

BLIGHTED AND ABANDONED PROPERTIES TOOLKIT

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INTRODUCTION



Many of the nation’s larger cities experienced blighted and abandoned properties as early as the 1970s. Abandonment disproportionately affected poorer neighborhoods but could be seen all around inner cities. In a 1978 report by the Government Accountability Office, this new concern was declared a critical problem with no policy or strategy to combat the issue.¹

These derelict properties did not become a major problem for smaller cities until the effects of the housing crises and subsequent foreclosure crisis in 2007. Due to different forms of predatory lending, many homeowners were faced with increasing mortgage payments and were eventually foreclosed upon.

Cities of all sizes in Kentucky began to feel the effects of the foreclosure crisis in 2007. On a national scale, more than one out of every 65 families who owned a home lost it due to foreclosure.²

Now, more than 10 years later, many of our municipalities are still cleaning

up from the aftermath. This toolkit is intended to serve as a resource guide for local elected leaders as they navigate the possible when faced with blighted and abandoned properties.

No matter what category the property falls in, residential housing, retail or wholesale, shopping centers, big box stores or industrial parks, an empty building is often a magnet for all the things you don’t want in your hometown. Two of the most common complaints:

1. Vacant properties bring down neighboring property values; and
2. Vacant properties are a haven for criminal behavior.

These two common issues are indeed grounded in fact. According to a 2017 white paper initiated by Community Blight Solutions and titled, *Understanding the True Costs of Abandoned Properties: How Maintenance Can Make a Difference*:

- The typical foreclosed home imposes a cost of more than \$170,000. Approximately \$85,000 of this total is directly attributable to a property being vacant and in poor condition.
- Over half the total cost of a foreclosure’s impact on neighboring properties comes from the fact that the property is abandoned.
- Foreclosures that involve vacant properties lead to increases in violent crime. The impact of vacancy on crime increases as the property stays vacant for longer periods of time.
- Vacant buildings are major fire hazards; vacant residential buildings account for one of every 14 residential building fires in America.³

Abandoned and blighted properties in our beautiful Kentucky cities are not going away anytime soon. Reporting

INTRODUCTION

for the Federal Reserve Bank of St. Louis, William R. Emmons said, “This 10-year nationwide foreclosure crisis has been longer and deeper than anything we’ve seen since the Great Depression. As many as 10 million mortgage borrowers may have lost their homes.”⁴

In 2011, one estimate indicated that one in four Kentucky homeowners owed more than their house was worth. Equally distressing, one in 10 was more than 30 days behind on their home loan.⁵

The situation hasn’t improved a great deal as shown in a 2019 report from Zillow Group, Inc., an American online real estate database company:

- Around 11% of Kentucky homes have negative equity, meaning they owe more than they are worth (8.2% national average).
- About 1.2% of Kentucky mortgage holders are delinquent (1.1% national average).

- Around 13% of housing units in Kentucky are vacant (12% national average).⁶

The Kentucky League of Cities (KLC) recognized the situation was becoming a broader issue and organized the statewide Blighted, Abandoned and Dilapidated (BAD) Conference in 2016. With attendance soaring, it was evident the problem crossed all demographics and every corner of the commonwealth.

In 2018, KLC once again hosted a conference to train elected leaders, code enforcement officials and city employees who continue searching for answers and resources to combat the growing problem.

In the 2019 KLC City Census Survey a question was asked of Kentucky cities if they have code enforcement boards as well as what specific actions have been taken to address abandoned or blighted property within the past two years. Those actions included using code enforcement procedures, using a vacant property review commission, levying a higher tax rate for abandoned property,

or condemning/using eminent domain. Of the cities reporting, a couple of the findings include:

- Nearly half of Kentucky cities have a code and/or nuisance enforcement board.
- Approximately 46% of Kentucky cities have used code enforcement procedures in the past two years to deal with abandoned and blighted properties.

Because of these ongoing concerns related to properties, KLC has taken another step to organize information into a single document for easy reference. This guide provides a combination of resources and tools we believe will be useful for any size Kentucky city, scaled to fit the local situation. While blighted and abandoned housing can be easily identified as a problem for any community, it is important to recognize that they are the symptoms of larger issues that affect the housing market of cities across Kentucky.



THE FACTS

Properties that are deemed a problem may be called several different names. From abandoned, blighted or vacant, it is important to understand distinctions. For example, when the word “abandoned” is used, it often implies that the owners have vacated the property and it has fallen into disrepair. It may be that the owner continues to pay the property taxes without maintaining it. Frank S. Alexander, a Professor of Law at Emory University says that abandonment suggest that the owner “has ceased to invest any resources in the property, is foregoing all routine maintenance, and is making no further payments on related financial obligations such as mortgages or property taxes.”⁷

The word “blighted” often refers to properties that are perceived as problematic for their neighbors, even if they are still occupied. This term is

frequently used when discussing former urban renewal programs.

Blight: The definition is up to each locality but generally refers to any structure or lot which is:

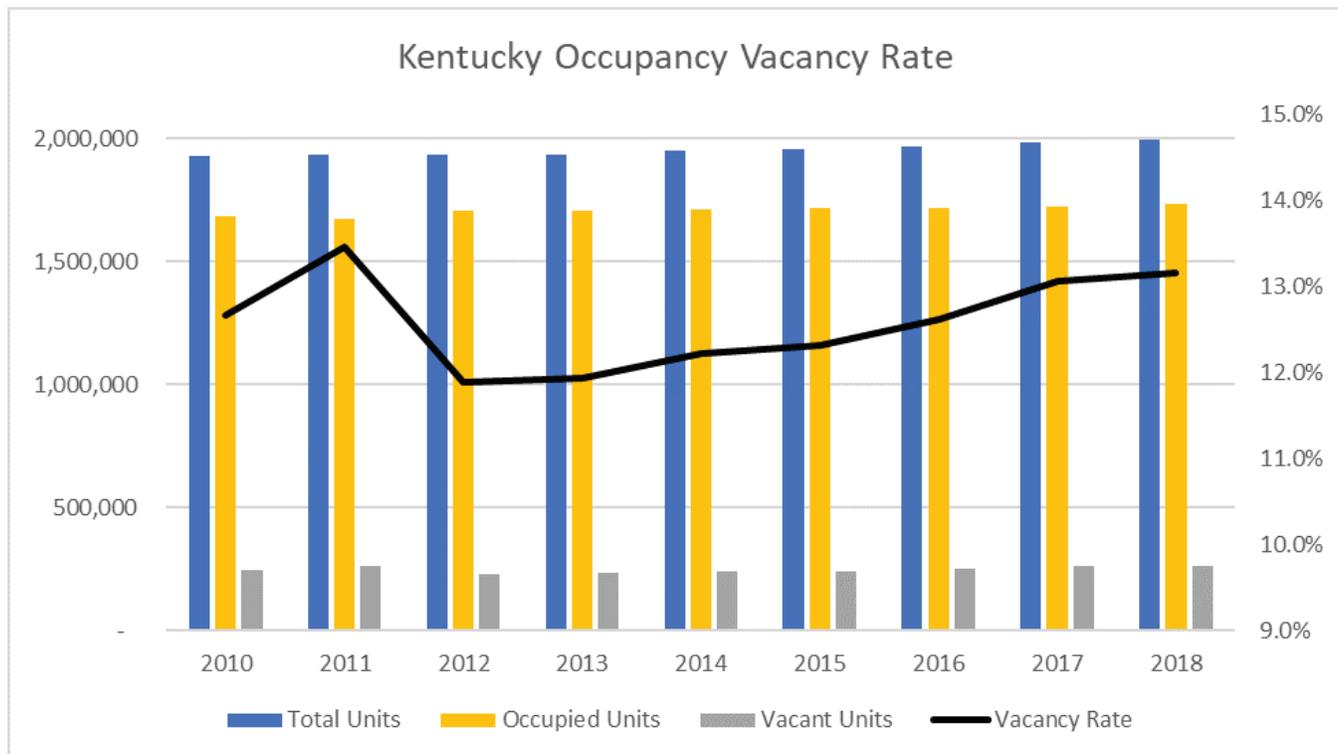
- Uninhabitable;
- Unsafe or negatively affects health;
- Abandoned;
- Presents an imminent danger to people;
- A location where repeated illegal activities occur; and/or
- Violates state or local property codes.⁸

Vacant: A vacant property is a property that is unoccupied. This is not the same as abandoned and can have a more positive connotation. For example, an apartment can be vacant because the owner is making long-

term investments. Dramatically higher vacancy rates were the initial symptom of the foreclosure crisis, as landlords evicted their tenant before eventually abandoning property that could not be filled.⁹

- According to the 2018 American Community Survey there is an estimated total of 245,725 vacant occupancy units in Kentucky out of a total of 1,974,406, resulting in a vacancy rate of 12.4%.¹⁰ (2018 5-year estimates)
 - o The housing stock and vacancy rate have remained relatively unchanged over the past nine years (2010-2018 1-year estimates).

Dilapidated: This term is often used to describe any unit that does not provide safe and adequate shelter and in its present condition endangers the health, safety or well-being of the occupants.¹¹



THE FACTS

Area-wide cost of blight:

Blight is also an expensive problem for cities as shown through the “broken window” theory. The theory came about from an experiment by famous psychologist Phillip Zimbardo. In this experiment Zimbardo left two cars in two different parts of the county. The first car, left in the Bronx, which was a poorer, more crime-infested area, was left in a state that it was clearly abandoned. Within hours all items of value were taken, and the car was becoming vandalized. The second car was left in Palo Alto, a very rich neighborhood. This time the car was left in perfect condition. After a week, the car had been left alone. Zimbardo then took a hammer and dented up the car and broke a window. The car was then vandalized in the same time frame as the car left in the Bronx. This theory is often used to show how vandalism and crime can spread in dilapidated areas.¹⁴

City governments experience both direct and indirect costs from vacant and abandoned properties.

- Direct costs include increased policing, fire and medical response, maintenance, and regulatory costs.
- On average an additional vacant property decreases a home’s selling price by at least 1.3%. This effect depends on where the property is located. In low-poverty areas vacancy can have a negative impact of 4.6%. In high-poverty areas this effect is around 1.5%.¹²
- Indirect costs include decreased property values, reduced property tax revenues, reduced economic development in immediate and general area, and unpaid fees for water, gas, and electricity.¹³

The statistics for blighted properties in Kentucky:

- Directly adjacent properties can be affected up to 25% in property market value.
- Property separated by one to

three other properties can be affected from 5 to 15%.

- Property in same neighborhood can be affected 3 to 8%.¹⁵





THE FACTS

Infographic Information

- Jefferson County has recovered well from the foreclosure crisis. Their peak year was in 2010 with 5,299 foreclosures, that number was reduced 55% in 2017, to a total of 2,385 foreclosures started.¹⁶
- At the end of 2012 the Louisville metro government had identified 6,000 vacant properties. Of those over 1,100 are considered abandoned.¹⁷
- Kentucky saw a 66% decline in lender completed foreclosures (Real Estate Owned) from May 2018- May 2019.¹⁸
- There are an estimated 245,725 vacant housing units out of a total of 1,970,406 in Kentucky, or a vacancy rate of 12.4%¹⁹ (2018 5-year estimate).
- The two most popular forms of housing in Kentucky are 1-unit detached structures (67.1% of housing units) and mobile homes (12.0% of housing units).²⁰

Top Five Counties with the Lowest and Highest Housing Vacancy Rates (2018 5-year Estimates)

Five Lowest	Five Highest
Oldham County: 4.6%	Lyon County: 33.3%
Boone County: 5.2%	Menifee County: 33.3%
Shelby County: 5.5%	Owen County: 31.3%
Bullitt County: 5.7%	Russell County: 30.2%
Scott County: 6%	Breckinridge County: 28.8%

REDEVELOPMENT BARRIERS OR IMPEDIMENTS

The Department of Housing and Urban Development views early intervention as key in fighting blight, and view code enactment as one of the first steps taken by cities nationwide. While every city and town in Kentucky wants to see vacant properties become vibrant contributors to the local landscape and economy, there are some barriers and impediments that prevent action. Further, vacant and abandoned properties are also affiliated with increased crime, risk to the health and well-being of residents and often the impetus for declining property values. These issues create a drain on local resources that in turn contribute to overall community decline and disinvestment.

Many local leaders view vacant properties as an opportunity to improve the community. If a city can reimagine properties that are blighted and dilapidated and turn them into usable space, such as an urban/community garden, park, or health facility,²¹ they can become assets in neighborhood revitalization. In some cases, those properties may be torn down and reclaimed, often allowing for new housing or commercial development. The Department of Housing and Urban Development says the most effective way to fight blighted and abandoned property is to match strategies to market conditions.

Some important considerations include market density and the strength of the regional economy.²²

While the public sector may desire their city to be as beautiful as possible, they are faced with different constraints.

Barriers to public sector implementation:

- Lack of understanding the problem on the part of local elected leadership
- Regular turnover of elected leaders
- Capacity of local leadership in the community to affect change
- Time – too many priorities to focus on specific initiatives
- Funding
 - o Legislative capacity
 - o Tax
 - o Classification
- Communication from the public sector to the private sector, particularly in educating and offering resources²³

The private sector plays an important role in redevelopment. They are responsible for bringing in investment, capital, and wealth in the form of new businesses and development. However, these benefits may not have the

opportunity to spread throughout the area if there are barriers in the way.

Potential barriers to private sector development:

- Lack of interest in local redevelopment (undeveloped land is cheaper, easier and more appealing than redeveloping run-down areas)
- Inability to acquire desired property or complications with title
- Little demand for commercial uses
- Investor perceptions of development areas or neighborhoods
- Absentee or uninterested property owners
- Challenges to gaining site control
- Quality of existing or neighboring businesses within the surrounding commercial district
- Limited funding options or access to capital
- Risk
- Poor building conditions
- Complicated or “zombie” mortgages²⁴





STRATEGIES TO ADDRESS BLIGHT

Abandoned, blighted and vacant housing is a difficult problem for communities to fight. Often, removing barriers is not enough to redevelop a neighborhood. Faced with a lack of resources, creative and proven strategies are required to fight against blight and bring properties back to productive use. Consider the following strategies for your city.

Identification

It is impossible to fight these problem properties without knowing the size or severity of the problem.

- Start an inventory of blighted properties.
 - o Identify potential problem areas/properties through available records:
 - Examine city records for properties with delinquent taxes, as this can be the most important signal for future abandonment.²⁵
 - Examine utility records for properties with shutoff records for electricity, water, gas, etc.
 - Consult neighborhood alliances regarding known vacant or blighted properties.
 - Invite representatives from Kentucky Housing Corporation to the community to help assess the current housing situation and provide recommendations.
- o Conduct a windshield survey to physically inspect and record existing or potential blighted properties. Implement the survey in phases by street, block, neighborhood, etc.
- o Document existing or potentially blighted properties in a database system:
 - Use geocoding apps/devices to document locations.
 - Record information that describes code violations (include pictures):
 - * Unkempt lawns;
 - * Newspapers/mail uncollected; and
 - * Physical signs of building deterioration or vandalism.
 - Use database to determine where the city’s problem areas are (important for strategizing possible area-wide redevelopment efforts).
- Implement a code violation citizen reporting system (e.g., 311, city website).

Questions to consider as you evaluate current properties.	Yes	No	Not Certain
Does the city meet its own standards of code enforcement for each property that is owned by the city?			
Does the property in question have a lien? Are tax payments delinquent?			
Has the property been in violation previously?			
Is the property owner out of town? Do they own more than one property in the city?			
Can the problems be easily mediated?			
Have the neighbors complained about the property?			
Has the city become involved in maintaining the property? If so, what is the cost of upkeep and is the owner being invoiced?			



STRATEGIES TO ADDRESS BLIGHT

- Consider a rating system for derelict properties to identify problems before they become more difficult to manage.
- Consider adding the following requirements to current codes:
 - o Require landlords to have a rental license for each rental property.
 - o Require a local contact person for each out of state property owner.
 - o Educate all property owners about regulations and their responsibilities. Make every effort to get to know the property owner.
 - o Educate the public, attend homeowner meetings, realtor gatherings and the like. Explain the need for everyone to help identify problem properties before they become derelict.

Capacity Building, Prevention, and Upkeep

When possible, prevention should be the goal for cities. There are different incentives and programs that cities can put in place to fight housing foreclosure and abandonment, such as rent or mortgage assistance programs. However, prevention will not work all the time. When an abandoned or blighted house is cited in a city, the city should have enforcement tools in place to combat the problem.

A strong comprehensive plan is a great start for cities. The plan should specify the vision of the community and prioritize the use of land and funds. The best plans are proactive and can be a useful tool for cities to identify and prioritize neglected properties. While it can be an expensive process a comprehensive plan will enable

a strategic approach with public participation and energize the effort to address neglected properties.²⁶

Strong Enforcement = Effective Prevention

- Conduct an audit of the city’s current ordinances and code enforcement capacities. Compare existing legal capabilities with available options enabled through KRS. Consider passing additional ordinances to strengthen blight prevention and response capabilities (see legal section).
 - o Evaluate city-owned properties and determine if the city is setting a good example
- Develop community partnerships for continued monitoring of

Questions to consider as you evaluate capacity.	Yes	No	Not Certain
Does the city have current and enforceable ordinances in place?			
Are there interested neighbors, developers, real estate agents and others who are willing to work alongside the city?			
Is there an existing neighborhood association or any interest in starting one in affected neighborhoods?			
Are there current venues to communicate with and educate the public? Property owners?			
Are there partners who can assist with training on property ownership and ongoing maintenance?			
Does the city already have a way to recognize property owners for being good neighbors?			
Is there a way to work with local media to draw attention to the problem as well as to recognize successes?			



STRATEGIES TO ADDRESS BLIGHT

- blighted properties.
 - o Neighborhood alliances
 - o Economic developers/real estate agents
 - o Mortgagors (regarding applicable vacant property notification requirements)
 - o Property maintenance company (e.g., Safeguard)
 - o Community complaints (through code violation reporting system)
- Organize the community to enact neighborhood cleanup events. Offer refreshments, provide trash bags and gloves. Make it a fun event, perhaps a competition between neighborhoods or groups such as:
 - o Students
 - o Church groups
 - o Civic groups
 - o Boy Scouts
 - o Student organizations
- Educate property owners of property maintenance requirements (through social media, newspaper articles, newsletters and mailers).
- Partner with local banks and/or the Kentucky Housing Corporation, and/or the Federal Home Loan Bank to offer free training on homeownership and maintenance.
 - o Content may include information about loans, home maintenance, understanding a real estate contract, and homeowner's insurance
- Report blight abatement and redevelopment successes to the community, including property maintenance.
 - o Recognize property owners of taking care of their properties
 - o Work with local newspapers or use city social media accounts to show before/after photos of areas that have been cleaned up

Enforcement – Elimination and Reuse

- Develop a Blight Elimination Goal. For example:
 - o Determine a desired number of blighted properties to be abated in a year

Questions to Consider:	Yes	No	Not Certain
Does the city have a blight elimination goal?			
Has the city explained the blight problem and provided educational materials to all property owners?			
Does the city have the necessary staff to monitor, target and enforce code violations?			
Does the city have an estimate of what current blighted properties are costing the city on an annual basis?			
Are the city's codes up to current standards and easily enforced?			
Has the city looked at potential grant funds for cleaning up blighted neighborhoods?			
Does the city offer incentives or awards for property owners to encourage cleanup of properties?			



STRATEGIES TO ADDRESS BLIGHT

- o Establish a desired number of houses, blocks or neighborhoods to survey
- o Set a specific amount of public dollars to be invested per year
- Start a property revitalization team for area-wide blight remediation planning.
- Create a beautification subcommittee with the goal of eliminating blight.
- Design strategies to address chronic problem properties and implement enhanced code enforcement.
- Take enforcement actions against blighted property owners, such as:
 - o Increase property taxes
 - o Fines
 - o Eminent domain proceedings
- Pursue grant funds and private partnerships to initiate revitalization efforts on site specific or neighborhood levels (see funding section).
 - o Redevelopment incentives
- Investigate the use of the Repair Affair concept and the use of volunteers to assist property owners, particularly the elderly and disabled, who are unable to care for their own properties. Repair Affair to date has repaired over 3,000 homes across Kentucky.²⁷

Best Practices

Preventing properties from becoming blighted and abandoned is the most effective and cost-effective policy. The cost of keeping a property in use is often far less than the cost of restoring it to productive use, as deterioration compounds quickly over time. Further, the cost to the community of an abandoned property begins almost the moment that it is abandoned. While not all abandonment can be prevented, effective local actions — helping owners maintain their properties by using code enforcement, nuisance abatement, and receivership when owners are unwilling to do so voluntarily — can significantly reduce the number of lost properties.²⁸

Tackling a difficult problem requires an understanding of the available options and making the best decision for your city. A revitalization program in a city with the population of 500 to 1,000 in Kentucky may be different than in Lexington or Louisville and could vary dramatically in different sections within the same city.

Understanding the Problem

Obtaining data, even from the government within different departments or jurisdictions, can prove to be challenging depending on local policies for data sharing. While there are easily accessible national databases, they might not have complete accurate data for smaller cities. In an effort to supplement those sources, you may be met with a reluctance to share because of concerns of confidentiality, data quality, or lack of control. These concerns can be overcome but often require strong support and push by a local leader such as the mayor.

- The mayor is in a strong position to advocate for the city at the

state level in order to obtain legal reforms and program changes to better enable the city to tackle its problems.

- The mayor is well-situated to build partnerships with the community as well as with the institutional and business leaders whose involvement is critical to the success of any long-term strategy.²⁹

Communication

While smaller cities are often at a disadvantage in terms of funding and other options, they can leverage the “small-town” life and in particular, the ease of communicating with citizens. The city of Spencer, West Virginia, with a population of 3,000, takes a creative approach to neglected properties in their city, using legal proceedings as a last resort. The mayor himself calls the owners of properties to make a deal based on the particular problem. It could be as simple as encouraging the owner to make repairs or to tell the owner of the liability of the building and ask for the title to be transferred to the city. The mayor said this approach has been their most successful method for taking care of dilapidated and abandoned buildings. They get the properties donated to the city for a small amount, then the city demolishes around 10 buildings per year.

The city is also creative in finding revenue options to pay for the demolition. The mayor again communicates to the neighbors of the lots and tries to sell the lot to them for use as parking or a garage. This strategy has been successful for the city having only two condemnation hearings over the course of 30-40 demolitions of dilapidated buildings.³⁰



STRATEGIES TO ADDRESS BLIGHT

Code Enforcement

Ordinances aimed at regulating the living standards of city residents are often passed to address issues of blight, noise, unsafe construction, litter and other unseemly or dangerous property conditions. A city can effectively enforce these codes with fines, liens and, if necessary, prosecution through the courts or a code enforcement board.

Cities and counties will often undergo a joint enforcement effort to take advantage of shared planning and zoning efforts or to take advantage of economies of scale. These agreements generally take place in more rural environments where residential codes are less restrictive.

The City of Elsmere in Northern Kentucky had a problem with containing dilapidated properties. More can be seen on their work and success of their implementation strategies in the “Case Studies” section of this toolkit.

Creative Partnerships

For smaller cities with limited resources, this strategy allows leaders to secure new partnerships that have an opportunity to grow beyond one project. Communities that used partnerships with individual volunteers, nonprofits, for profits, or universities to complete the identification and upkeep work were able to work more thoroughly, at a faster pace, and lower cost.

When seeking help from the community, having a plan in place on how the city will address these problems is critical. Then, it is important to educate the populace about the problem and provide strategies and resources on how to remedy the problems.

- Involve local leaders, developers, investors, residents, school leaders, real estate agents, medical leaders, and property owners.
- The mayor is often the best person to articulate a long-term vision for the community and lay out the strategies to achieve that vision.
- The mayor or similar elected official is the only person who can bring the different city departments that must play a role in an abandoned property strategy to the table and get them to work together toward common goals.³¹

Leverage New Technology

With the increasing accessibility of smartphones and tablets and high-powered wireless networks, communities have been able to cut down the amount of time and cost it takes to complete survey work by performing data entry in the field using smart devices. Using new technology, a surveyor, who may be a volunteer, is able to snap a picture of a property, fill out survey information, and upload that information which then immediately appears on an interactive map, thereby drastically cutting down on the number of hours those activities would have traditionally taken. Citizens can easily take pictures of different code violations and send them into the city for more accurate information.

Beyond advances in survey technology, there are several new online mapping tools that enable everyday users to easily display data on a map. New technology has enabled many communities to cut down on costs and improve data quality and accessibility

of information. Cities should leverage this information to have a complete understanding of the housing/property stock in their city and identify trouble areas before they spread.³²

It is impossible to get 100% accurate data on blight because the physical conditions of properties can change daily and available data may be incomplete or outdated. By using new technology and engaging on-the-ground stakeholders in data validation, you can get a more complete understanding of conditions in your city even without complete data.

Get to Work

It doesn't always take a legislative act to get the ball rolling. Consider easier tactics that may help clean up derelict properties. This strategy is a great opportunity to form strategic partnerships to maximize results. Some examples:

- Tree planting
- Graffiti removal
- Neighborhood cleanups
- Materials the city can provide such as:
 - o Mulch
 - o Trash bags
 - o Gloves
 - o Roll-off dumpsters
 - o Garbage hauling to land fill or dump
- Neighbors get permission from the owner to clean up property.
- Get developers involved in cleanup allowing city credits or incentives to developers.
- Use city crews to clean up and place a lien on property (via ordinance).



STRATEGIES TO ADDRESS BLIGHT

Understanding the Market

Unfortunately, where the real estate market is weaker, cities, communities, counties will have to provide incentives (or deterrents) to encourage developers, owners, and home buyers to restore vacant properties. Action will not happen by doing nothing.

- Realize this is a significant problem which now affects small towns and cities throughout Kentucky and the country.
- Understand the private sector will not buy a property that has a

higher cost of rehabilitation than expected market value. Other options, such as public-private partnerships (P3s) or demolition may be necessary.³³

- Different conditions will lead to different results, for example turning vacant properties into community gardens yield the greatest impact in high-poverty neighborhoods.³⁴
- Create a plan of action. Use proven strategies to maximize limited resources, such as the

Market Value Analysis.³⁵

- Enforce the plan of action.
- Address the concerns before the derelict properties get to be an overwhelming problem. Dilapidation is a contagious problem and can soon compound out of control.

Questions to Consider:	Yes	No	Not Certain
Does the current city council/commission have the political will to enforce all code violations?			
Are there local community organizations or partners who may wish to work with the city on identification and/or ongoing monitoring?			
Does the code enforcement officer fully understand the ordinance and what is required of the position for effective outcomes?			
Are neighboring property owners willing to assist in monitoring and working alongside the city?			
Is the city able to use examples of properties that once were derelict and now seen as a good neighbor?			



LEGAL RESOURCES

Code Enforcement Options (KRS 65.8801 to 65.8839)

The Local Government Nuisance Code Enforcement Act offers a detailed process cities can adopt to establish an enforcement board and maintain lien priority over all other previous and subsequent liens, except for tax liens. Existing code enforcement boards created under the Local Government Code Enforcement Act (KRS 65.8801-65.8839) can add nuisance code requirements its existing structure.

Chronic Nuisance Ordinances

These ordinances typically define nuisances very broadly to cover a wide range of incidents and contain penalties that range from fines to revocation of occupational licenses to civil foreclosure. KRS 65.8840 contains the nuisance abatement statute upon which to base a nuisance ordinance.

Vacant Property Review Commission (KRS 99.705 to 99.730)

KRS 99.705 to 99.730 allows cities to create Vacant Property Review Commissions as a way to address vacant, blighted and deteriorated properties in predominantly residential areas. Once the commission certifies a property as blighted and deteriorated, and the legislative body makes the required statutory findings, the city may acquire the property through eminent domain under KRS 416.540-416.680. The Kentucky Domain Act specifically declares transfer of these properties to developers or other entities for the purpose of eliminating blight to be a “public use.” If a city does not have a vacant property review commission or use other urban renewal options located in KRS Chapter 99, it is limited in its ability to transfer property acquired

through eminent domain to private developers.

Vacant Residential Property Registration Ordinances

Ordinances that requires creditors to inspect properties prior to filing complaints of foreclosure to determine if the property is vacant. If it is vacant, the creditor must register the property with the city, provide contact information for a responsible agent within the commonwealth, and assume responsibility for nuisance violations. Failure to register results in fines.

Deed in Lieu of Foreclosure Filing Requirements (KRS 382.110)

Requires a mortgage holder to file a deed in lieu of foreclosure in the county clerk’s office within 45 days of the date the deed is executed and imposes fines for noncompliance. This makes it easier to locate the responsible party when code violations occur on the property.

Expedited Sales of Foreclosed Property (KRS 426.205)

When an action is brought against a property to foreclosure on a mortgage or lien if the court finds the property to be vacant and abandoned, the master commissioner must sell the property within 70 days of the court’s order of sales. This speeds up the process so that lienholders can receive satisfaction within a reasonable time.

Increased Taxation of Abandoned Properties (KRS 92.305 and 132.012)

Allows cities to levy a higher property tax rate on abandoned urban properties as defined by the statutes. This is available to any city of the second to the sixth class. The purpose of KRS

92.305 is to spur rehabilitation of dilapidated properties or to give cities more incentives to foreclose on unpaid tax liens.³⁶

Delinquent Tax Lien Enforcement Options (KRS 134.420, KRS 91A.070(1), and KRS 91A.070(2) and (3))

Cities have the right to enforce tax liens in a civil action through collection by sheriff, collection by city, or publication of delinquent taxes.³⁷

Mass Foreclosure Act (KRS 92.810 and KRS 91.481 to 91.527)

Establishes procedures for cities to bring suit against numerous parcels in a single action.

Land Bank

Land banks are governmental entities that specialize in the conversion of vacant, abandoned, and foreclosed properties into productive use. They vary in power depending on the state but are growing in popularity as a way to fight abandonment.³⁸

Tax Lien

Kentucky is known as a lien theory state where the property acts as security for the underlying loan. The document that places the lien on the property is called a mortgage. When a property owner does not pay their fine, the county has the option to have a public claim to the taxpayer’s property.³⁹

Enact a Neighborhood Redevelopment Zone

This statutory scheme allows the city to target problem neighborhoods and associated property assessment moratoriums. Any residential building



LEGAL RESOURCES

located within the neighborhood redevelopment zone is eligible for a property assessment moratorium certificate if the building is repaired, restored, rehabilitated or stabilized in accordance with the provisions of KRS 99.595 to 99.605. The statutes also allow for special endorsements on policies of mortgage guarantee insurance covering portions of mortgage or rehabilitation loans, which are reimbursable by the state. The details for all of this can be found in KRS Chapter 99A.

Create an Urban Renewal and Community Development Agency (KRS 99.330 to 99.510)

KRS 99.330 to 99.510 allows a city to establish this agency for purposes of creating a development plan for blighted areas, and to carry it out.

This would include acquiring and demolishing property, obtaining funds and expending them in accordance with the plan, preparing the development area for use in accordance with the plan, etc. The agency can also undertake urban renewal plans as described in KRS 99.520 to 590.

Model Ordinances

The 2018 Local Government Code Enforcement Handbook includes model ordinances for cities seeking to establish code enforcement boards, full text copies of the updated state statutes governing code enforcement, an explanation of the code enforcement process and model forms designed to assist cities in developing customized forms for official use including:

- Vacant Residential Property Notification Ordinance
- Code Enforcement Board
- Abandoned Property Ordinance
- Nuisance Code
- Existing Structures Code
- Property Maintenance Code
- Demolition
- Enhanced Tax Rate for Abandoned Urban Property Ordinances



FUNDING OPPORTUNITIES/STRATEGIES

Several sources of funding will likely be necessary to undertake eradication of vagrant properties, especially in weaker markets. There are varying sources of investment available from both the private and public sector.

This section provides an overview of funding sources that are available to public and/or private entities. While some sources are available for housing redevelopment, some will fund organizations working on commercial revitalization efforts, and others can be used to directly finance redevelopment transactions.

Enterprise Zones

Enterprise Zones were created to encourage new or renewed development to targeted areas of the state by offering special tax incentives and eased regulations to a business locating in a zone.

Opportunity Zone

Opportunity Zones are a new invention that came about in the Tax Cuts and Jobs Act of 2017. This program encourages investments through Opportunity Funds, that invests at least 90% of their capital in certified zones, and receive tax deferrals, reductions, or eliminations on unrealized capital gains.⁴⁰

Revolving Loan Fund

Revolving Loan Funds (RLFs) can be established and run by a city or a nonprofit and be a source of funding for commercial revitalization efforts. It is a self-replenishing pool of money which provides gap financing for development or the expansion of small businesses. When payments and interest are made on the existing loans, the fund is replenished so that new loans may be

issued. These funds are managed on multiple different levels, including the state, development district, and by cities themselves.

Loans are generally targeted to development projects or small businesses that have had difficulty accessing regular credit markets. The loans can be used in combination with other activities such as acquisition of land and buildings, new construction, facade and building renovation, landscape and property improvements, machinery and equipment, and operations.

KY CDBG – Community Development Block Grant

The CDBG program provides assistance to communities for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, providing infrastructure and/or improving community facilities and services. With the participation of their citizens, communities can devote these funds to a wide range of activities that best serve their own particular development priorities.

All project activities must meet at least one of three national objectives:

- Benefit to low- and moderate-income persons;
- Prevention or elimination of slums or blight; or
- Meeting particularly urgent community development needs.

https://kydlgweb.ky.gov/FederalGrants/16_CDBG.cfm

Targeted Brownfield Assessments (KY DCA)

The Kentucky Brownfield Program provides environmental assessments

free of charge to local governments, nonprofit organizations and other quasi-governmental agencies through the Targeted Brownfield Assessment (TBA) Program.

<http://dca.ky.gov/brownfields/Pages/tba.aspx>

EPA Brownfield Grant Funding

EPA’s Brownfields Program provides direct funding for brownfields assessment, cleanup, revolving loans, environmental job training, technical assistance, training, and research.

To facilitate the leveraging of public resources, EPA’s Brownfields Program collaborates with other EPA programs, other federal partners, and state agencies to identify and make available resources that can be used for brownfield activities.

- Assessment Grants
- Revolving Loan Fund Grants
- Cleanup Grants
- Area-Wide Planning Grants
- Environmental Workforce Development and Job Training Grants

<https://www.epa.gov/brownfields/types-brownfields-grant-funding>

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is an economic development tool used by public agencies to finance needed infrastructure improvements for a project (e.g., streets, sewers, parking lots, etc.) by earmarking future tax gains resulting from the development for the improvements. This public investment will increase the value of the property as well as in the surrounding area and may spur further development. This increased tax revenue is the



FUNDING OPPORTUNITIES/STRATEGIES

increment that TIF dedicates toward public infrastructure improvements in distressed or underdeveloped areas where private development would not otherwise occur. In summary, TIF captures the future value of an improved property to pay for the current costs of those improvements.

https://www.thinkkentucky.com/kyedc/pdfs/TIF_FACT_SHEET.pdf

<https://equitablegrowth.org/tax-increment-financing-and-u-s-infrastructure/>

City-Sponsored Grant or Incentive Assistance

Government grants, like the Community Development Block Grant, are very similar to those given by foundations, but with one very big difference – government grants are funded by the taxpayers. Why does the government give away money based on a grant application? Lawmakers recognized, long ago, that an effective way to implement public policy was to empower local citizens and organizations through grant funding.

The federal government provides funding to a recipient to carry out a public purpose that is authorized by law. It is not an entitlement or loan. Similarly, local and state governments

may provide funding to local agencies, charities or nonprofits. As an example, suppose a city wants to spruce up its downtown or a business area. The city may partner with a local paint store to provide small grants for local property owners to purchase paint at a discount price as an enticement to beautify their properties. The public purpose in this case is to encourage foot traffic, improve the quality of life, enhance property values for taxation purposes and promote economic activity.

A few sample grant and/or incentive programs in Kentucky cities include:

- Murray Main Street Loan Pool and Tax Moratorium
- Horse Cave Loan Incentive
- Maysville Job Development Incentive Program
- Kentucky Highway Safety Grant

Investment Fund/Private Equity/Angel Investor Financing

An investment fund is capital belonging to investors that is invested collectively, and each investor retains ownership and control of their shares. Capital investment may be used to finance commercial redevelopment projects, with profits generated from property sales or leases.

Private equity is comprised of funds and investors that invest in private companies or engage in buyouts of public companies. This type of financing may include leveraged buyout funds, growth equity funds, venture capital funds, certain real estate investment funds, and special debt funds for distressed properties.

Angel investors are monied individuals or groups who invest money or equity financing in start-up or early stage small businesses. They are investors who provide private equity for growing profitable small businesses who need an infusion of money to continue to grow or expand.

Debt Financing (Bank Loans, CDC Loans, etc.)

Taking on larger, more long-term revitalization efforts will require private sector companies to take on debt. When a company raises money for working capital or expenditures, debt financing is the policy that allows them to sell bonds, bills, or notes to individual and/or institutional investors. The individuals or institutions become creditors and are assured the principal will be repaid with interest on the debt.



CASE STUDIES/SUCCESS STORIES

Mayfield (Citywide)

In 2012, the City of Mayfield undertook a strategic planning process, seeking input from citizens. One of the priorities emerging from the public input was the need to clean up blighted parts of the city. In 2017, the Mayfield City Council voted in favor of making the Mayfield Shopping Plaza a TIF district which generated about \$1 million in renovations. This investment included a fresh coat of paint, a new parking lot, and new lighting for the plaza, bringing the plaza back to a thriving shopping center.

The TIF agreement is basically a 20-year tax break and Mayfield will not lose any tax revenue. Since the owner made the renovations, the plaza is worth more money. The city will only keep the taxes based upon what the property was worth before renovations. The owner will get the difference back for 20 years, or until he's recouped his investment. The tax break also directs added payroll tax revenue to an account set to reimburse the shopping center owner.

In addition to implementing the TIF, the City of Mayfield has also worked to:

- Eliminate 100 dilapidated homes
- Reorganize the condemnation board
- Reimplement the leaf and limb pickup program
- Paint the Town assistance to property owners
- Implement landscaping initiatives (better manicured, street signs, more landscaping)
- Hire staff for code enforcement
- Implement new software system for more community engagement

- Enact and enforce a Chronic Nuisance Ordinance

City of Elsmere

Many residents, staff and elected officials shared concerns about substandard properties within the city limits during public meetings held by city leaders in 2016. Those concerns reflected chronic maintenance problems in both residential and commercial properties. With support from the public, the city set forth a multifaceted approach to be accomplished incrementally over the next five to 10 years. Thus far, the city has:

- Established a Rental Inspection Ordinance and since its adoption the city has conducted 105 rental inspections and numerous other rental property owners have made voluntary improvements once the legislation was passed.
- Nuisance Code Enforcement: The city implemented a comprehensive code enforcement program and adopted an updated nuisance code. Since implementation 528 properties have been contacted by code enforcement for violations. Two properties were demolished by the city and others have been identified for future blight removal.
- They also issued 97 high grass citations in 2018, bringing the three-year total to 524. The city contracted enforcement services through the Planning and Development Services of Kenton County.
- Grass In Right-of-Way Sweep Out Legislation: The city

implemented legislation to combat sweep outs which occurs when people mow grass and sweep debris directly into the street. Sweep outs also create safety issues for bicyclist, motorcyclist and other pedestrians as well as creating drainage issues for stormwater management.

- Addressed Identification Legislation: The city implemented legislation to require each property in the city to have a visible address identification or house number. Without visible house numbers on the property it creates safety concerns for police and fire departments responding to emergencies as well as difficulty for code enforcement and postal service delivery.
- Citywide Cleanup Day: Elsmere launched an annual citywide cleanup event where volunteers pick up litter all across the city. Over 50 volunteers have participated each year.
- REACH Alert: Elsmere contracted with REACH Alert to improve communication with residents, enabling them to remain in ongoing communication about legislation and concerns raised by residents.
- The city broke ground in 2019, on a new senior housing development. This facility will replace an entire street of blighted property. This was a partnership with St. Henry Church and Wallick Communities and was in complete alignment with the strategic plan.



CASE STUDIES/SUCCESS STORIES

Photos: <http://www.cornerstone-crossing.com/>

<https://www.bizjournals.com/cincinnati/news/2019/10/17/9-million-residential-community-coming-to-nky.html>

<https://www.wallick.com/kentucky-housing-corporation-awards-wallick-1-43-million-in-housing-credits/>

Owensboro (Mechanicsville)

In 2009, the City of Owensboro had successfully completed two neighborhood redevelopment initiatives, and the staff began looking for the next established west side neighborhood to begin a new revitalization project. They soon chose Mechanicsville, an area which is primarily residential, but it also includes some areas of commercial and industrial property.

The neighborhood has survived over 100 years and while many things have changed, there are constants that linger. Mechanicsville is still a tightly knit, family-oriented neighborhood that enjoys a safe atmosphere. Like many older neighborhoods, it has seen the conversion from single-family homeownership properties to rental investment properties.

City leaders knew that when the unit percentage of homeownership drops below 45%, a neighborhood is at risk of losing the cohesive neighborhood feel. They also realized the key to rebuilding strong neighborhoods is increasing the percentage of single-family homeowners which encourages community pride and community investment. This made Mechanicsville a great choice for redevelopment.

The City of Owensboro was named the 2015 GRADD Community of the Year, for their Mechanicsville neighborhood redevelopment project. This revitalization effort (2010-present) coupled \$3.6 million in public funding with \$5.3 million in private investment to transform a distressed inner-city neighborhood.

More than 40 new homes were constructed, 53 homes were renovated, and the city completed major upgrades to Dugan Best Park, in addition to other public works improvements. As a result, the neighborhood has seen homeownership rates increase by 11 percent, the rate of unsound single-family housing drop by 30 percent, and property valuation raise by 17 percent.

Photos: <https://www.owensboro.org/assets/s/1601b7f7ea83fc030463acd2a2d085c6.pdf>



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