

New York Land Bank Association

WRITTEN TESTIMONY FOR THE 2022 JOINT LEGISLATIVE BUDGET HEARING ON LOCAL GOVERNMENT

HEARING SCHEDULED FOR FEBRUARY 9, 2022

The New York Land Bank Association respectfully submits the enclosed written testimony regarding the FY 2022 New York State budget. New York's land bank program was established in response to the 2008 Foreclosure Crisis and has grown exponentially since its inception in 2012. From Buffalo to Long Island, New York's 26 land banks serve 70% of the state's population outside of New York City, including almost all of New York's urban centers.

Nationally, land banks are widely acknowledged as one of the most crucial community development tools and will be critical for an equitable post-COVID economic recovery. Land banks are New York's most effective tool for reclaiming vacant properties and revitalizing neighborhoods and are uniquely situated to help New York's urban areas combat the damaged caused by decades of discriminatory and systemic disinvestment in urban neighborhoods that has resulted in the tremendous racial and economic disparities that plague our cities today. In New York's rural areas, land banks help low- to moderate-income families achieve the dream of homeownership, build wealth, and revitalize small-town main streets facing vacancies and disinvestment. **Many rural towns and villages suffer from poverty and income inequality and lack the resources to address problem properties. New York's rural land banks have proven they can build the capacity of small municipalities to help combat vacant properties and have become a vital resource**

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.

Vacant and abandoned properties can cost 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 million¹.

Without sufficient financial investment, the number of blighted problem properties that New York's land banks can reclaim remains limited, leaving cash-strapped local governments to shoulder much of the burden of maintaining and redeveloping problem properties as these powerful community development tools remain underutilized.

New York's land banks have generated over \$250 million in private investment, demolished nearly 1,200 blighted structures and returned over 2,400 properties totaling more than \$100 million in assessed value back to productive use. Our land banks have transformed hundreds of vacant properties into new affordable homeownership opportunities, created programs to address racial housing disparities and helped foster responsible redevelopment throughout upstate cities.

Funding for New York's land banks has been exhausted at a time when they are becoming most needed. It is anticipated that the influx of vacant or abandoned properties in the aftermath of the pandemic may reach historic levels. However, the combination of the Global Pandemic and full depletion of previous grant funds will result in a severe reduction in the number of properties that land banks can reclaim and threatens the existence of several of New York's land banks.

Governor Hochul has rightfully made making New York's housing system more affordable, equitable and stable a key priority in the proposed 2022 New York State Budget. As the Governor's plan emphasizes, improving housing affordability, equity,

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. <https://communityprogress.org/publications/tasp-toledo-cost-of-blight/>

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and stability is a complex challenge that requires an all-levers approach. Land banks are one of those levers. The 5-Year Housing Plan includes a focus on fostering an equitable housing recovery, creating, and preserving 100,000 affordable homes in both urban and rural communities, spurring innovations in affordable housing, and creating permeant affordability through community-controlled organizations like land trusts. Through site and real estate control, New York's land banks can help the State of New York accomplish these and other housing goals. In fact, New York's land banks have been leading the way in transforming vacant, abandoned or tax-foreclosed properties into affordable and equitable homeownership opportunities.

New York's land banks are also well-positioned to help the State of New York address the public health and negative economic impacts of the pandemic on disproportionately impacted households or communities. The US Department of Treasury recently issued its final rule governing spending guidelines for the American Rescue Plan Fiscal Recovery Funds Program (ARPA). Activities related to vacant and abandoned properties deemed eligible by Treasury include: rehabilitation, renovation, maintenance, or costs to secure properties; costs associated with acquiring and securing legal title; removal and remediation of environmental contaminants or hazards; demolition or deconstruction of vacant or abandoned buildings, paired with greening or other lot improvement as part of a strategy for neighborhood revitalization; greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community; and the conversion of vacant or abandoned properties to affordable housing. **New York's land banks have the statewide presence and on-the-ground infrastructure to get the State's APRA funding into the communities that need it most and where it can be most impactful**, in a manner that is both consistent with the US Department of Treasury's Final Rules and within the required timeframe. Together, land banks and the State of New York can harness this once-in-a-lifetime infusion of flexible funding can help catalyze broader community recovery and rebuilding by addressing the immediate and long-term negative health and economic impacts of the COVID-19 pandemic, particularly on the State's low-income urban and rural communities and people of color.

To build upon the tremendous success that New York's land banks have achieved over the past decade and equip our communities with the tools they need to combat New York's vacant property crisis, the New York Land Bank Association respectfully requests a budget allocation of \$100 million. We request new funding be dedicated to land banks formed under NYS law through a multi-year grant program administered by a NYS agency and modeled after the incredibly successful Community Revitalization Initiative. Eligible activities would include, but not be limited to:

- ✓ Acquisition of vacant, abandoned or tax-foreclosed properties
- ✓ Demolition of deteriorated buildings
- ✓ New construction of affordable homeownership and rental housing, including infill development on vacant lots
- ✓ Stabilization of compromised structures to prevent future demolition and enable return to productive use
- ✓ Assemblage and maintenance of real property to facilitate larger redevelopment projects ("land banking")
- ✓ Full rehabilitation or new construction of buildings to create affordable housing
- ✓ Vacant lot clean ups and improvements
- ✓ Testing, abatement and/or remediation of known or potentially environmentally contaminated properties
- ✓ Creation and establishment (start-up) of new land banks with the State of New York
- ✓ Strategic planning, technical assistance, capacity building and program support, delivery, and reporting

If ever there was a time for bold action and strategic partnerships, this is it. The New York Land Bank Association is working with its many partners to ensure our communities remain equipped with the tools they need to combat New York's vacant property crisis and so we can continue to build upon the tremendous success that New York's land bank program has achieved over the past decade. We appreciate your time and consideration and look forward to discussing how we can work together to build more equitable, inclusive, healthy, and resilient communities, and reduce the burden and costs that vacant properties impose on New York's local governments.

For more information regarding New York's land banks or additional information in support of this request, please contact:

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New York Land Banks: A Tool for Equitable Economic Recovery in 2022

Land banks are New York State’s most effective tool for reclaiming vacant properties and revitalizing communities. New York’s land bank program was established in response to the 2008 Foreclosure Crisis and has grown exponentially since its inception in 2012. From Buffalo to Long Island, New York’s 26 land banks serve 70% of the state’s population outside of New York City. In the past decade New York State has become a national leader in land banking, collectively leveraging over \$72 million in bank settlement funds provided by the State of New York to generate over \$250 million in private investment, demolish nearly 1,200 blighted structures and return over 2,400 properties totaling more than \$100 million in assessed value back to productive use. Every dollar invested in land banks generates a positive return for local governments, enhances surrounding property values and grows the tax base, and improves the quality of communities, making New York a more attractive place to live and for employers to do business. However, the grant funds that supported this crucial work have been exhausted.

Land banks are widely acknowledged as one of the most crucial community development tools and will be critical for an equitable post- COVID economic recovery. New York State created land banks as nimble, quasi-governmental entities, enabling them to reclaim vacant, abandoned, and tax-foreclosed properties and cost-effectively achieve outcomes not possible for local governments or the private real estate market. Land banks work with local governments and investors and adapt to local needs, demolish severely blighted buildings, stabilize structures to stop further deterioration, engage in historic preservation, stabilize, and beautify commercial properties, renovate, or build new affordable housing to mitigate displacement and foster more equitable opportunities during the economic recovery. New York’s land banks have proven their value and capacity to build stronger, healthier, more sustainable communities and address long-standing imbalances and inequities.

“Over the last eight years, New York has become one of the nation’s most compelling demonstrations of how land banks can support equitable and inclusive development. But it didn’t happen by chance. It was because local, county, and state leaders understood the value in investing public dollars in the long-term goal of reversing decades of disinvestment and transforming vacant and blighted properties into assets that serve neighbors and neighborhoods. New York has earned a reputation of being an incubator of innovative land banking practices and partnerships, and we hope state leaders can continue their strong investment in land banks and the equitable outcomes they’re producing all over the state.”

– Dr. Akilah Watkins, President and CEO of the Center for Community Progress

Funding for New York’s land banks has been exhausted at a time when they are becoming most needed. It is anticipated that the influx of vacant or abandoned properties in the aftermath of the pandemic may exceed that caused by the 2008 Financial Crisis in both scope and scale. In addition, most communities served by land banks are disproportionately impacted by the COVID-19 Pandemic and are still struggling to recover from the devastating combined effects of the 2008 Foreclosure Crisis, suburban migration, and legacy of “redlining.” Disinvestment in urban neighborhoods and racial and economic segregation persist and contribute to today’s racial wealth gap. An overwhelming volume of blighted and abandoned properties remain throughout New York – over 300,000 abandoned housing units and an unknown number of commercial/industrial properties – in part because land banks weren’t established in New York until 2012 and missed out on Hardest Hit funds that many other states used to “right-size” their inventory of housing stock.

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New York's land bank program is at a crucial inflection point

To date, New York's land banks have been funded through financial misconduct settlement funds secured by the NYS Attorney General's Office and administered through the Community Revitalization Initiative. Community Revitalization Initiative funds provided over \$75 million in flexible funding to New York's land banks to support the property acquisitions, stabilizations, demolitions, lot improvements, and building rehabilitation projects required to return vacant properties back to productive use to strengthen communities and revitalize neighborhoods.

All Community Revitalization Initiative funds have been exhausted and there are no further funds identified to support the ongoing work of New York's land banks. Furthermore, pandemic related eviction moratoriums have resulted in a significant decrease or complete reduction in the number of properties New York's land banks have acquired.

The combination of the Global Pandemic and full depletion of grant funds will result in a severe reduction in the number of properties that land banks can reclaim and threatens the existence of several of New York's land banks at a time when the number of vacant and abandoned properties is expected to reach historic levels.

2022 New York State Budget Request

To build upon the tremendous success that New York's land banks have achieved over the past decade and equip our communities with the tools they need to combat New York's vacant property crisis, the New York Land Bank Association respectfully requests a budget allocation of \$100 million.

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Vacant and abandoned properties affect communities in every corner of the state. In rural areas suffering from poverty and income inequality, land banks help low- to moderate-income families achieve the dream of homeownership, build wealth, and revitalize small-town main streets facing vacancies and disinvestment. Many rural towns and villages lack the resources to address problem properties. New York's rural land banks have proven they can build the capacity of small municipalities to help combat vacant properties and have become a vital resource. New York's land banks are using innovative strategies to remediate abandoned brownfields and breaking the vicious cycle of predatory actions like absentee landlordism and property speculation. Across New York, land banks are prioritizing community goals and closing the racial wealth gap by creating affordable homeownership opportunities for underserved populations and helping to build wealth and stabilize distressed communities by fostering local, responsible buyers and investors.

Other states are making significant investments in land banks and reclaiming vacant properties. The state of Ohio included \$500 million in its FY21 budget for the clean-up, remediation and revitalization of brownfields, and the demolition of vacant and abandoned commercial and residential sites around the state. This is in addition to the Delinquent Tax Assessment Collection (DTAC) reoccurring funding mechanism that Ohio legislated to support their land banks. DTAC provides millions of dollars of direct, flexible funding to support land banks annually and is considered the "gold standard" for funding land banks in the United States. Across the country, other states are investing millions of American Rescue Plan Act funds in reclaiming vacant properties to revitalize communities, with an emphasis on expanding affordable housing choices in low-income qualified census tract neighborhoods disproportionately impacted by the public health crisis, poverty, and historic inequities. Our urban and rural communities cannot afford to have New York State to fall behind.

Climate change is expected to drive vacant and abandoned properties to historic numbers over the next decade. As the climate crisis continues to grow and the impacts of climate change worsen, flooding, fires and increased temperatures are expected to increase the number of vacant and abandoned properties to historic levels over the next decade. The same systematic and discriminatory disinvestment in New York's historically redlined communities that has resulted in disproportionate concentrations of vacant and abandoned properties and enormous racial and economic housing disparities has also rendered lower income communities of color more susceptible to climate change events. Land banks can help rebuild the housing infrastructure of communities left behind to help combat climate change and its current and anticipated disproportionate impacts.

Land banks create opportunities to expand the skilled trades and get people back to work in support of rebuilding our communities. The tens of thousands of vacant buildings plaguing our communities present an opportunity to foster interest in the building trades, create career pathways for members of underserved communities, help New York meet its unmet demand for people — especially minorities — in the skilled trades while building new, affordable homes. These partnerships are already underway or being explored by land banks in places like Albany and Rochester; across the state land banks are also working with community colleges, BOCES programs, and technical schools to reclaim vacant properties and prepare the next generation of NY's workforce.

New York's land bank program is effective and scalable. As more and more communities struggle to combat tremendous numbers of vacant properties and brace for the wave expected to wash over communities in the wake of the pandemic, land banks are being pursued to fight back and equip communities with the tools they need to build back better. Investing in New York's land bank programs will enable New York to remain at the forefront of building more equitable, inclusive, healthy, and resilient communities.

New York Land Banks: Return on Investment

\$72 MILLION NYS BANK
SETTLEMENT FUNDS



\$50+ MILLION ADDITIONAL FUNDS
SECURED



\$250+ MILLION IN PRIVATE
INVESTMENT



4,200+ PROPERTIES
ACQUIRED



1,200 ENVIRONMENTAL
ASSESSMENTS
COMPLETED



1,200+ STRUCTURES
DEMOLISHED



465+ BUILDINGS
REHABILITATED



2,500+ PROPERTIES
RETURNED TO
PRODUCTIVE USE

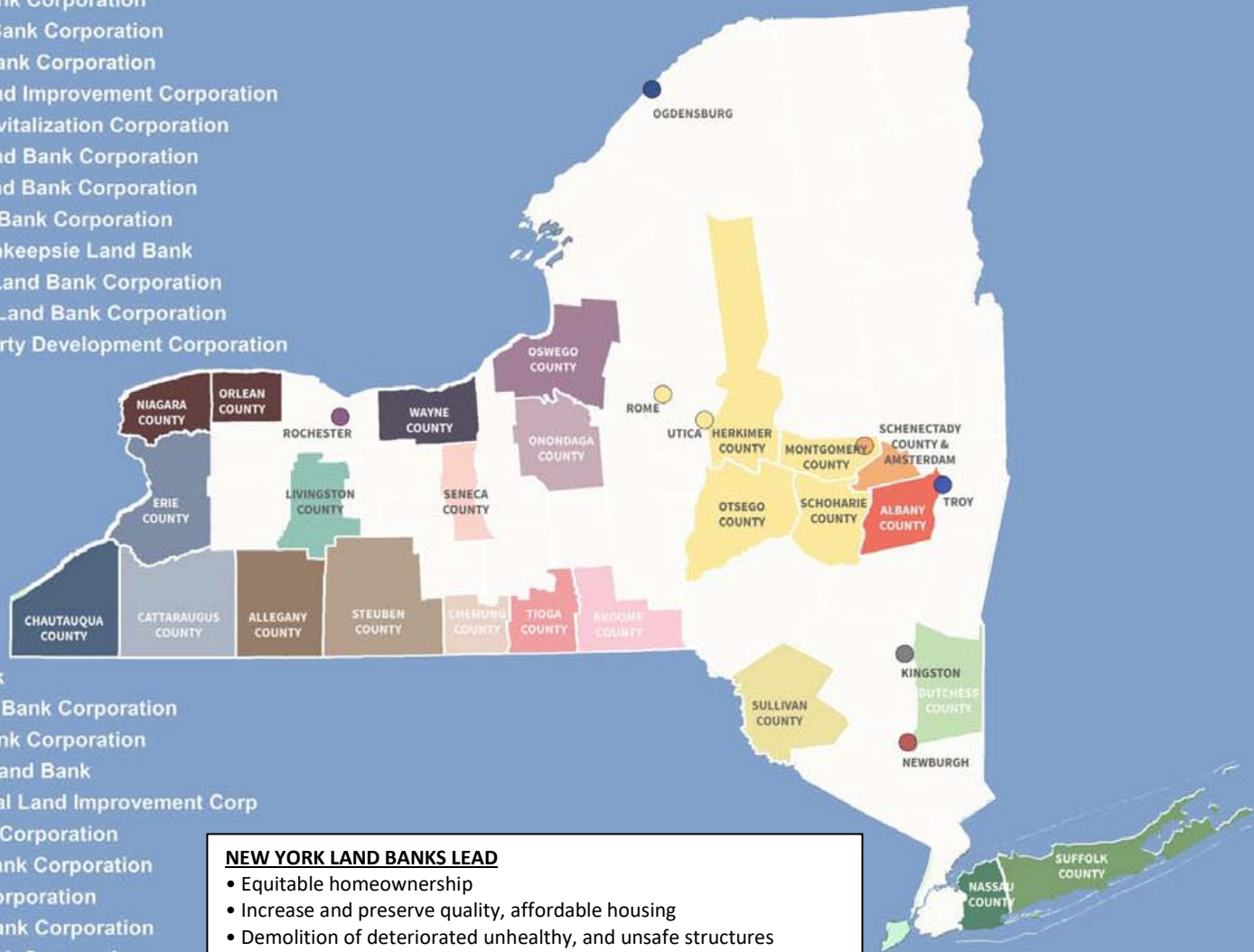


\$100+ MILLION
ASSESSED VALUE BACK
TO TAX ROLLS

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NEW YORK LAND BANKS

- Albany County Land Bank Corporation
- Allegany County Land Bank Corporation
- Broome County Land Bank Corporation
- Buffalo Erie Niagara Land Improvement Corporation
- Capital Region Land Revitalization Corporation
- Cattaraugus County Land Bank Corporation
- Chautauqua County Land Bank Corporation
- Chemung County Land Bank Corporation
- Dutchess County/Poughkeepsie Land Bank
- Finger Lakes Regional Land Bank Corporation
- Greater Mohawk Valley Land Bank Corporation
- Greater Syracuse Property Development Corporation



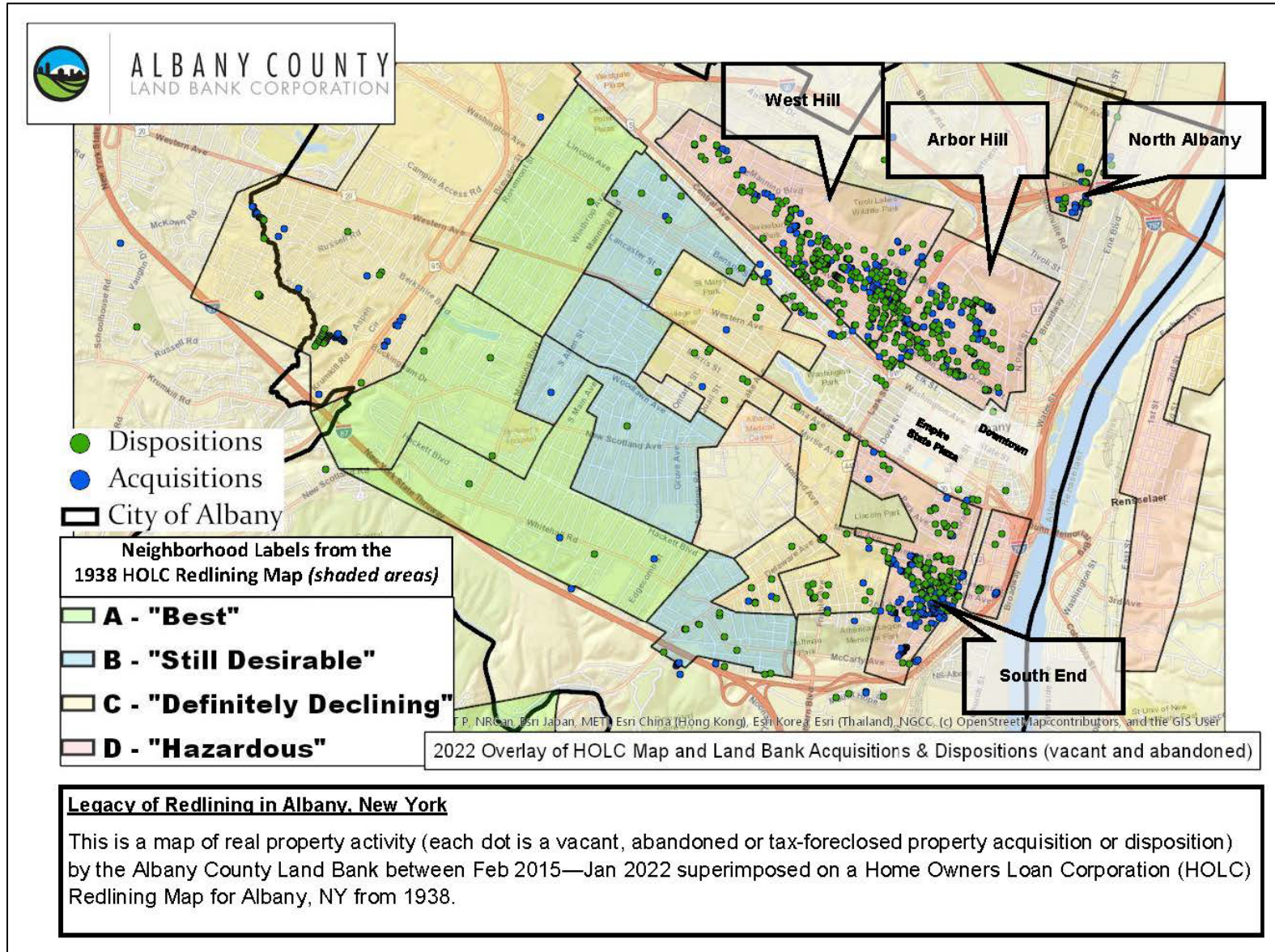
- Kingston City Land Bank
- Livingston County Land Bank Corporation
- Nassau County Land Bank Corporation
- Newburgh Community Land Bank
- Niagara-Orleans Regional Land Improvement Corp
- Ogdensburg Land Bank Corporation
- Oswego County Land Bank Corporation
- Rochester Land Bank Corporation
- Steuben County Land Bank Corporation
- Suffolk County Land Bank Corporation
- Sullivan County Land Bank Corporation
- Tioga County Land Bank Corporation
- Troy Community Land Bank
- Wayne County Land Bank

NEW YORK LAND BANKS LEAD

- Equitable homeownership
- Increase and preserve quality, affordable housing
- Demolition of deteriorated unhealthy, and unsafe structures
- Increase property values and tax base
- Remediation of brownfields
- Preserve historic structures
- Enable community control and preservation of open space
- Local wealth building
- Workforce development /pre-apprenticeship programs

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Many neighborhoods in New York's urban centers are still struggling to recover from the devastating combined effects of the 2008 Foreclosure Crisis, suburban migration, and practice of "redlining." Decades of discriminatory policies and practices have created a legacy of disinvestment in New York's urban neighborhoods that has persisted for generations. As a result, the racial and economic disparities that plague New York's small and mid-sized cities rank among the worst in the United States. In addition, many residents of New York's historically redlined neighborhoods have been disproportionately impacted by COVID-19.



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SAMPLE COMMUNITY REVITALIZATION PROJECTS BY NEW YORK'S LAND BANKS

The following examples show what land banks in both urban and rural areas can accomplish with public support and by leveraging private investment to eliminate blight and improve communities.



***The Capital Region Land Bank** used grant funds to demolish two blighted properties on Eastern Ave. in Schenectady and worked with the community to plan and fundraise to turn what was an eyesore and a safety hazard into a beautiful park.*



*With capital subsidy for affordable housing development, **the Buffalo Erie Niagara Land Improvement Corporation** (BENLIC, Erie County's land bank) can infill new housing on a block previously marred by blighted buildings, hiring an MBE contractor to manage the project.*

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***The Greater Syracuse Land Bank** partners with local developers to get abandoned properties renovated and returned to taxable status.*



The Greater Syracuse Land Bank also relies on affordable housing subsidy for more difficult projects that would not otherwise attract private investment, such as this house at 1800 Lodi Street that will contain three affordable apartments for the next 20 years after this total rebuild. And the project was an on-the-job training opportunity for New Americans in partnership with a nonprofit based in this neighborhood. This project was funded by the Community Revitalization Initiative's Neighbors for Neighborhoods Program.

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In other places, land banks use grant funds to demolish blighted homes and make way for new, safe, affordable, quality homes. This is another example from Syracuse, where the land bank purchased a bank-foreclosed zombie property and demolish it, making way for new construction of owner-occupied, affordable housing, funded by the CRI Program.



*This tax-foreclosed property was in a highly visible location in Albany's West Hill neighborhood, which has suffered from decades of discriminatory housing and lending practices such as redlining. With funding secured through the Community Revitalization Initiative program, their Neighbors for Neighborhoods program, and funds from the City of Albany, the **Albany County Land Bank** fully renovated this two-unit residential building, transforming it from a blighted building into a neighborhood anchor. It was purchased by an existing neighborhood resident.*

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Land Banks are working with government, philanthropic, and private partners to ensure that windows and siding covered in lead paint, which pose a health hazard to small children, are replaced. Despite having been illegal since 1978, lead poisoning disproportionately affects low-income and minority children, causing developmental and cognitive problems tied to lower levels of educational attainment, long-term lower incomes, and higher rates of criminal and problem behaviors.



***The Oswego County Land Bank** acquired a deteriorated 1960s colonial home without water, septic, or power. The property also contained an illegal mobile home. The property attracted squatters and illegal activity and neighbors feared for their safety and frequently had to call the police to respond to disturbances. Using Community Revitalization Initiative funds they removed the mobile home, restored utilities, and fully gutted and renovated the house, which is now owner-occupied.*

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The Tioga County Land Bank acquired nine tax-foreclosed properties in the Village of Waverly from their County. Seven were demolished using \$275,000 of Community Revitalization Initiative funds. The cleared properties were sold to neighbors, local residents and a local business. They are poised for new uses with new structures including new residential units and garages, space for expansion of frontage area for local business, green space and yards with new driveways, fencing, sidewalks and gardens. Each has greatly improved their neighborhood, improved the value of homes in the neighborhood and are back on the tax rolls. Two single-family were sold to private investors who fully renovated them and sold them to owner-occupants, a public private partnership that benefits the Village, the County, the homebuyers, and the neighbors. The single-family home above was one of these renovations.



The Sullivan County Land Bank acquired nine vacant parcels via donation in fall 2018, an unbuilt portion of a subdivision in the Village of Monticello, located in the heart of the Sullivan County Catskills. The lots are located a short walk from the historic downtown. The Laura Jane Musser Foundation and Sullivan Renaissance provided grant funding to implement this community project in the summer of 2020. Working with Sullivan County Center for Workforce Development Summer Youth Program, Phase 1 was completed, despite COVID-19, resulting in a ¾-mile trail throughout the property. The total contribution by the County was \$28,854, in staff time and supplies. A ribbon cutting was held in August 2020 and local officials, organizations and residents showed their support for the youth that worked on this great community project. Overall, the project was successful and resulted in outdoor public space for the community to use. SCLBC is currently planning Phase 2 for summer 2021.

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***The Chautauqua County Land Bank** used Community Revitalization Initiative funds to purchase this mortgage foreclosure in the Village of Dunkirk, then sold to a local investor to renovate, who sold it to a first-time homebuyer. They were able to address two abandoned properties on this block, eliminating a source of worry for the neighboring homeowners and creating affordable opportunities for first-time homebuyers.*



***The Albany County Land Bank** is partnering with the Greater Capital Region Building and Construction Trades Council, Multi-Craft Apprenticeship Preparation Program and local philanthropic organizations on a program that will help young adults learn construction trade skills through hands-on training and education while rehabilitating vacant, abandoned or tax-foreclosed buildings to create more homeownership opportunities in historically redlined neighborhoods and help revitalize economically distressed communities.*

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The Kingston City Land Bank (KCLB) commenced the first Phase of its 5-home PILOT program in July 2020 with the acquisition of three vacant single-family homes. The vacant buildings were purchased from the City of Kingston for the full value of back taxes, a total amount of \$87,121. The rehab of the first three properties has been funded and managed by KCLB. The fully rehabbed properties have been sold to first-time homebuyers at an affordable price. Rehab of the other two properties is underway and the KCLB is working with the City of Kingston to transform another five vacant buildings into first-time affordable homeownership opportunities. On average, the cost of owning, operating, and paying real estate taxes as a KCLB Homeowner is half the current cost that the families were paying to rent in the City of Kingston.



The Rochester Land Bank Corporation (RLBC) focuses on returning underutilized property to productive use, preserving and create quality housing, enhancing the quality of life within neighborhoods, and encouraging economic opportunities. Recent neighborhood stabilization activities undertaken by RLBC include the acquire 11 vacant buildings, the demolition of five deteriorated structures, remediation of environmental concerns for an additional 11 properties and supporting the rehabilitation of an additional six vacant structures. The RLBC has been broadening its activities to help address the historical and continuing racial inequities that exist in housing policies and practices and contribute to the preservation of a property in the Susan B. Anthony Historic District. RLBC is also piloting a new program to assist new homebuyers who are buying property without taking out a mortgage with home inspection costs and attorneys' fees.