

My Old (Blighted) Kentucky Home

KENTUCKY CITIES ARE PICKING UP THE CHECK ON ABANDONED AND FORECLOSED HOMES

by Sarah Razor, Government Affairs & Communications Specialist

In Kentucky, a record 20,000 properties had foreclosure starts in 2009, up from 18,000 in 2008, according to the Mortgage Bankers Association. The trend in increased foreclosures is expected to continue. According to the U.S. Treasury Department, 8 million to 13 million additional foreclosures could occur nationally within the next five years.

As the number of foreclosed properties has increased during the past two years, some Kentucky neighborhoods have become overrun with blight, and city code enforcement departments are fighting hard to keep communities safe and well maintained.

In the city of Bellevue, the problem of vacant and blighted abandoned homes has landed in the lap of Bellevue Code Enforcement Officer Terry Baute.

"It is difficult to tell if a blighted property is foreclosed or in the process of foreclosure. I would venture to say probably over half of Bellevue's vacant properties are foreclosed properties," Baute said.

A house can remain vacant for up to a year after an owner leaves foreclosed property. Prior to bank takeover, there is often

little to no oversight of property maintenance, and city governments can have a difficult time determining who is responsible for the property and its upkeep during the foreclosure process.

City workers must sometimes take a hands-on approach to fight nuisances caused by abandoned and foreclosed residential properties by mowing lawns, trimming shrubs, boarding up windows and clearing out trash. The work is costly and time-consuming for city employees, and in most situations, it is difficult for the city to recoup taxpayers' funds used to correct these problems.

"This past mowing season, Mayfield spent about \$14,000 mowing roughly 90 vacant lots. Our number of vacant lots fluctuated from 55 to 90 throughout the mowing season, as foreclosed properties were dealt with and people abandoned and sometimes reclaimed lots," said Brad Rogers, code enforcement officer for the city of Mayfield.

To add insult to injury, vacant foreclosed residential property is also a prime target for vandals, vagrants and other criminal elements that requires increased expenditures by city governments for policing, fire suppression and health-related concerns. Furthermore, cities are dealing with indirect costs, including decreased property

values and lost revenues for the city from unpaid service fees for municipal water, gas and electricity.

The direct and indirect costs to city governments largely occur in the lag time between

when an owner leaves a home in foreclosure and title to the property is vested in a third party. During this period, the property is often vacant.

Like city governments, mortgage lenders have a direct interest in preserving vacant residential properties in which they have a security interest and in preserving property values in surrounding neighborhoods. City governments can work together with mortgage lenders as eyes on the ground to ensure the preservation of vacant residential properties and maintenance of property values.

According to Baute, lending institutions do not always notify the local government or change the ownership information. "This is a huge problem due to the fact the owner is now absent, and there is no way of knowing who the contact person is or institution," Baute said.

The Kentucky League of Cities Board of Directors voted to pursue legislation that strengthens the code enforcement process and ensures timely filing of deeds by banks. The Board of Directors believed that strengthening existing tools and requiring lenders to be held more accountable would assist cities in their efforts to combat the growing problem. *Editors Note: At print time, the legislative session was still underway. For information about the outcome of the 2011 session, please contact KLC at 800.876.4552.*

While there are many states with a far greater number of foreclosures than Kentucky, even a moderate increase of blighted foreclosures can become an expensive problem for cities, but strong code enforcement policies and staff support can curb some of the impact. The city of Mount Sterling created a Code




Mayfield spent about \$14,000 in 2009 mowing and maintaining properties like this one.

“Owners of record are deceased, heirs are split about what to do, and the lot is assessed at \$3,000. To foreclose would be approximately \$4,500. A local demolition company has quoted us \$7,000 to clean the lot off, so we would have \$11,500 in a lot that’s only worth \$3,000, and then it’s too small to build on by today’s codes.”

— Michael T. Jones, Mount Sterling code enforcement officer



Enforcement department just four years ago and has seen impressive strides in the upkeep of property in the community.

“Our department has made great strides in the four years it’s been operating,” explained Michael T. Jones, Mount Sterling code enforcement officer. “We have had almost 30 structures completely demolished and cleaned up. We have had several dilapidated homes fixed up and back on the tax rolls and several properties cleaned up. The city has also just started an abandoned property tax that takes the city tax up to 75 cents from 21 cents. This is the first year it will be in effect, and we’re anxious to see what happens.” 

KLC Code Enforcement Resources for Cities

To help cities avoid the direct and indirect costs associated with an increase in abandoned and foreclosed properties, KLC has developed a *City Officials Guide to Vacant Residential Properties*. This free publication, which can be downloaded at klc.org, includes detailed information about three important tools currently available to Kentucky cities for addressing the impact of vacant residential properties on their communities:

- Pass an ordinance requiring registration of vacant residential properties
- Increase taxation of vacant properties

- Combine Code Enforcement Boards and Nuisance Code Enforcement Boards

Additionally, KLC recently unveiled the *Local Government Code Enforcement Handbook*. This no-nonsense publication covers the basic code enforcement issues faced by city governments, and it provides sample forms and information about setting up and conducting code hearings. The cost for members is \$20. For more information, or to order by phone, please contact KLC at 800.876.4552.