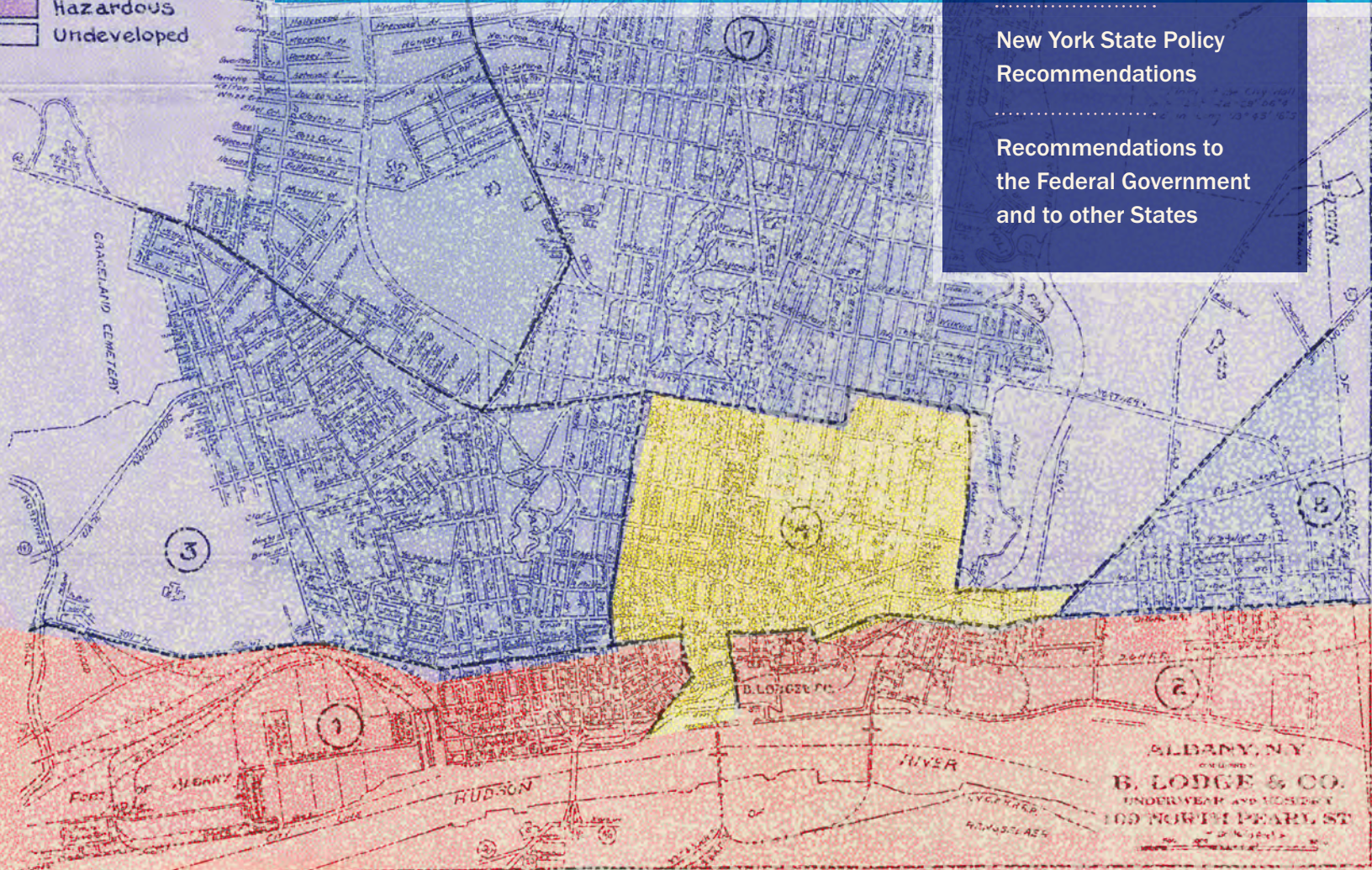
- Best
- Still Desirable
- Definitely Declining
- Hazardous
- Undeveloped

Programmatic, Practice, and Policy Recommendations

Programmatic
& Practice
Recommendations

New York State Policy
Recommendations

Recommendations to
the Federal Government
and to other States




COUNTY POPULATION

| | |
|-------------|-------|
| Albany | 51105 |
| Rensselaer | 17978 |
| Schenectady | 19542 |

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New York’s holistic initiative offers policymakers and practitioners important lessons in the design and development of more adaptive, comprehensive systems to reclaim vacant houses and abandoned property.³⁵ The initiative’s major policy innovation lies in the synergy it fostered among and across state government officials and agencies, the local governments and their partners, and LISC as a capacity building intermediary. Insights from this collaborative approach offer communities throughout New York and beyond an effective model they can adapt to address the constant ebb and flow of housing vacancy and abandonment, and vacant property abandonment more generally. Below we discuss a series of recommendations, with several specific ideas for how New York could expand and improve the Zombie Law and Vacants Initiative. Policymakers and practitioners from other states can also apply these insights and lessons as they develop and deploy their own strategies to reclaim vacant houses. We start with programmatic and practice recommendations, turn to lessons that relate to New York State in particular, and then highlight lessons for other states and the federal government.

Programmatic & Practice Recommendations

The experiences of practitioners implementing New York’s Zombie Law and the Vacants Initiative suggest a number of program and practice recommendations that cities across the country can learn from and adapt:

DEVELOP LOCAL GOVERNMENTS’ STRATEGIC CODE ENFORCEMENT CAPACITY. A consistent theme in this paper is the importance of supporting and strengthening the principles and practices of strategic code enforcement. With respect to New York, state and local officials should take stock of the strengths and weaknesses of existing code enforcement programs and practices. Many Vacants Initiative grantees noted that New York localities tend to have reactive code enforcement practices, responding to complaints rather than proactively taking actions that encourage and effectively gain compliance. Providing uniform training for code enforcement certification that incorporates strategic code enforcement principles, revising the requirements for inspector certification, and raising wages to attract more people to the profession might benefit the field. Code enforcement plays an important role in housing preservation and needs to be recognized as a key component of that work. Other potential reform strategies include greater funding for code enforcement as a housing-preservation tool, supporting local vacants registries that cover all residential and other abandoned properties, and expanding data and information capacities—strategies and tools that can help municipalities proactively analyze where to most equitably, efficiently, and effectively allocate resources and personnel. Reform could also include taking lessons from vacants programs funded by one-time OAG settlements

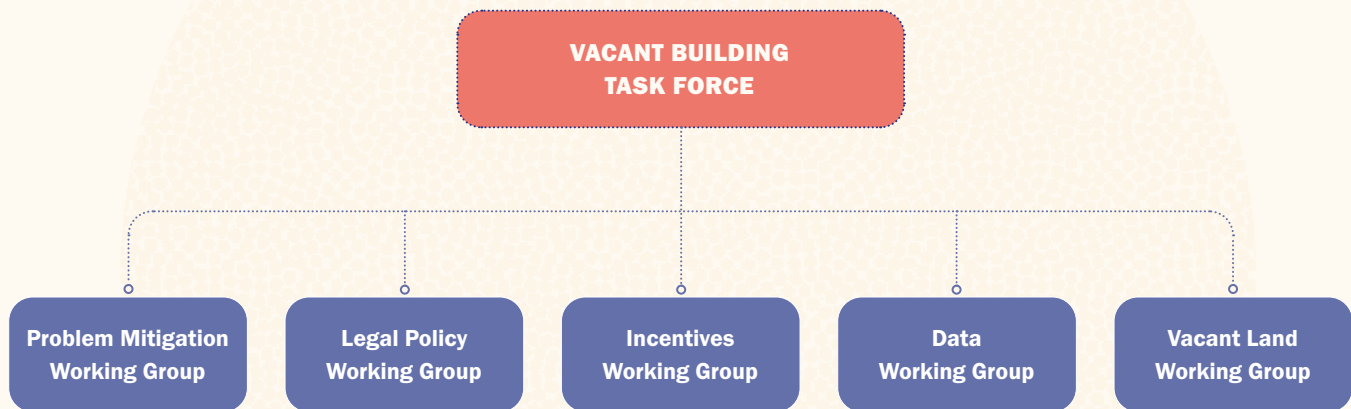
with banks to create an integrated *statewide* network that incorporates learned best practices into code enforcement, housing preservation, and property reclamation.

SUPPORT VACANT-PROPERTY COORDINATORS AND TASK FORCES. Strategic code enforcement requires close coordination with relevant municipal departments (e.g., public works, law, police, fire, etc.) and often with county agencies and offices (e.g., assessor, treasurer, public health, the courts, land bank authorities, etc.). The complexities of vacant properties further demand cross-sector collaborations and partnerships with nonprofit and community-based organizations. These collaborative models may start with internal coordination across municipal departments, then branch out to engage partners with common interests in reclaiming vacant properties, such as health care institutions, legal aid and housing advocates, law schools, judges, and even landlords and financial institutions.³⁶ Other times these collaboratives or coordinating councils remain more of a forum for focusing diverse governmental agencies on the singular problem of vacant properties.³⁷ In some cities, collaboratives function to align approaches to vacant properties both within the municipality and with external partners.

Many of the Vacants Initiative grantees used their grants to hire part- or full-time coordinators (zombie quarterbacks) to facilitate collaborations with other city departments and county agencies, and to convene and manage local vacant-property task forces involving nonprofit organizations, community-based organizations, civic groups, and institutional partners such as colleges and universities. As we highlight throughout this report these quarterbacks were instrumental in the successful implementation of the Zombie Law and Vacants Initiative; they established standard processes and protocols, enlisted new partners, and communicated with elected officials and the public at large. Two critical partners in the work were land bank authorities and housing counseling nonprofits. The land banks could facilitate the acquisition and rehab or demolition of zombie properties the banks could not handle on their own, while the housing counseling groups worked to keep more viable homeowners in their houses to prevent vacancy and abandonment. The quarterbacks were instrumental in tapping these two partners for assistance.

BELOW: City of Albany's Vacant Building Task Force and its Subcommittees.

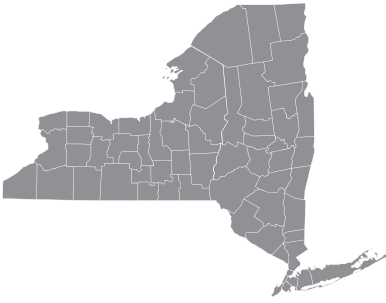
CREDIT: CITY OF ALBANY



INVEST IN CAPACITY-BUILDING INTERMEDIARIES AND REGIONAL NETWORKS. Successful implementation of the Zombie Law depended significantly on having LISC, a nonprofit intermediary, manage and oversee the capacity-building activities of the municipal grantees. Going forward, when policymakers enact laws and and/or launch new initiatives they should provide resources and adopt specific policies that enable nonprofit intermediaries, along with regional networks, to lead capacity-building activities as a prerequisite to effective policy and systems change. While the Zombie Law itself set the legal and policy foundation, it was not sufficient by itself to address vacant houses that banks had all but abandoned during the mortgage foreclosure process. Architects of future vacant property legislation should take note that in order to take full advantage of legal and policy changes, many municipalities, especially smaller cities and towns, needed critical support to focus on gathering data and information on vacants; to expand and institutionalize coordination among code enforcement, legal, and other internal departments; and to develop meaningful partnerships with community-based partners around foreclosure prevention and the use disposition of houses.

Intermediaries can take on different roles and operate at different scales. Through its policy and program guidance, cohort learning, convenings, and technical assistance LISC provided strategic capacity to the local government grantees. While the Western New York Law Center did some strategic capacity building on state and local policy, it primarily provided legal capacity to local governments across Erie County on specific vacant-property programs and cases. And the nonprofit Rust2Green (affiliated with Cornell University) helped incubate and provide technical, managerial, and programmatic support for the vacant property coordinator for the city of Utica. Collectively these three intermediaries and the capacities they brought to the Vacants Initiative have now set the foundation for a statewide community of practice network on the reclamation of vacant houses.

When it comes to supporting regional intermediaries and networks, philanthropy often steps in with the initial investment for reclaiming vacant properties, perhaps in coordination with local housing and community-development agencies and nonprofits. Going forward one possible policy pathway is to position county land banks in this regional capacity-building space. Land banks are often partnering with local community development corporations and local code enforcement agencies through their powers to acquire and transfer tax-delinquent vacant houses. Given that state governments typically charter land banks and oftentimes provide them resources, state policymakers should consider developing specific policies and technical-assistance resources that land banks can provide to strengthen the programmatic connections and capacities of local government code enforcement programs and community development corporations.



New York State Policy Recommendations

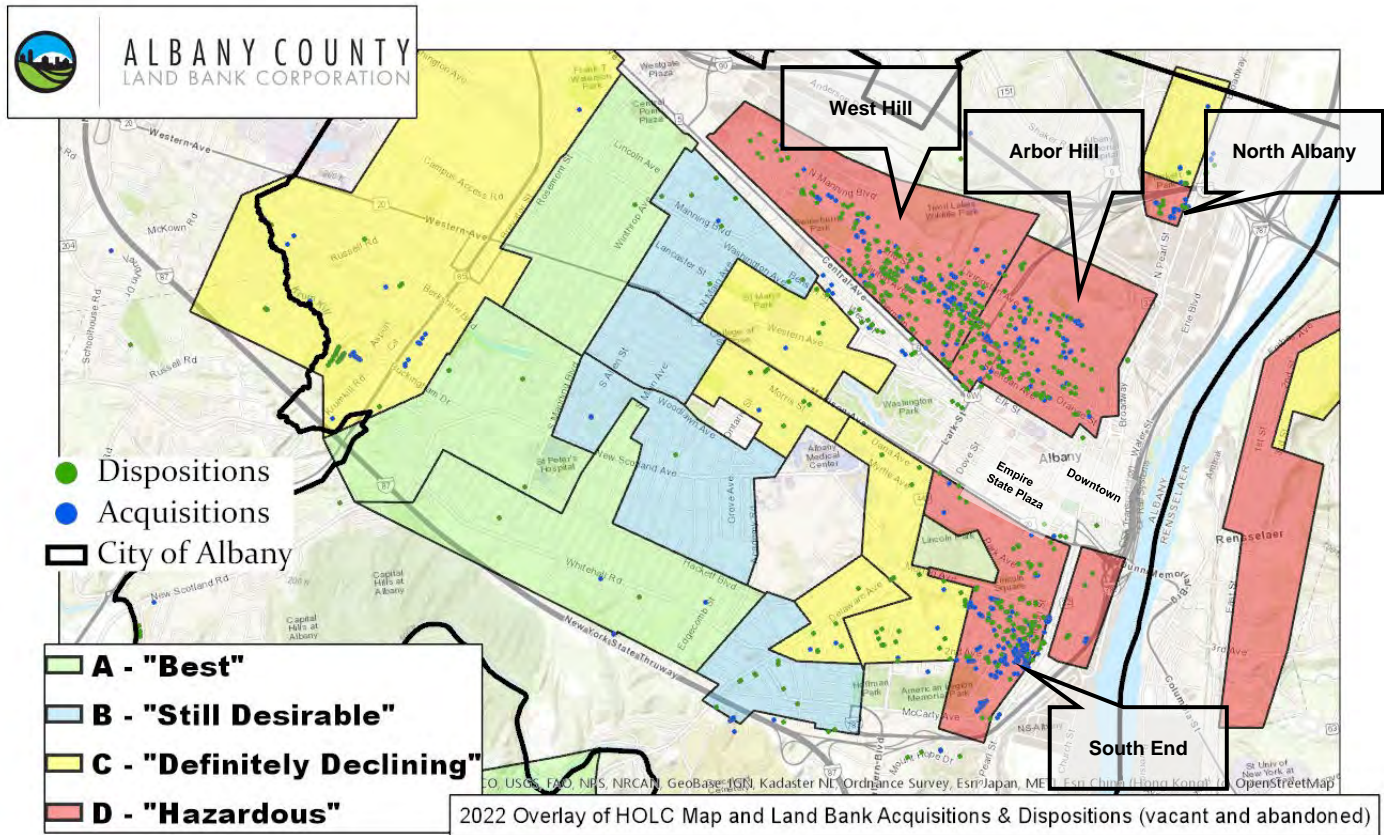
AMEND THE ZOMBIE LAW. Experience implementing New York’s program suggests some additional and more detailed points related to potential modifications that could improve and expand the Zombie Law, as described in Appendix B. We also offer forward-looking recommendations that anticipate needs related to other forms of vacants, and the need for program evaluation.

The Zombie Law has been very effective in many respects, but it needs a sustainable funding source so DFS can do more to ensure registration of zombie properties and effectively track existing and future vacant houses throughout the state and make the registry readily accessible to local government code enforcement agencies. It also needs transparency; the DFS Registry should be public, and provide more detailed contact information for lienholders, servicers, and maintenance companies. There also need to be penalties for a lender/servicer’s failure to register a property. A more detailed discussion is in the appendix.

ADDRESS OTHER FORMS OF VACANT PROPERTIES. Despite the usefulness of the Zombie Law, it addresses solely vacant houses with liens, a subset of the troublesome vacant houses that local governments are called upon to address. Legislative attention is needed for other types of vacant houses that also require repair and repurposing. Unless the municipalities utilized other, less effective tools to address other categories of vacants (as did places that adopted local legislation, noted previously), they were limited in addressing them. As this report illustrates, a handful of grantees applied several of the local practices and programs developed under the Vacants Initiative to other types of vacant properties.

ADDRESS HEIR PROPERTIES. The grantees shared that, after zombies, the next-biggest category of problematic vacant houses is “heir properties,” also known as estate or probate properties. These are houses where the owners have died and heirs have not come forward to probate a will or transfer title in a trust or establish the legal right to the house through intestacy. Many heirs are not aware they have a legal interest in a house. In some cases tracking down and giving notice to all potential heirs, when there is no legal will or trust, can be complex and time consuming, and results in the house sitting vacant and deteriorating because no one is claiming ownership or maintaining it. There may be other complicating factors as well, including outstanding tax liens.

DOCUMENT AND ASSESS POLICY AND PROGRAM IMPACTS. New York’s Zombie Law and Vacants Initiative represent one of the most significant investments in local government code-enforcement capacities by a state government. As the initiative’s day-to-day manager LISC tracked many of the grantees’ initial results and documented important lessons to help advance more collaborative models for addressing vacant houses and stabilizing neighborhoods. This report, however, provides only a snapshot of those impacts and lessons. Given the terms and pressing timeframes established by the bank settlement, OAG and LISC did not have the opportunity to commission a more in-depth program evaluation. The policy goal at the program launch was to, as quickly as possible, disperse the resources and provide technical assistance to New York cities and towns to address the imminent threats posed by zombies and other vacant houses.



ABOVE: Legacy of Redlining in Albany, NY: A map of real property activity by the Albany County Land Bank between February 2015 and January 2022, superimposed on a Home Owners Loan Corporation (HOLC) Redlining Map for Albany, NY from 1938.

Policymakers and practitioners in New York and beyond would benefit from a more in-depth policy assessment and program evaluation that could guide future state and local vacant-housing stabilization and preservation initiatives. A formal program evaluation could help document the depth and breadth of the policy and program models developed by the grantees, which in turn could ensure the institutionalization of strategic code enforcement programs and practices in New York. A program evaluation could also assess the types and levels of capacities supported by the grants and the organizational, technical, and policy changes that resulted from these investments, along with longer-term impacts related to the stabilization of neighborhoods and housing markets. In fact, we would further recommend a 360-degree evaluation of OAG’s entire capacity-building program portfolio—the HOPP network, land banks, a strategic code enforcement grant program called Cities for Responsible Investment and Strategic Enforcement (Cities RISE), and the Zombie Law and complementary Vacants Initiative. Collectively they represent an unprecedented investment of more than a quarter-billion dollars to help local governments address vacant houses that no other states have made.³⁸ Each of the programs represents a critical component of a holistic system to reclaim vacant houses, thus a comprehensive look at each initiative and how the local governments and their community partners coordinated and integrated these investments would help advance the community of practice across the nation.



Recommendations to the Federal Government and to other States

Given the different drivers and the diversity of vacant houses, along with special market and community dynamics, local governments and their community partners need complementary resources in addition to a recalibration of existing laws and policies in order to more effectively prevent, stabilize, and revitalize vacant houses. Systems change of this type requires a blend of adaptive leadership and staff dedicated to facilitating the necessary transformation of organizational processes, culture, and capacities. Local governments cannot holistically put strategic code enforcement principles and practices into action without assistance and guidance from federal and state policymakers. The Zombie Law and Vacants Initiative illustrate how state officials, led by the state attorney general's office, can catalyze legislative and administrative changes, and also provide essential investments to build the capacity of local governments. Below are several policy recommendations that arose from our research and analysis of the Zombie Law and Vacants Initiative, which federal and especially state policymakers can adapt in support of more holistic and collaborative models to prevent and reclaim vacant houses and abandoned properties.

DESIGN, ADAPT, AND ADOPT COMPREHENSIVE AND HOLISTIC VACANT-PROPERTY

LEGISLATION. A critical takeaway from the New York zombie experience is the importance of having a state law that clarifies bank/lender responsibility to maintain vacant houses throughout the mortgage foreclosure process. This law should be accompanied by provisions that give local governments power to bring enforcement actions and collect penalties to ensure bank/lender accountability. The Zombie Law served as the legal and policy foundation for LISC's capacity-building initiative and for the innovative programs the grantees developed to prevent and reclaim vacant houses. Our interviews and analysis found that many of the grantee communities leveraged zombie-grant resources and assistance to cover other types of vacant houses and abandoned properties, as many of the same strategic code enforcement processes and practices apply across the spectrum of property abandonment.

With experience implementing the Zombie Law in New York as a basis, now is the ideal time for federal and state policymakers to articulate a set of cohesive policy principles and practices for reclaiming vacant houses and other property that could lending institutions and owners accountable within and perhaps across several states. State and federal policymakers, working with local governments, could start such a legislative overhaul with an inventory of existing laws and policies that cover all facets of vacant houses and abandoned properties, and then assess what they say and who is held responsible in given circumstances. Policymakers can then identify potential gaps, especially in the responsibilities of lender/mortgage companies to maintain vacant properties to which they've taken title (real estate owned, or REO, properties).

One way to achieve this policy ambition is by writing and adopting comprehensive vacant-property legislation that goes beyond just zombies and covers all types of vacant houses, including heir properties and vacant and abandoned houses with no liens. This legislation would outline the authority and powers of local governments, land banks, and other relevant actors/entities, and of course provide a blend of capacity-building resources along with prevention and rehabilitation resources. Our preliminary scan found the legal authority for

addressing vacant properties is a patchwork of separate individual statutes and a myriad of local ordinances that deal with everything from foreclosure prevention and housing code enforcement to the property acquisition and disposition powers of land bank authorities. Although a few states, such as New Jersey, have somewhat comprehensive vacant-property laws, as far as we could tell, no state has an omnibus vacant-property statute.

MODEL ABANDONED PROPERTY ACT. Perhaps a good starting point is to examine the provisions of the Model Abandoned Property Act (MAPA) that was developed by the Uniform Law Commission in response to the 2008 foreclosure crisis. The model legislation “seeks to return abandoned properties to the stock of occupied, well-maintained housing as soon as reasonably possible.”³⁹ MAPA includes foreclosure and abandoned-property declaration provisions. It combines major aspects of New York State’s mortgage foreclosure laws, the Zombie Law, and Article 19-A.

The following are key provisions: It allows a creditor, a governmental entity, or a condo, coop or homeowner’s association to request a determination from a court or non-judicial forum that a property is abandoned. There is a rebuttable presumption of abandonment if after inspection a building inspector makes a determination that the property is abandoned or if three or more indicators of abandonment listed in MAPA are present. If a creditor commences a judicial foreclosure, its obligation to maintain the property begins when the court makes a determination the property is abandoned. Note, this requirement comes later in the process and differs from New York’s Zombie Law, which provides that creditors do not have to commence an action in order to be responsible for property maintenance.

Another very useful provision of the law is that it gives the creditor the right to enter a property once that creditor has a legal duty to maintain it. MAPA also provides tools for addressing heir properties. One of the indicators of abandonment listed in the law is if the homeowner has died and there is no evidence a household member or heir of the deceased homeowner is in actual possession. This addresses the heir/estate problem property, but it sets a high threshold for proving abandonment, and an additional two criteria are required.

REGULATION OF THE PROPERTY APPRAISAL SYSTEM TO MAKE IT JUST AND EQUITABLE

The structural and overt racism in property appraisals results in houses in low- to moderate-income Black and brown communities being appraised lower than they should be. This creates what is called the appraisal gap—where the cost of renovating a house is significantly greater than its post-rehab market value. This makes it much more difficult to obtain the financing and grants needed to repurpose and renovate vacant houses. The appraisal gap imposes the greatest adverse impacts on the most highly disinvested communities because appraisals are “too low,” the grant need “too high” per house, and therefore it is not considered economically viable to repurpose property in those communities.

HEIR PROPERTIES. For the reasons described in this paper, any state or even national legislation to create a holistic and comprehensive vacant-property reclamation act should involve or touch upon the special legal and practice challenges posed by heir properties; it would need to go beyond MAPA’s provision for addressing these properties. The policy question is whether probate court is the best place to resolve this.

Probate courts protect the property rights of heirs who have not been notified, but they are not set up for and do not have the resources to address vacants and property deterioration. One strategy is to come up with a coordinated approach—to establish a database that cross-references death certificates, foreclosures, and vacant and abandoned property, and to give the probate court notice of all known heirs and provide a set amount of time to establish heir rights. Heir rights are beyond the scope of this paper but are the next-largest category of vacant houses that need to be addressed.

EXPAND RESOURCES TO DEVELOP ALIGNED AND COLLABORATIVE POLICY SYSTEMS FOR PREVENTING AND RECLAIMING VACANT HOUSES AND ABANDONED PROPERTIES.

The Vacants Initiative did not provide resources for repairs, rehabilitation, or demolition of vacant houses. Grantee communities used their own housing and community development resources, and/or relied on the expertise and resources of land banks and nonprofit and community-based organizations. Although the Vacants Initiative’s success did significantly reduce the total number of vacant houses in many of the grantee communities, strategic code enforcement works best when it focuses its powers and resources to abate public nuisances, stabilize properties and neighborhoods, and protect public safety. A more comprehensive and collaborative policy system requires close policy alignment and program coordination with other entities and actors that have the expertise and resources to focus on the problem upstream (by preventing vacant houses) or later in the cycle (by

seeding the housing market with the rehabilitation of vacant houses). Based on the New York experience, we make the case for state and federal government to expand their current housing and community-development investments, and then coordinate prevention and rehabilitation programs and resources as part of a more holistic, comprehensive vacant-property reclamation policy system.

PROVIDE ADDITIONAL RESOURCES TO HELP COMMUNITIES PREVENT MORTGAGE (AND TAX) FORECLOSURES.

This report notes the important role of the HOPP network, funded by New York State in part through bank settlement proceeds. LISC is on record as advocating for the federal government to expand both eviction and homeowner emergency-relief programs, and also to fully fund HUD’s Housing Counseling Program. As millions of families are struggling to pay their rent or mortgage as a result of the pandemic, and the federal foreclosure moratorium and expanded forbearance protections expire, there will be increased demand

for housing counseling to help distressed borrowers know their rights and to provide them assistance. Research has shown that housing counseling helps households avoid foreclosure, and counseled clients are almost three times more likely to receive a loan modification and 70 percent less likely to re-default on a modified loan than similar borrowers who were not counseled.

EXPAND AND ALIGN RESOURCES THAT PRESERVE EXISTING HOUSING AND REHABILITATE VACANT HOUSES FOR SAFE, AFFORDABLE HOUSING (HOMEOWNERSHIP AND RENTALS).

In the New York experience, transferring properties to productive use—especially if they were to be used for affordable housing—came with substantial costs that sometimes exceeded the assessed value of the house, making it impossible to repair by conventional means without public subsidy. Federal government policy interventions focus almost exclusively on resources to help landlords and property owners to purchase and maintain their rental properties and houses. The federal government and most states do not invest in the capacities of local governments to monitor and proactively preserve and protect existing housing (rental and homeownership), but there are positive signs the federal government is moving in this direction. Recognizing the connection between pandemic-related economic and housing instability and the creation of new vacant houses, the U.S. Treasury Department, on January 7, 2022, issued its final rule on the **American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Fund**. The final rule makes clear that ARPA funds may be used by communities to address deteriorated, vacant, and abandoned properties.

Over the past decades, there has been a decline in support for the major federal programs used by municipalities for subsidizing affordable housing. For example, LISC has continuously advocated for the expansion of the **HOME Investment Partnerships Program (HOME)**, the largest federal block grant to state and local governments to create and preserve affordable housing for low-income households. HOME funds are flexible and may be used for a variety of housing activities that other sources may not cover, including preservation of rental housing, homebuyer assistance, rehabilitation of owner-occupied houses, and rental assistance. HOME Program funds often provide either the early support necessary to initiate new development or the critical gap financing needed to complete developments.

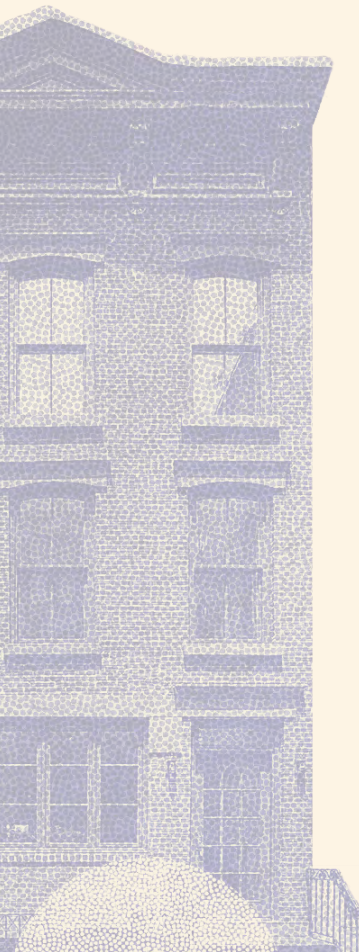
In addition, LISC has called for the adoption of the **Neighborhood Homes Investment Act (NHIA)**, which would provide federal tax credits to support the development and rehabilitation of single-family houses in designated disinvested urban and rural communities, where the cost of developing or rehabilitating a home is often higher than the value of the completed home.

DEVELOP, ALIGN, AND FUND STRATEGIC POLICY AND PROGRAM PLANS FOR RECLAIMING VACANT HOUSES AND OTHER VACANT PROPERTIES.

New York’s Vacants Initiative illustrates the complexities involved when municipalities, especially smaller cities, towns, and villages, launch and implement programs to reclaim vacant houses and other vacant properties. As this report outlines, local governments need effective, efficient, and equitable policy systems that can align multiple actors from mayors, city council members, and department directors to code enforcement inspectors and staff. Many of the local government grantees would not have been successful without the partnership of land banks, foreclosure prevention agencies, and community development corporations. The outstanding challenge for New York and municipalities across the nation is how best to align and coordinate the multiple actors, policies, and programs that come into play when reclaiming vacant properties.

Our team recommends that federal and state governments support the development of local vacant-property strategic policy and programs plans. These plans could be attached as requirements for future federal and/or state funding that involves the prevention, preservation, repair, and rehabilitation of unsafe, substandard, and vacant housing, and the stabilization and revitalization of distressed neighborhoods. By going through a strategic planning process all of the relevant public, nonprofit, and perhaps private-sector actors would convene to build consensus around a series of core principles, critical policies, and pressing community priorities. As part of this exercise the relevant agencies and actors would inventory existing initiatives as a way to identify potential policy connections and gaps across foreclosure prevention, eviction moratoria, and other programs that address housing instability, with the stabilization activities led by strategic code enforcement agencies. These plans would identify relevant strategies to align existing programs and existing relationships between and among housing affordability, vacant houses, and mortgage foreclosure with programs that are

THE NEIGHBORHOOD HOMES INVESTMENT ACT



The Neighborhood Homes Reinvestment Act (NHIA), S. 98 and H.R. 2143, would revitalize disinvested urban, suburban, and rural neighborhoods with federal income tax credits, mobilizing private investment to build and rehabilitate 500,000 houses for low- and moderate-income homeowners over the next decade. In the context of vacants this could be a tool for land banks, and housing and community-development partners could use the tax credit program in a strategic way where code enforcement identifies and stabilizes these properties, readying them to be repurposed. The neighborhoods designated by NHIA are where code enforcement departments use a lot of their resources, and these new resources for repurposing houses would be particularly valuable.

Other key features of NHIA include the following:

- **It builds upon the success of proven tools including the federal low-income housing tax credit (LIHTC) allocated to the states to award on a competitive basis. These credits function to close the appraisal gap for rehabilitating vacant houses.**
- **It's designed for communities with the greatest need, including those with high poverty rates, low incomes and low house values, so the tax credits will be concentrated where there are the most vacant and deteriorated houses.**
- **It limits eligible homeowner income, eligible costs, and home prices so that it also will be a source of affordable homeownership opportunities:**
 - **The tax credits can cover up to 35% of eligible development costs.**
 - **Prospective homeowners with incomes up to 140% of area median income (AMI) are eligible.**
 - **The sale price of a house is limited to four times the metro or state median family income.**

designed to keep tenants in their homes and help small landlords hold onto and maintain their properties. All of these dimensions are in fact part of one housing policy ecosystem and all of the statutes, policies, programs, and funding sources should positively reinforce one another; this way, the dual purposes of providing quality affordable housing (whether public, subsidized, or otherwise formed) and maintaining the safety of the housing stock are mutually reinforcing and simultaneously met.

Another missing element of the Vacants Initiative was supplemental resources the local government grantees could use to repair, rehabilitate, and/or demolish the vacant houses. Although the initiative was not designed as a “bricks and mortar” program, it advanced crucial steps for repurposing vacant houses, including aggregating property information, organizing the information by parcel, ramping up proactive code enforcement and legal work, holding banks accountable through Zombie Law enforcement, and analyzing the best strategies for

POSITION AND INVEST IN LAND BANKS

Finally, as described in the report, land banks are an important housing strategy for acquiring vacant houses and abandoned properties and bringing them back to productive use, usually as affordable housing. LISC supports legislation that will bring dedicated resources to scale the land-bank sector, which is especially important to address abandoned housing resulting from the pandemic. Land banks are particularly impactful when paired with shared-equity housing models like community land trusts to preserve public subsidy and permanent affordability.

addressing each vacant. When vacant and deteriorated, these houses are liabilities, but many are good candidates for reclamation if the municipalities could more closely align their strategic code enforcement activities with their rehabilitation and repair programs. Note the strategic code enforcers typically do not have the expertise to cobble together rehab packages for property owners, land banks, or landlords. It requires resources—subsidies and tax credits—to renovate houses. Most often these housing and community-development financial resources for rehabilitating houses are found in county and city housing agencies, affiliated redevelopment authorities, and land banks funded with OAG settlements. Federal HOME funds awarded to nonprofit affordable housing developers can also play a critical role. Again, these strategic vacant-property plans should not only recognize reclamation as a form of housing preservation but also align and jointly fund their initiatives.



Conclusion

Communities, whether in New York or in other states, will routinely encounter waves of vacant houses and property abandonment. These waves may be driven by a recent or future mortgage foreclosure crisis or by uncertain economic shocks from the ongoing pandemic or natural disasters and a changing climate. Whatever the immediate cause of the problem, policymakers, local government staff, nonprofit partners, and community leaders in New York and beyond can build upon the Zombie Law and Vacants Initiative, along with the technical assistance and capacity building that nonprofit intermediaries such as LISC can provide local governments to help them effectively implement state legislation and local programs. Policymakers and practitioners across the country can learn how New York paired the Zombie Law with capacity-building grants and programming designed with and administered by nonprofit intermediaries to improve how local governments, especially smaller cities and towns, adapted and constructed their own holistic systems for reclaiming zombies, vacant housing, and other abandoned properties—systems centered on the principles and practices of strategic code enforcement.

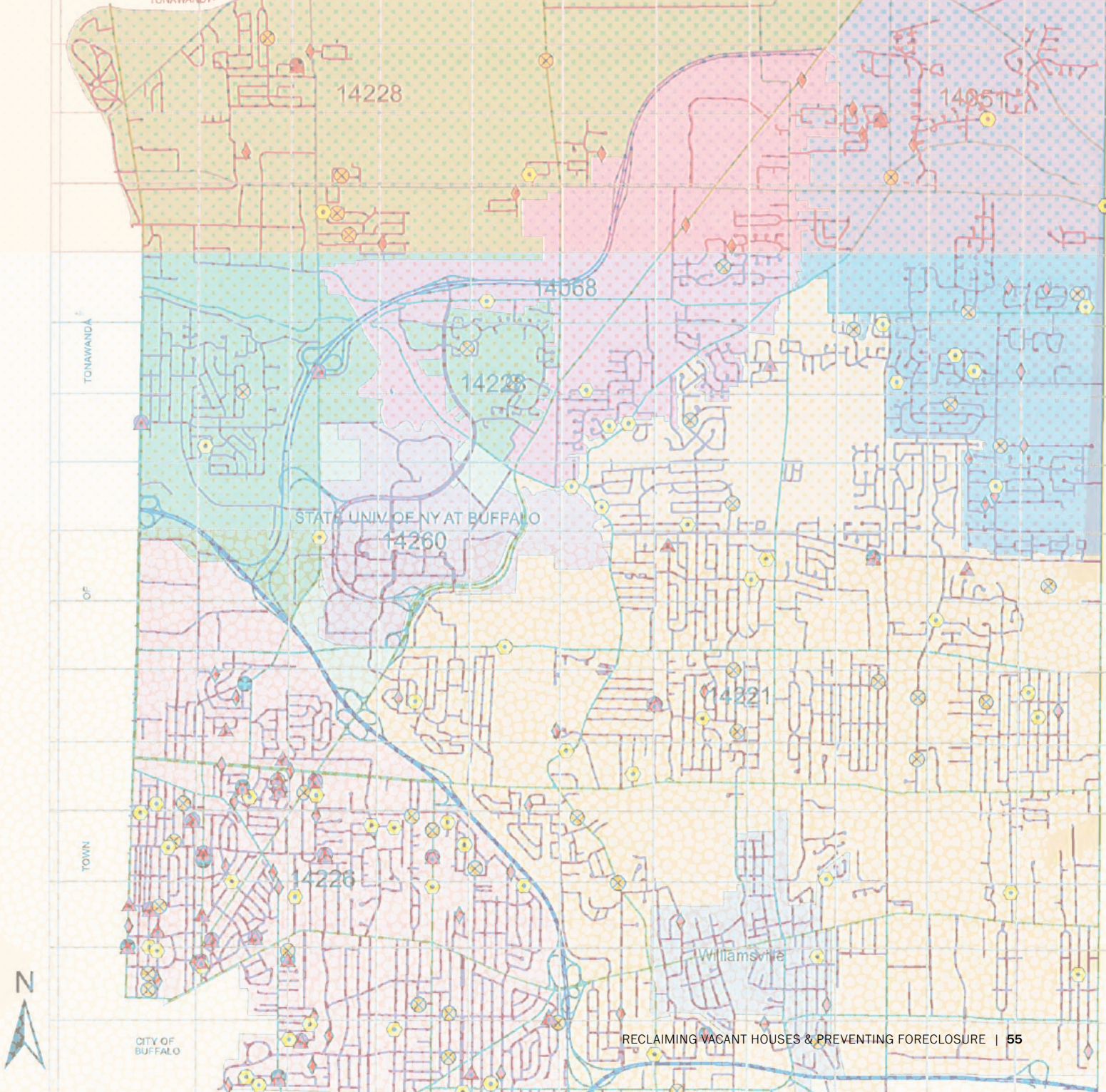
At the same time, the outstanding policy challenge for New York is how to sustain, leverage, and expand the vacant-housing policy, programmatic infrastructures, and communities of practice that have evolved from the OAG's substantial investments in local government capacity building for strategic code enforcement. New York has been a pathbreaker and can continue to lead the way nationally by amending and expanding the Zombie Law for greater impact, funding a third round of the Vacants Initiative, and providing continued capacity building and technical assistance support to sustain the efforts of a nonprofit intermediary and this emerging statewide community of practice.

Town of Amherst Vacant & Zombie Properties 3/5/2019

Legend

- ▲ "Zombie" Properties (35)
- ◆ A.L.E.R.T. Program Properties (Lis Pendens) (59)
- ⦿ Vacant- Bank or LLC Owned (58)
- Vacant- DFS Confirmed (43)
- ⊗ Vacant- Absentee Owner (45)
- ⊕ Surrogates Court Properties (10)

Appendices



APPENDIX A

Definitions: Types of Vacant and Abandoned Properties

There are many different types of vacant and abandoned properties, that pose different policy and legal challenges that make it more difficult for various entities (such as local and county governments and banks) to reclaim and repurpose them. Below we define the types of vacant and abandoned properties we reference in this paper, outlining their distinguishing characteristics and complicating factors such as the property's stage of vacancy and abandonment, existing state and local statutes and regulations affecting such properties, whether the property has a lien, and the property's ownership status.⁴⁰

HOUSES (or "single-family houses") are freestanding residences that contain one to four dwelling units.

VACANT AND ABANDONED HOUSES ("vacant houses" or "vacants") are houses the owner has permanently vacated. There are no occupants and the house is empty (not just temporarily due to a change in tenant or owner), and the structure and land are not being maintained and repaired. These houses are in deteriorated or distressed condition. In some cases, the lienholder or owner continues to pay the mortgage and/or the property taxes. These houses can either be owned outright (not have a mortgage) or be in the mortgage foreclosure process. Non-mortgaged vacants are vacant houses on which the mortgage lien is fully paid and has been released or where there has never been a lien. Nuisance abatement vacant houses are a sub-type of vacant houses, where the owner fails to maintain the house and property and it poses threats to public health and safety and/or causes a public nuisance. In these cases local governments can take nuisance abatement actions on their own as authorized by state law and local codes; these actions can include the cleaning, boarding, and fencing of the property and/or removing trash, debris, and abandoned vehicles, and mowing the lawn or clearing snow by local government work crews or their contractors. In most states these abatement costs are often charged against the property as special tax assessments, and if the owner fails to pay the assessment, the county government converts it to a property tax lien that could lead to a property tax foreclosure action by the county.⁴¹⁴⁰

ZOMBIE HOUSES (or "zombies") are vacant houses with delinquent loans and/or houses with mortgages stalled somewhere in the mortgage foreclosure process prior to the transfer of title to a new owner. Zombies are a unique type of vacant and abandoned property. Typically, zombies are one- to four-unit properties stuck languishing in the

mortgage foreclosure process. This type of vacant property is often the result of a bank or lending institution initiating the foreclosure process, but not seeing it through to completion. In these circumstances, homeowners often leave their home upon receiving a notice of foreclosure, believing their home has already been foreclosed on, or when they expect to lose their home in a foreclosure as they've fallen behind on mortgage payments. Homeowners leave, but because the bank does not yet have title to the home, most state laws do not hold the bank responsible for maintaining the property. The property may fall into disrepair, leaving municipalities with a nuisance property.

HEIR PROPERTIES (or "estate vacants") are a type of vacant house that typically happens when the owner dies and the house has not gone through the legal process of probate or the official proving of a will to establish who would inherit the property (the "heir") and thus be responsible for taking care of it. In some cases the heirs moved away years or decades ago and are not interested in the house, or it will cost more to sell than the proceeds from the sale. While moving through this process, the property conditions may decline dramatically and thus lead to code enforcement and nuisance abatement actions.

REO (or "real estate owned") are houses where, after the lienholder has completed the mortgage foreclosure process, the referee is unsuccessful in selling the collateral (the house) and the lienholder takes title to the property in lieu of receiving payment from a sale.

APPENDIX B

Detailed State Policy Recommendations, Related to the Zombie Law

Throughout New York State the Zombie Law has been a very effective tool for municipalities to obtain code enforcement compliance on vacants with mortgage liens. It has compelled banks to take responsibility for vacant houses that are not being maintained and are in deteriorated condition. The law has put pressure on banks to maintain the houses and move their foreclosures to completion to enable sale of the houses. As useful as the Zombie Law has been, however, here are some modifications that would make the Zombie Law even more effective:

ADD A FILING FEE. Unfortunately, there was no funding included in the statute for the Department of Financial Services to enforce the law and to make the DFS Registry user-friendly for the municipalities. One fix is for the New York State Legislature to appropriate funding to enable DFS to enforce the law and maintain the registry more rigorously. A revenue-neutral funding option is to authorize DFS to charge a filing fee of \$100 per property per year, for example, to cover the costs of administering the law.

ADD A FINE FOR FAILURE TO PLACE ZOMBIES ON THE DFS REGISTRY. Because placing vacant houses with liens on the DFS Registry is left to the lienholders and servicers, with little capacity at DFS to monitor compliance, there is substantial underreporting of vacants, which makes the registry far less useful to municipalities than it could be. To incentivize compliance there should be a fine for failure to report that's large enough to make it financially worthwhile to do so. A significant fine per property per month for failure to file, beginning on the date a municipality certifies after the three visits to the suspected vacant over a 90-day period as required in the law, would encourage compliance.

ELIMINATE THE CONFIDENTIALITY OF THE DFS REGISTRY. The Zombie Law bars municipalities from sharing information with each other. Bad actors work across municipal, county, and regional lines, and the municipalities should be able to do so, too. Speculators know to subscribe to vacancy databases to find out where the vacant houses are. Confidentiality does not stop speculators from speculating. The confidentiality provisions prevent housing advocates and residents from finding out which lenders and servicers are responsible for vacant one- to four-family houses in disrepair and also makes it much more difficult for local and county governments to share information and work collaboratively to address the vacancy problem. This places impediments to enforcing the Zombie Law efficiently and effectively.

ENABLE MUNICIPALITIES TO UPLOAD SUSPECTED ZOMBIES IN BULK FOR DFS TO REVIEW AND ADD TO ITS REGISTRY. DFS has required municipalities to upload suspected zombies one at a time through the public portal rather than in batches, a very time-consuming and inefficient system that discouraged municipalities from contributing their information to make the registry more complete and accurate. DFS also required municipalities to provide the name of the lienholder. This caused municipalities to expend their scarce resources to verify zombie status before assistance from DFS could be obtained. This is particularly inefficient when DFS has this information available in its own databases. Lenders are already independently required to register their delinquencies and foreclosures with DFS. DFS must be mandated to assist local governments in determining whether there is a mortgage lien on a house that they have determined is vacant, and also to provide information on who owns it.

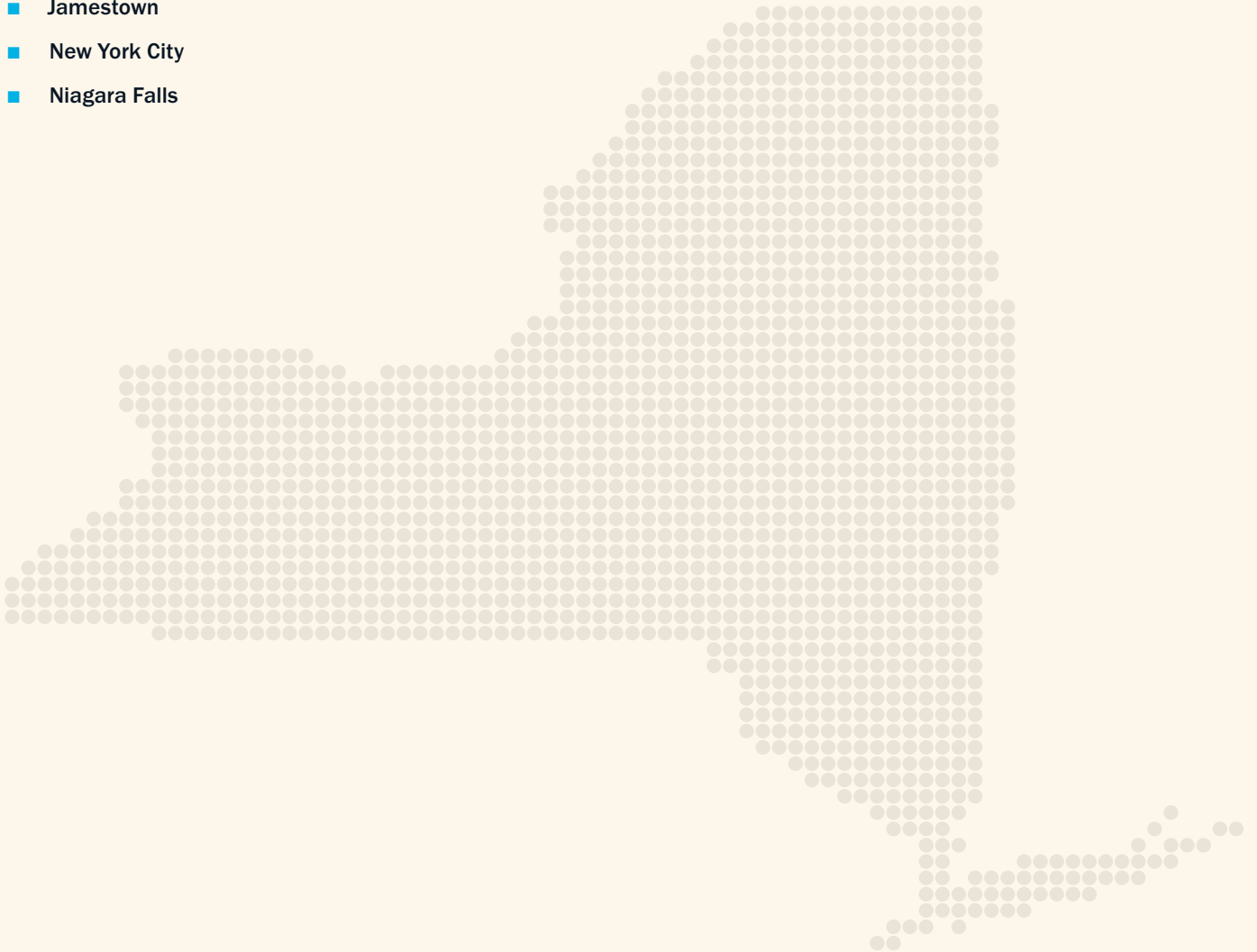
REQUIRE MORE COMPLETE INFORMATION ON THE DFS REGISTRY. The banks should include the following: contact name, address, e-mail and entity for lienholder, the servicer, and the maintenance company, if any. This shifts the burden of responsibility to the lienholder and its servicer to provide the quality of contact information that enables state and local governments to reach individuals knowledgeable about a zombie for the purpose of resolving its status. It is not particularly useful to have the name of a secondary-mortgage-market entity as lienholder and the name of an international or national bank as the servicer. The burden on state and local government to actually track down the person or office that is responsible for the zombie is still major and causes considerable expense.

INCREASE FROM \$500 THE FINE PER DAY PER HOUSE THAT IS NOT IN COMPLIANCE WITH THE ZOMBIE LAW. An increase will enable municipalities to use these additional funds for code enforcement and other costs to enforce the Zombie Law.

APPENDIX C

Municipalities Participating in Urban Institute's Focus Groups

- Albany
- Amsterdam
- Auburn
- Cheektowaga
- Elmira
- Fulton
- Jamestown
- New York City
- Niagara Falls
- Olean
- Rochester
- Smithtown
- Syracuse
- Tupper Lake/Malone
- Utica



Endnotes

- 1 Prudenti, A. G. (2014). 2014 Report of the chief administrator of the courts: Pursuant to chapter 507 of the laws of 2009. State of New York Unified Court System. <http://ww2.nycourts.gov/sites/default/files/document/files/2018-06/2014-Foreclosure-Report-ofthe-CAJ.pdf>
- 2 The various provisions of the Act can be found here: https://www.dfs.ny.gov/apps_and_licensing/mortgage_companies/zombie_prop_legislation and its regulations are here: <http://www.dfs.ny.gov/legal/regulations/adoptions/banking/bf422t.pdf>
- 3 Outcomes described in this report include observed before-and-after differences in the number of vacant, deteriorated houses in participating municipalities, as well as capacity changes that may have driven these changes. A more extensive impact evaluation would develop counterfactuals to describe the value-add of the program in generating these outcomes—the need for which is described in the conclusion of the report.
- 4 See Appendix A for important terms.
- 5 Wang, K. (2020). Neighborhood foreclosures and health disparities in the U.S. cities. *Cities*, 97, 102526.
- 6 Faber, J. W. (2019). On the street during the Great Recession: Exploring the relationship between foreclosures and homelessness. *Housing Policy Debate*, 29(4), 588-606.
- 7 Chun, Y., Pierce, S. C., & Van Leuven, A. J. (2021). Are foreclosure spillover effects universal? Variation over space and time. *Housing Policy Debate*, 31(6), 924-946.
- 8 Williams, S., Galster, G., & Verma, N. (2014). Home foreclosures and neighborhood crime dynamics. *Housing Studies*, 29(3), 380-406.
- 9 National Vacant Properties Campaign. (2005). Vacant properties: The true cost to communities. HUD Exchange. <https://files.hudexchange.info/resources/documents/VacantPropertiesTrueCosttoCommunities.pdf>
- 10 Property-tax foreclosure can occur when a homeowner is delinquent on their property taxes in New York State. In some jurisdictions in the state, the county has control over the property-tax foreclosure process and pays the municipality the owed taxes. This takes care of the financial shortfall but does not address the vacant, deteriorated house. Taking these houses to tax auction involves personnel time and legal costs so some houses do not reach auction for as many as eight years. In some municipalities, such as New York City, tax liens are sold to third-party buyers to supplement local government tax revenue. In others, the houses may be sold outright at auction, to out-of-state investment groups and speculators, who may have no intention of rehabilitating the property but will continue to rent the house as it teeters on the edge of code violations so serious they render the house uninhabitable. The manner in which municipalities and counties manage their property-tax foreclosure inventory can also adversely affect the status of the vacant house and have a negative impact on surrounding properties.
- 11 Winthrop, B., & Herr, R. (2009, June). Determining the cost of vacant properties in Baltimore. *Government Finance Review*. https://ondeck.pdx.edu/center-for-public-service/sites/g/files/zndhr2431/files/2020-07/Vacancies_in_Baltimore.pdf
- 12 Apgar, W.C., Duda, M., & Gorey, R.N. (2005). The municipal cost of foreclosures: A Chicago case study. Homeownership Preservation Foundation. <https://www.issuelab.org/resources/1772/1772.pdf>
- 13 Hamilton, D., Darity Jr, W., Price, A. E., Sridharan, V., & Tippett, R. (2015). Umbrellas don't make it rain: Why studying and working hard isn't enough for Black Americans. The New School, Duke Center for Social Equity, & Insight Center for Community Economic Development. https://www.insightcced.org/wp-content/uploads/2015/08/Umbrellas_Dont_Make_It_Rain_Final.pdf
- 14 Garriga, C., Ricketts, L.R., & Schlagenhauf, D.E. (2017). The homeownership experience of minorities during the Great Recession. *Federal Reserve Bank of St. Louis Review*, 99(1), 139-167. <https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/the-homeownership-experience-of-minorities-during-the-great-recession.pdf>
- 15 Perry, A.M. (2020). Know your price: Valuing Black lives and property in America's Black cities. Brookings Institution Press.
- 16 Freddie Mac. (2021, September 20). Racial and ethnic valuation gaps in home purchase appraisals [research note]. http://www.freddiemac.com/research/insight/20210920_home_appraisals.page
- 17 LISC also acknowledges the important input of the Center for Community Progress, a valued partner in its New York State vacants work.
- 18 The list of municipalities that participated in focus groups is in Appendix C.
- 19 Prudenti, A. G. (2014). 2014 Report of the chief administrator of the courts pursuant to chapter 507 of the laws of 2009. State of New York Unified Court System. <http://ww2.nycourts.gov/sites/default/files/document/files/2018-06/2014-Foreclosure-Report-ofthe-CAJ.pdf>

- 20** Different parts of New York experienced the foreclosure crisis differently. For example, Long Island experienced one of the highest foreclosure rates in the country but had comparatively few vacant houses until Superstorm Sandy hit in 2012, and a high percentage of the vacants had liens (a legal tool used to secure the payment of a debt, for example a mortgage) on them. On the other hand, Buffalo had relatively few zombies in the immediate aftermath of the foreclosure crisis, but many vacant houses without liens as a result of population loss over a number of decades.
- 21** Weber, D. P. (2017). Taxing zombies: Killing zombie mortgages with differential property taxes. *University of Illinois Law Review*, 2017(3), 1135-1167.
- 22** Stricker, C. (2021 May 28) Zombified zips: Top 10 with the most zombie homes in Q2 2021. ATTOM. <https://www.attomdata.com/news/market-trends/figuresfriday/zombified-zips-top-10-with-the-most-zombie-homes-in-q2-2021/>
- 23** Homeowners often leave their homes upon receiving a notice of foreclosure, believing their home has already been foreclosed on, or when they expect to lose their home in a foreclosure when they fall behind on mortgage payments. Homeowners leave, but because the bank does not yet have title to the home, most state laws do not hold the bank responsible for maintaining the property. The property may fall into disrepair, leaving a nuisance property that's difficult for the municipality to address.
- 24** Caloir, H. (2018, April). The "Zombie" and Vacant Properties Remediation and Prevention Initiative: Emerging best practices. LISC. https://www.lisc.org/media/filer_public/5d/b4/5db4c4b5-d311-4b04-99f8-87bd473029ce/042518_housing_zombie_vacant_properties_best_practices.pdf
- 25** A property lien is a legal claim on assets that allows the holder to obtain access to the property if debts are not paid.
- 26** For more information, including the text of the law, see <https://www.nysenate.gov/legislation/laws/RPA/1308>.
- 27** This report uses the term "outcomes" to refer to observed before-and-after differences among participating municipalities in the number of vacant properties or zombies, and to capacity changes that may have driven these changes. A more extensive impact evaluation would develop counterfactuals to describe the value-add of the program in generating these outcomes—the need for which is described in the conclusion of the report.
- 28** Some of the other 46 municipalities did not have records of existing vacants at the time they began their grant-funded work. It took time to inventory and assess their existing vacants to determine starting numbers and there was an inadequate time lapse to compare "before" and "after" numbers. Regardless, these municipalities also had some reductions, though they were not consistently and accurately measured so could not be included in the aggregate results number. Among the 30 municipalities that had higher-quality data, some tracked changes solely in the number of zombies and some tracked all vacant houses. The elimination of vacants includes various status changes: Some were taken to judgment of foreclosure and sold, while others became REO (lender-owned). Some were brought into Zombie Law compliance or were repaired and all code violations removed, and others were sold and repurposed as affordable housing. The key change is none remained zombies or vacant houses.
- 29** For example, several municipalities funded their code enforcement departments with federal Community Development Block Grants (CDBG). However, budget cuts to the CDBG program over time have adversely affected code enforcement efforts on the ground. Additionally, the low compensation for code enforcement officers has resulted in a shortage of certified officers and, since it is a policing function, a dearth of formal inspections, violation placements, and follow-up—all of which require certification.
- 30** C.O.D.E. is a dedicated data-sharing platform, populated by local governments in the state of New York, to share data across jurisdictions and offer current practices around code enforcement, vacant property management, landlord registration, rental inspections, demolition management, and foreclosure management. The Vacants Initiative enabled the participating municipalities to provide higher quality data to C.O.D.E.
- 31** Participatory budgeting is a democratic process in which community members directly decide how to spend part of a public budget. For example, see details of New York City Council Participatory Budgeting at ideas.pbnyc.org.
- 32** Over the past 25 years the Law Center has provided legal services for low-income and indigent individuals and families covering a wide range of consumer-protection, employment, and housing-related legal claims. The organization also does a significant amount of policy advocacy before the New York Legislature, state agencies, and local governments. Coming out of the mortgage foreclosure crisis the Law Center honed its expertise representing homeowners in foreclosure actions and most recently in working on their properties.
- 33** Even before the Vacants Initiative, Rust2Green led a number of neighborhood-planning, development, and design projects within the city of Utica, including several that involved the rehabilitation of vacant housing and the greening of vacant lots and underused public spaces.
- 34** Currently, LISC is administering the second round of the zombies-and-vacants grant program, known as Zombies 2.0, thanks to New York Attorney General Letitia James who made it her priority

for settlement proceeds to fund a second round of this program. There is a reduced number of grants, with some previous grantees, and new ones, working in partnership on this grant. The grantees continue with their work of reducing the number of vacants in their municipalities and, in light of financial challenges resulting from COVID, performing more foreclosure prevention work. Most of the program structure tracks Zombies 1.0, with the addition of more specific deliverables and quarterly reporting. Future reports and reflections from LISC will continue to raise up insights as the initiative and work evolve.

- 35 See for example: Vacant Property Research Network, Metropolitan Institute of Virginia Tech. (2014, May). *Cleveland and Cuyahoga County, Ohio: A resilient region's response to reclaiming vacant properties*. <https://vacantpropertyresearch.com/wp-content/uploads/2014/05/VPRN-Cleveland-Case-Study-20141.pdf>
- 36 A good example of a cross-sector, cross-agency collaboration is the St. Louis Vacancy Collaborative. See <https://www.stlvacancy.com/>
- 37 For insights about efforts by the City of Newburg, New York, to create an internal vacant-property working group, see: Bacher, J., & Byerly Williams, M. (2014). A local government's strategic approach to distressed property remediation. *The Urban Lawyer*, 46(4), 877-899.
- 38 When making investments of this magnitude, standard grant-management practices and sound public-policy principles suggest that policymakers and agency leaders should, from the outset of the initiative, set aside 5-10% of dedicated resources for program evaluation and implementation assessments. This allows the independent evaluation team to help initiative managers and grantees establish indicators for measuring success and methods for collecting data, documenting insights, and synthesizing impacts and outcomes over time.
- 39 National Conference of Commissioners on Uniform State Laws. (2017). *Model Abandoned Properties Act (MAPA)*, section 3, comment 1. <https://www.uniformlaws.org/viewdocument/final-act-17?CommunityKey=1b1a9c21-087f-4f09-a956-8a12258b969e&tab=librarydocuments>
- 40 These are just a few of the challenges local governments consider when determining the most effective and efficient course of action for each individual vacant and/or abandoned property.
- 41 ⁴⁰ Brachman, L. (2005, October). *Vacant and abandoned property: Remedies for acquisition and redevelopment*. Lincoln Institute of Land Policy. <https://www.lincolninst.edu/publications/articles/vacant-abandoned-property>



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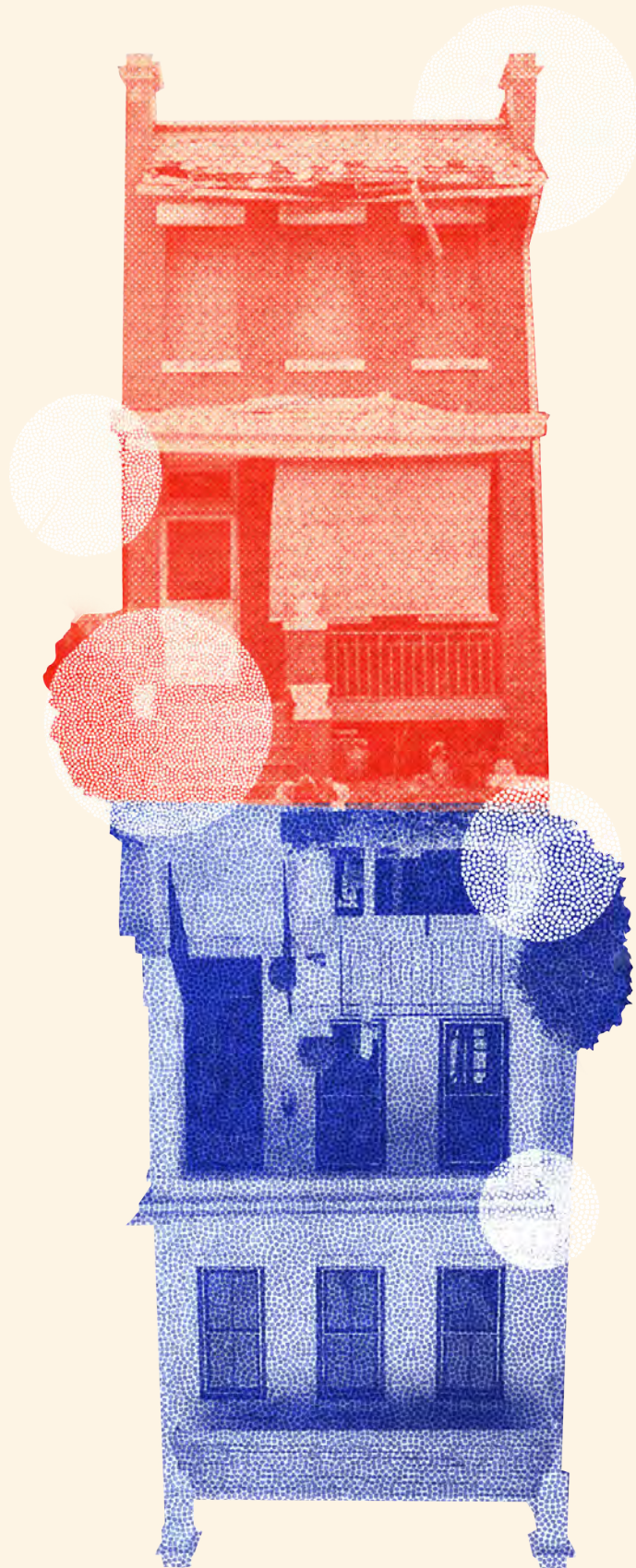
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