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New York Land Bank Association

TESTIMONY FOR THE 2019 JOINT LEGISLATIVE HEARING ON ECONOMIC DEVELOPMENT
Submitted by the New York Land Bank Association

New York State's economy is being attack by zombies. They can be found in just about every community in New York State, hiding in plain sight among occupied buildings and well-maintained lots, consuming municipal resources, depressing property values, reducing tax revenue and harming surrounding residents.

Although no comprehensive database exists, it is estimated that there are tens of thousands of "zombie" properties – vacant pre-foreclosure homes – and tax-foreclosed, vacant and abandoned properties plaguing communities and damaging neighborhoods throughout New York State.

All New Yorkers should be concerned about the number of vacant and abandoned problem properties located within our neighborhoods, and those tasked with fostering economic development throughout the state should be especially troubled. Abandoned and blighted properties prevent new home buyers and businesses from moving into and investing in older neighborhoods, depress property values, prevent existing homeowners from growing wealth through equity, limit the ability of investors to finance new businesses or improvements, and reduce property tax revenue to local governments.

Vacant and abandoned properties are costly. Tax-foreclosed properties do not generate tax revenue, and along with zombie properties, vacant and abandoned properties impose significant direct and indirect costs on local government and residents. Studies have shown that vacant and abandoned properties can costs cash-strapped local governments millions of dollars each year in direct service costs and lost tax revenue. These costs are tremendous when quantified. A 2016 study found that vacant and abandoned properties cost the City of Toledo, Ohio - which has an estimated 9,300 vacant buildings (the City of Buffalo is estimated to have over 10,000 vacant buildings) and 3,900 vacant lots, approximately $9.2 million per year in direct service costs and lost tax revenue. The study quantified the cumulative loss in surrounding property value at more than $98 million[1].

Recent data suggests that New York State is experiencing a decline in population with most of the loss occurring outside the NYC metro region[2]. This development is especially concerning considering that population migration from upstate New York's urban centers during the suburbanization era (beginning in the 1950s) was one of the largest contributing factors of the large number of problem properties that many New York communities have been grappling with for decades[3]. Population shifts can create an imbalance in the housing supply and weaken housing markets. This imbalance has a particularly devastating effect in neighborhoods that are already burdened by an oversupply of housing, weak housing markets and high concentrations of poverty.

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[1] *A Conservative Analysis of Costs Imposed by Vacant and Blighted Properties in Toledo: Conducted at the Invitation of the Junction Neighborhood*. Center for Community Progress for the Lucas County Land Reutilization Corporation. June 2016.
http://www.communityprogress.net/filebin/160630_TASP_LCLRC_Toledo_Cost_of_Blight_Study_Final.pdf

[2] "Nevada and Idaho Are the Nation's Fastest-Growing States" United States Census Bureau. Dec 2018
https://www.census.gov/newsroom/press-releases/2018/estimates-national-state.html

[3] *New York State Land Banks.* New York State Land Bank Association in Partnership with the Center for Community Progress. May 2017 http://syracuselandbank.org/wp-content/uploads/2017/05/NYLBA-publication-FINAL-05-04-2017.pdf

More than a decade after the 2008 mortgage foreclosure crisis, many of our communities are still reeling from the effects. Economic recovery has been incredibly unbalanced throughout the state. Although New York City was at the epicenter of the financial crisis, by most measures, NYC's economy has largely – if not completely – recovered from the 2008 crisis. However, upstate New York's economic recovery has been among the weakest of any region in the United States and parts of upstate have yet to recover from the recession at all[4].

While the suburban migration of the 1950s and the 2008 financial crisis devastated entire neighbors and exacerbated inequality in communities throughout New York State, much of the trajectory for New York's economically distressed neighbors was largely set in the 1930s, when the Home Owners' Loan Corporation (HOLC) - a government-sponsored corporation created as part of the New Deal – created maps of major American cities discouraging lending institutions from providing residents living in certain neighborhoods access to capital investment which could improve their housing and economic opportunity. This practice – known as "red lining" – targeted communities of color and certain ethnic groups and created a legacy of economic and racial segregation in many of New York's communities, including Albany, Buffalo and Rochester. Today, nearly 90 years later, communities of color in many neighborhoods throughout the state are still struggling with the devastating effects of this inequitable practice. A recent analysis found that the disparity between white and black homeownership rates in cities like Albany and Buffalo are among the widest in the nation[5].

It's no secret that New York City serves as our state's economic engine. However, the tremendous number of vacant and abandoned zombie properties located throughout the state are severely limiting New York's economic gas mileage. Ultimately, the overall economic health of any municipality or region is limited by its weakest neighborhood, and even the most substantial economic development investments and innovative programs can be undermined by economically distressed neighbors.

And while vacant and abandoned properties may be more prevalent on a per capita basis in upstate New York, every part of the state is wrestling with problem properties. Even areas with strong housing markets are not immune to the proliferation of vacant and abandoned properties and their harmful effect. In 2017 New York City – a city with one of the strongest housing markets in the United States - created a dedicated Zombie Home Unit to address problematic zombie properties. Suffolk and Nassau Counties have been reported as having among the highest number of pre-foreclosure homes in the United State last year[6].

As our elected officials continue to struggle with the complexities of addressing choking traffic congestion and a decaying transit system in NYC, a similar large-scale crisis has emerged throughout the rest of the state in the form of vacant and abandoned properties. The contributing factors of both crises are nearly identical: decades of neglect, inequitable policies and disinvestment have resulted in the decay and failure of a critical network that serves a large segment of our population. Much like a shutdown of a major highway or subway line, failure to comprehensively address vacant and abandoned properties causes significant economic damage, disproportionally impacts economically distressed neighborhoods, communities of color and underserved populations, reduces real estate values and places a tremendous

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[4] *NY's Uneven Economic Recovery: A Continuing Tale of Two States.* Empire Center. October 2018 https://www.empirecenter.org/publications/new-york-uneven-economic-recovery/

[5] McCargo, Alanna; Strochak, Sarah, "Mapping the black homeownership gap." Urban Institute. https://www.urban.org/urban-wire/mapping-black-homeownership-gap

[6] Chinese, Vera. "NY provides additional $9 million in foreclosure help for municipalities." *Newsday* https://www.newsday.com/long-island/grant-funding-state-law-zombie-1.26504651

strain on local resources. And just as all New Yorkers deserve safe and affordable transportation, all New Yorkers deserve safe and affordable neighborhoods to call home.

Fortunately, the infrastructure to revitalize neighborhoods and address economic disparities throughout New York State through the reclamation of vacant and abandoned properties is already in place. In July 2011 New York State passed historic legislation authorizing the creation of land banks, enabling cities and counties throughout the state to take the fight against blight into their own hands. Land banks are non-for-profit corporations equipped with the statutory power needed to reclaim vacant or abandoned properties. The first of New York's land banks was created in 2012 and today, less than seven years later, there are 25 land banks from Buffalo to Long Island.

In short time New York State has developed one of the most active and sophisticated networks of land banks in the United States. New York's land banks have achieved nationally recognized progress, which has exceeded even the most ambitious expectations, including:

- Over 2,800 problem properties acquired
- More than $100 million of private investment generated
- Over $40 million in assessed value returned to tax rolls
- 600+ blighted structures demolished
- 500+ buildings renovated or stabilized
- More than 1,200 properties sold to responsible buyers

Communities throughout the United States and New York are increasingly recognizing the value of land banks as a progressive and proven way to responsibly reclaim vacant properties. In December 2018, New York State adopted legislation increasing the number of land banks authorized in New York State from 25 to 35[7]. The New York Land Bank Association commends our elected representatives for increasing the statewide cap and has received interest from communities exploring forming land banks from all over the state.

However, despite the considerable progress of New York's land banks, and the potential that exists with the addition of up to ten more locally formed land banks, zombie and tax-foreclosed vacant properties continue to harm New York's struggling neighborhoods, undermine economic development efforts and drain the resources of local governments.

To date, New York's land banks have been funded primarily through the New York State Attorney General's *Community Revitalization Initiative* using funding obtained from settlement agreements with large financial institutions for misconduct that led to the 2008 financial crisis. While this money has been incredibly meaningful to land banks and the communities they serve, there is currently no additional funding identified for land banks.

A lack of sustained funding limits the number of problem properties land banks can address, incentivizes short-term planning and projects over longer-term (and more impactful) strategic planning (including "land banking"), undermining the full potential of land banks intended under state law. Without sufficient financial support to address the scale of the problem, the number of blighted problem properties that New York's land banks can reclaim remains limited, leaving local governments to shoulder much of the

[7] 2018 Senate Bill S8717 and 2018 Assembly Bill A11233

burden of maintaining and redeveloping problem properties as these powerful community development tools remind underutilized.

The most successful land banks in the nation have secured recurring, adequate, and predictable public funding. With a comparable funding model, New York State could bolster its already impressive network of land banks, reverse decades of decline, restore communities, and become the national model for combating blight and improving neighborhoods in every corner of the state.

In order to continue our collective work and foster the growth of new land banks, the New York State Land Bank Association respectfully requests $20 million in funding in the FY 2019-2020 state budget to be apportioned among land banks based on the size of the community served and the scale of their respective blighted property challenge as well as funding for capacity building for the up to ten new land banks anticipated to be created throughout the state this year.

Land Banks have proven to be wise investments, generating a positive return for every public dollar invested, and financial support for land banks would complement other innovative state programs such as the Restore New York Communities Initiative, the Downtown Revitalization Initiative, and the Upstate Revitalization Initiative. An investment in land banks by New York State will help break the insidious cycle of disinvestment experienced by so many communities and complement existing state programs, energizing revitalization efforts throughout the state. In addition, most land banks focus on economically distressed neighborhoods and own or have access to real estate and statutory powers that can help better position communities for economic development investments through the forthcoming federal Opportunity Zone program (nearly every land bank in New York State has at least one designated census tract within its operating zone).

Vacant and abandoned properties are not an "upstate" or "downstate" issue, they are a New York State issue. Ultimately the costs these properties impose on our communities is borne by all New Yorkers. By continuing to invest in New York's land banks, we have an opportunity to stop the damage vacant and abandoned properties are causing to our residents, communities, economy and local governments.

History has shown that vacant and abandoned properties cannot be responsibly addressed through traditional approaches. We cannot adequately address racial, social and economic disparities without addressing the tens of thousands of zombie properties that burden our economically distressed neighborhoods and disproportionately harm our vulnerable population. Through land banks, New York State has a progressive and proven way to strengthen communities, revitalize neighborhoods, generate local economic development, create more affordable housing, preserve open space and help address the disparities that have unjustly harmed residents of New York State.

All New Yorkers deserve safe and affordable neighborhoods. Our state representatives can help us achieve this by supporting the addition of $20 million for New York's land banks to the FY 2019-2020 budget.

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