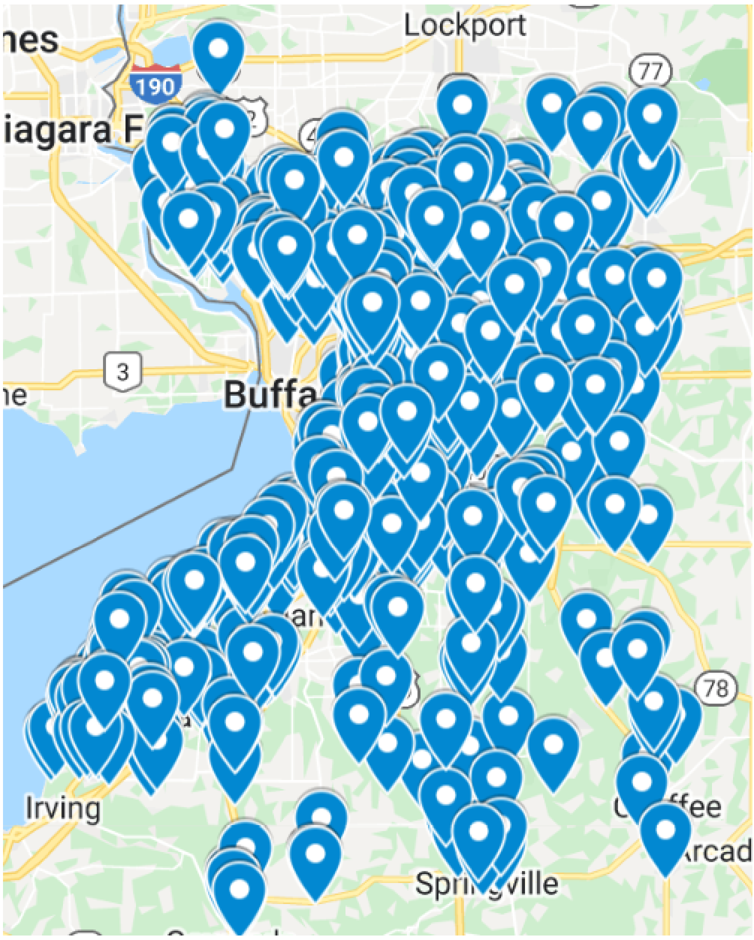
Erie County Clerk's ZOMBIE Initiative Tax Delinquency Report

May 12, 2022



The map above, provided by the Western New York Law Center, depicts 1-3 family houses in Erie County that owe $10,000 or more on their property taxes (according to data from the Erie County Real Property Department obtained in a FOIL request. This data is of April 2022.)

THE ERIE COUNTY CLERK ZOMBIE INITIATIVE

The ZOMBIE Initiative has been working to address Zombie properties, vacant properties with mortgages on them, in Erie County since Michael Kearns became County Clerk in 2017.

TAX ZOMBIES

The ZOMBIE Initiative began meeting with individual municipalities in the fall of 2021 to discuss how the Initiative could assist in addressing Zombie Properties. After several visits, a clear pattern emerged. While many municipalities faced issues around vacant homes with mortgages against them, often referred to as Zombie Properties, many more were facing issues with vacant tax delinquent properties without mortgages. These properties are ones that have been sitting vacant and tax delinquent for several years without any maintenance, other than what is provided by the municipalities out of necessity. We refer to these properties as "Tax Zombies." While Tax Zombies are a blight on communities, this report hopes to shed light on the issue and provide recommendations to both address current Tax Zombies and prevent future ones.

13,262

Properties in Erie County are delinquent on their County taxes by $500 or more.

$112 MILLION

How much is owed to the County by the 13,262 property owners that are at least $500 behind.

8,665

Or more than half of the more than 13,000 delinquent properties owing $500 or more, are 1-3 family residences.

Erie County Clerk's ZOMBIE Initiative Tax Delinquency Report

May 12, 2022

HOW ARE TAX ZOMBIES CREATED?

A tax Zombie is a vacant property that is significantly delinquent on its property taxes. Often times, they are properties left vacant when a homeowner passes away or a family leaves the property because it is no longer suitable to live in. While there may be some overlap between Zombie properties and Tax Zombies, primarily if there is no escrow account from the mortgage, the vast majority of Tax Zombies have no mortgage and tax foreclosure is the primary way to get them back on the tax rolls.

Erie County typically holds one property tax auction per year to sell off properties that fit the requirement under the Erie County Tax Act for foreclosure. However, Erie County does not foreclose on every property that is eligible for tax foreclosure. While this may sound like a benefit for homeowners who are delinquent on their taxes, the County will only negotiate a repayment plan with homeowners who are in foreclosure. Because of this, many homeowners continue to fall behind and accrue interest at a rapid rate, stripping their home of equity and reducing or eliminating any transfer of wealth from the property to the next generation.

WHAT IS THE LINK BETWEEN TAX DELINQUENCY AND TAX ZOMBIES?

While not all tax delinquent properties are vacant Tax Zombies, they all have the potential to become one. When a property owner in Erie County falls behind on their taxes, they begin to accrue interest on their back taxes. The Erie County Tax Act allows the County to charge 18% to property owners that are delinquent on their taxes; a rate that was established in the early 1980s when prime interest rates ranged between 10% and 20%. This high interest rate, combined with the practice described above of only foreclosing on a certain number of properties every year, leads homeowners to fall severely behind and lose much of the equity they've gained over the years. This can also drive disinvestment from a property because a property owner is often hesitant to invest in a property they may lose at any time to a tax foreclosure. If the property becomes too dilapidated to continue to occupy, this can lead to a Tax Zombie. If the homeowner passes away and the family is unaware of their rights regarding the property, this can lead to a Tax Zombie. There are many scenarios that can lead to a Tax Zombie. However, many of them are exacerbated or accelerated by the tax delinquency issue.

Zombie Property

Vacant Property → Bank Maintenance of property required by law → Foreclosure Completed

Tax Zombie

Foreclosure Completed ← No Maintenance required of County while foreclosure is delayed ← Vacant Property

Erie County Clerk's ZOMBIE Initiative Tax Delinquency Report

May 12, 2022

THE DATA

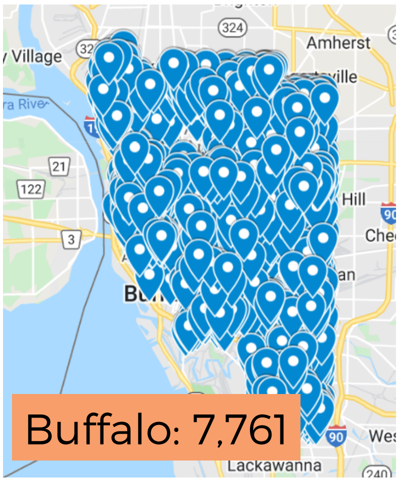
The data in this report is about tax delinquency overall, though it's important to remember that the majority of these properties are occupied and it is imperative to find a solution to the delinquency to keep the homeowner from losing their property to a tax foreclosure. We are currently collecting information from municipalities on Tax Zombies.

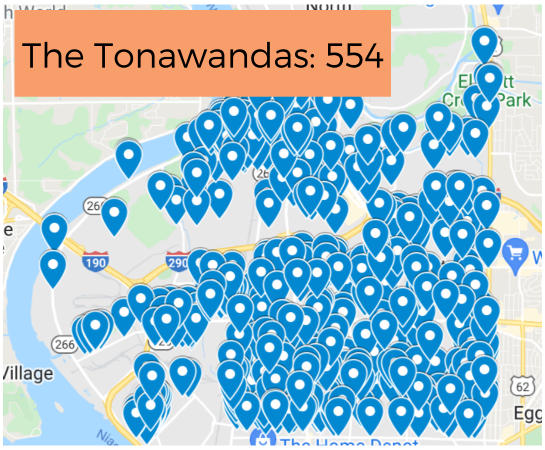
This data was provided by the County through a Freedom of Information Law request.

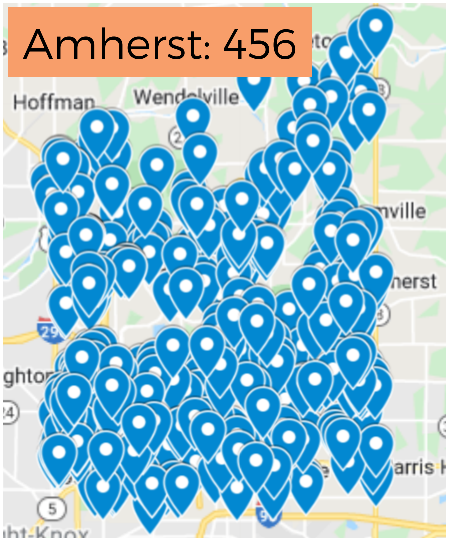
Delinquency data is ever-evolving as some property owners continue to fall behind and some catch up.

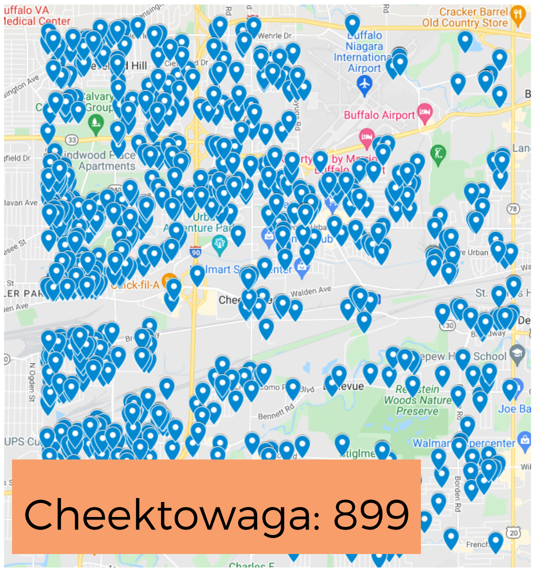
Because of this, the numbers we're discussing are specific to April 2022 and the data received from the County.

For our purposes, we chose $500 in delinquent taxes as the starting value of a significant delinquency, though there are many people who owe smaller amounts to the County,









The maps above, provided by the Western New York Law Center, show properties of any property type in Erie County that owe $500 or more on their property taxes by municipality (according to data from the Erie County Real Property Department obtained in a FOIL request. This data is as of April 2022.)

MUNICIPALITIESWITH THE HIGHEST NUMBER OF TAX DELINQUENT PROPERTIES THAT OWE $500 OR MORE TO ERIE COUNTY

- Buffalo: 7,761
- Cheektowaga: 899
- Evans: 732
- The Tonawandas: 554
- Amherst: 456
- Hamburg: 472
- West Seneca: 344
- Lancaster: 281

Erie County Clerk's ZOMBIE Initiative Tax Delinquency Report

May 12, 2022

TAX DELINQUENCY IN 1-3 FAMILY HOMES

Many of the Tax Zombies that we have come across in our meetings are residential 1-3 family homes. This section discusses the 1-3 family homes that owe the County more than $500 in back taxes. Because the County does not negotiate payment plans with homeowners unless they are in foreclosure, many families are left accruing interest for years before they even realize how much they owe.

SINGLE FAMILY HOMES

Of the more than 13,000 delinquent properties owing more than $500 to the County, **5,368** of them are single family homes. These homes owe the County a total of more than **$38,000,000**. Of that, a whopping **$14,000,000** is in accrued interest. There are more than 20 single family homes that owe the County over $100,000 and more than 100 that owe $50,000 or more.

TWO FAMILY HOMES

Of the more than 13,000 delinquent properties owing more than $500 to the County, **3,086** of them are two family homes. These homes owe the County a total of more than **$19,000,000**. Of that, more than **a third** is in accrued interest. There are nearly 80 two family homes that owe the County more than $20,000.

THREE FAMILY HOMES

Of the more than 13,000 delinquent properties owing more than $500 to the County, **211** of them are three family homes. These homes owe the County a total of more than **$900,000**. Of that, more than **half** is in accrued interest. There are more than 15 properties that owe more than $10,000.

THE HIGHEST AMOUNT OWED ON A SINGLE FAMILY HOME

Over $500,000, located in Angola

THE HIGHEST AMOUNT OWED ON A TWO FAMILY HOME

Over $124,000, located in West Seneca

THE HIGHEST AMOUNT OWED ON A THREE FAMILY HOME

Over $138,000, located in Tonawanda

Erie County Clerk's ZOMBIE Initiative Tax Delinquency Report

May 12, 2022

RECOMENDATIONS

Our recommendations are split into two categories. Addressing current Tax Zombies; and preventing future Tax Zombies.

Addressing Current Tax Zombies:

- Replicate the expeditated tax foreclosure process for vacant properties in the State Tax Act for the Erie County Tax Act, allowing for a tax foreclosure on a vacant property after one year of delinquent taxes instead of two.
- Hold a special auction for vacant tax delinquent properties. Allow municipalities to submit lists of properties they've verified as vacant to be put in this auction.
- **Utilize Federal Relief Plan funds to pay to address vacant tax foreclosure eligible properties.

Preventing Future Tax Zombies:

- Lower the interest rate on delinquent property taxes.
- Expand payment plans to homeowners who are delinquent on property taxes and expand outreach and education about foreclosure prevention
- **Utilize Federal Relief Plan funds to create a local fund to assist homeowners with COVID hardships with their delinquent property taxes to preserve homeownership.

Attached to this report is a memo from the Center for Community Progress on utilizing federal funds to address vacant & abandoned properties

ERIE COUNTY CLERK'S
ZOMBIES
INITIATIVE
HON. MICHAEL P. KEARNS

Fw: BREAKING: Treasury Confirms Communities Can Use ARPA Funds to Address Vacancy

Kate Lockhart <klockhart@wnylc.net>
Tue 5/10/2022 11:47 AM
To: Kate Lockhart <klockhart@wnylc.net>

Center for Community Progress

News and Updates

Community Progress Hails the American Rescue Plan Act Final Rule Issued by Treasury Recognizing That Addressing Vacancy and Abandonment Makes Communities Stronger, Healthier, and More Equitable

The Final Rule provides important clarifications and expanded definitions that will enable local leaders to confidently fund ARPA recovery programs that include rehabilitation, demolition, deconstruction, greening, and maintenance.

FOR IMMEDIATE RELEASE – WASHINGTON, D.C. – January 7, 2022 – The **Center for Community Progress (Community Progress)**, America's leading resource on issues of vacant, abandoned, and deteriorated properties, applauds the **U.S. Treasury Department**'s **Final Rule** on the **American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Fund (SLFRF)**. In response to nearly a thousand public comments, yesterday's Final Rule adopts and amends Treasury's May 2021 Interim Final Rule to clarify that ARPA funds may be used by communities to address vacant, abandoned, and deteriorated properties in multiple ways. This $350 billion ARPA recovery package passed in March 2021 provides state, Tribal, territorial, county, and municipal governments flexible resources to respond to the pandemic and rebuild impacted communities.

"We thank the Treasury Department's Office of Recovery Programs for listening to, considering, and adopting the recommendations submitted by Community Progress and our engaged local government and land bank stakeholders," said **Dr. Akilah Watkins**, President and CEO of Community Progress. "As we set forth in our July 9, 2021 public comment letter, 'the rehabilitation of blighted structures, demolition of unsafe, vacant, and abandoned properties, and greening and maintenance of vacant lots addresses not only negative economic consequences of the COVID-19 health crisis, but also addresses public health, promotes public safety, mitigates community violence, supports healthy living environments, and strengthens neighborhoods conducive to mental and physical wellness.' We are encouraged that the Final Rule recognizes these and other strategies to address vacant and abandoned properties and keep vulnerable homeowners stably housed are critical tools to making struggling communities stronger, healthier, and more equitable."

Vacant or Abandoned Properties

The Final Rule explicitly authorizes services to address vacant or abandoned properties as eligible ARPA SLFRF expenditures in areas disproportionately impacted by the COVID-19 health and economic crisis, stating, "Treasury agrees with commenters that high rates of vacant or abandoned properties in a neighborhood may exacerbate public health disparities . . . As such, certain services for vacant or abandoned properties are eligible to address the public health and negative economic impacts of the pandemic on disproportionately impacted households or communities."

Eligible activities include costs related to rehabilitation, renovation, and securing of vacant or abandoned properties; remediation of environmental hazards; demolition or deconstruction of vacant or abandoned buildings; greening of vacant lots; conversion of properties to affordable housing, and more. For a full list of eligible activities, see the Final Rule here.

The Final Rule goes into detailed analysis of the positive health and economic benefits of greening vacant spaces and demolishing or deconstructing unsafe structures, and stipulates that the above activities should be used in ways that benefit existing residents and businesses.

"The Final Rule says 'we've heard your concerns, we're listening to the research, and we agree that addressing vacant and abandoned properties is critical to the long term health and economic stability of residents, small businesses, and communities as a whole,'" said **Payton Heins**, Community Progress' Director of Michigan Initiatives, who has worked extensively with state and local leaders in Michigan as they have deliberated about how to allocate their ARPA SLFRF allocations to improve their communities. "Treasury has given state and local government leaders, as well as land banks and local nonprofits serving as eligible subrecipients, the reassurance they need to use this once-in-a-lifetime resource to invest in the tools we know work and will have a lasting positive impact on our communities."

Municipal, county, and state leaders that have been awaiting the announcement of a Final Rule should now be able to confidently proceed with plans to address vacant and abandoned residential, commercial, and industrial properties in disproportionately impacted communities. Community Progress urges stakeholders and local leaders to review the Final Rule in detail to better understand the compliance requirements for these activities.

Other initial highlights from the Final Rule relevant to Community Progress' stakeholders include:

Property Tax Assistance to Avoid Tax Foreclosure

Community Progress is also encouraged by the Final Rule's clarification that financial assistance to households impacted by the COVID-19 crisis may include not only rent, mortgage, or utility payments, but also payments for homeowners to cover delinquent property taxes. Given the relationship between property tax foreclosure, displacement, and vacancy, ARPA SLFRF recipients that deploy funds to provide delinquent property tax relief payments will further strengthen their communities, protect vulnerable homeowners struggling to pay bills, and provide their local governments with much-needed property tax revenue.

Expanded Definitions of "Impacted" and "Disproportionately Impacted"

Treasury's Final Rule details the circumstances under which a recipient government may designate certain geographies or households as "impacted" or "disproportionately impacted" by the health or negative economic consequences of the pandemic. Certain activities in the Interim Final Rule, such as the development of affordable housing, were categorized as presumptively eligible in low-income Qualified Census Tracts and Tribal governments. The Final Rule adds territorial governments to this list of areas and emphasizes that recipients may also designate other areas or households beyond these geographies as "disproportionately impacted" classes. Community Progress urges stakeholders to review the standards set forth by Treasury for designating additional "impacted" and "disproportionately impacted" classes in detail to determine how ARPA SLFRF funds can best serve these areas and populations.

The Final Rule contains numerous other clarifications, enumerated eligible uses, and expanded definitions, which Community Progress will endeavor to break down in a forthcoming blog post located in our ARPA Resource Center.

For interviews or more information on Community Progress, email melkin@communityprogress.org or call (877) 542-4842, ext. 153.

###

About the Center for Community Progress

Founded in 2010, the Center for Community Progress is the national leader for building strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods. Today, Community Progress has affected change in more than 48 states and seven countries through leadership education and collaborative systems, policy, and practice reforms. Simply, we work to transform "Vacant Spaces into Vibrant Places." For more information, visit communityprogress.org.

Center for Community Progress
111 E. Court St. Suite 2C-1 | Flint, Michigan 48502
(877) 542-4842