

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/>

New York Land Bank Association

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:

Adam Zaranko
President, New York Land Bank Association
azaranko@albanycountylandbank.org / (518) 407-0309

www.nylandbanks.org