

Hub Councilor Banks On Blight Ordinance

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Reporter

Proposed Law Would Require Financial Institutions To Maintain Properties Upon Which They Foreclose

With foreclosure activity mounting in some sections of Boston, property neglect and deterioration have become a growing concern. One city official, however, thinks he has a way to prevent foreclosed homes from becoming neighborhood eyesores.

City Councilor Rob Consalvo wants to create an ordinance that would require banks and other financial institutions that foreclose on residential properties to maintain them. Consalvo, who recently requested a hearing on the issue, said he's getting more than one call a week from residents complaining about abandoned foreclosed properties.

"[Complaints] increase as the foreclosure problems increase," said Consalvo.

Complaints include properties with un-shoveled sidewalks, overgrown grass and hedges, or mounds of trash. Some homes are not adequately secured and officials worry they will become targets for vandalism and other types of criminal activity.

When complaints are made, the city sends out inspectors, at taxpayers' expense, to rectify issues. Under normal circumstances, the city issues what's called a green ticket and fines the property owner for health code violations.

But with foreclosed properties, it's frequently difficult to determine who to contact about violations, particularly if the foreclosure is being handled by an out-of-state national lender or mortgage servicing company, according to city officials.

"In many of these cases, we don't know who the property owner is," said Consalvo. "You have to have a detective to find out who owns the property."

Local banks and lenders are easier to work with, explained Consalvo, because they're more willing to address community concerns. "We talk with them regularly," he said.

"The issue is the bigger national banks and mortgage companies who foreclose on properties and then become the property owner. They essentially have these properties in their portfolios and they're looking to sell them, but in the meantime they sit abandoned in residential neighborhoods," he said.

Consalvo's ordinance idea is not entirely new. Cities across the country – particularly in California, which has faced a sharp increase in foreclosures – are passing what are often referred to as blight ordinances.

In Chula Vista, Calif., local officials passed a law that requires financial institutions to register their properties and pay a \$70 fee. Lenders also must hire a property maintenance company. If the lender fails to register the property, the city can issue fines of up to \$1,000 a day. The fines are attached to the property as a tax lien that is returned to the city when the property is sold.

The law has been in effect since early October, and Chula Vista is in the process of collecting over \$18,000 in fees, according to Consalvo.

Consalvo told Banker & Tradesman he would like to require any institution that forecloses on a property to notify the city as part of the closing and provide a contact that the city could call to address any code violations. The foreclosing institution would be required to pay a \$100 fee and hire some type of property manager.

'A Good Neighbor'

Some Boston community groups think lenders should be responsible for the everyday maintenance of properties they own.

"If the whole notion of foreclosing is to protect their asset, it seems like letting a building run down is contradictory to the notion," said Mossik Hacobian, executive director of Urban Edge, a Jamaica Plain-based community development corporation.

Hacobian said in most cases, the institution foreclosing on the home wants to evict whoever is living there so no one is on-site to take care of routine issues, such as trimming hedges.

"I think having something that has some teeth behind it would certainly add to the tools that the city has [in protecting against neighborhood blight]," he said.

Evelyn Friedman, executive director of Roxbury-based Nuestra Comunidad Development Corp., said community groups worked hard in the 1990s to revitalize and improve neighborhoods where abandoned properties were plentiful.

"Little by little, we had gotten rid of most abandoned properties in the city. That's one of the things that makes this so scary. I don't want to go back to that. In the last five or eight years, we really haven't had a big problem with abandoned properties. Now we're slowly beginning to see that again," Friedman said.

Community activists have been closely monitoring and battling problems emerging from foreclosures. Homeowners in Boston's Dorchester, Mattapan and Roxbury neighborhoods have been most affected.

Dorchester has had the third-highest level of foreclosure activity in the state this year, according to data from The Warren Group, Banker & Tradesman's parent company.

Lenders filed 907 petitions to foreclose in Dorchester during the first three quarters. That's almost double the number posted in the same period last year. The foreclosure petitions are the first step in the foreclosure process, which can take months.

In Mattapan, 206 petitions were filed from January through September, while 193 petitions were posted in Roxbury during the same months. Roxbury's foreclosures have doubled last year's.

Joseph Kriesberg, president of the Massachusetts Association of Community Development Corporations, said lenders should be searching for "ways to dispose of the properties in a responsible way."

"We would hope that the lenders would be willing to work with cities and nonprofit groups to get these properties in responsible ownership," he said.

But while some community leaders are thrilled at the prospect of holding lenders accountable, there could be pushback from lending institutions.

Some say lenders' response to the ordinance will largely depend on how much it costs them. "The concerns are economic," said Doug Rosner, a director with Goulston & Storrs.

The additional costs associated with the ordinance could push lenders to dispose of the property more quickly and possibly accept a lower price at a foreclosure auction.

"Depending on how prohibitive the ordinance is, it will influence lenders' decisions on what price to take for the property at the foreclosure sale," said Rosner, who chairs the Boston Bar Association's Bankruptcy Law Section.

The Washington, D.C.-based Mortgage Bankers Association did not respond to a request for comment by press deadline.

Consalvo said the city will know the industry's response when the hearing takes place. "I would imagine that they would be supportive. I can't imagine that any bank or lender isn't going to want to be a good neighbor," he noted.