

An Ounce of Prevention:

How Cities and Towns Can Keep **Landlords** from Becoming **Slumlords**

pre-publication draft

OVERVIEW

The roof leaks: "Hmm, I thought I fixed that." ...The toilet leaks: "Put a towel around it."
...The front steps are broken: "Use the back door."

Problem landlords. Problem buildings. Problem neighborhoods. Buildings with one broken window will soon have several, according to the broken window theory. It doesn't take many run-down buildings to take down a neighborhood. Run-down buildings breed vandalism, crime and arson. Run-down properties lead to abandoned properties and vacant lots, run-down neighborhoods, and soon, to economically depressed cities and towns.

Local governments have multiple tools for dealing with vacant and abandoned properties. But considering that problem properties depress tax revenues, strain public services, and demand constant and expensive attention from local government agencies, wouldn't it be cheaper and more effective to prevent them in the first place?

The keys to preventing blight properties are education, collaboration and swift and certain enforcement.

This **CPEC Policy Brief** compiles tools and resources for cities, towns, and community groups to prevent problem properties. For links, 2005 legislative initiatives and additional information, see www.cpec.org.

PSYCHOLOGY OF A SLUMLORD

Good landlords try to maximize their return on investment with financial and tax planning. They purchase each property carefully, manage their properties while they own them, and market them professionally when they decide to sell. Slumlords don't.

Many slumlords look to buy junk property on the cheap, with little or no down payment. They try to put as little money possible into a property and take the most they can out of it, for as long as they can. A slumlord doesn't usually care about tax benefits, because he tries to collect as much of the rent in cash as he can, which he forgets to report to tax authorities as income. Slumlords don't care about appreciation because they'll abandon the property when it has been finally milked dry. Slumlords keep lowering the rent until some poor soul takes it as is, and the downward spiral continues until the cash dries up.

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Another kind of slumlord has good intentions, but becomes one anyway – usually because he got in over his head. This kind of slumlord didn't do his homework before buying a rental property, and faced far more rehabilitation or renovation costs, as with asbestos or lead, than he anticipated before he can even rent the property. He usually doesn't realize that owning rental property is a time-consuming small business that requires vigilant tenant screening and on-site management. Or, this kind of slumlord might genuinely lack sufficient cash flow to repair and maintain his property because he was a victim of bad tenants who trashed his property, or a victim of reduced demand for rentals.

TOOLS AND RESOURCES FOR CITIES AND TOWNS

Local governments have a variety of state laws, municipal powers, and government and nonprofit programs at their disposal for combating problem properties. Key tools and resources include:

■ **Anti-Blight Ordinances**

State law allows local governments to adopt property maintenance ordinances to combat blight. But the content of anti-blight ordinances, exemptions to them, consequences for violations and enforcement levels vary significantly by municipality.

■ **Nuisance Abatement Program**

Connecticut's Nuisance Abatement program combines innovative problem solving with traditional policing and criminal prosecution to address the quality of life issues. The program is handled by the Nuisance Abatement Unit in the Office of the Chief State's Attorney. The Nuisance Abatement Unit attacks chronic nuisances created by commercial or residential properties, and works with landlords who are willing to clean up their properties. Some cities and towns take advantage of the Nuisance Abatement program more than others.

■ **Connecticut Housing Courts**

Sometimes you have to let people talk to the judge. Connecticut's Housing Courts, which are well trained in a variety of housing related law, help cities and towns that have landlord/tenant problems get housing and nuisance laws and ordinances enforced. Recently, the Housing Court sentenced a Waterbury landlord to prison for repeatedly failing to correct fire safety code violations at properties he owned in Waterbury.



■ **Rent Receivers**

Municipalities may appoint people to deal with landlords who have problem properties. When a landlord does not comply with a municipal order to remove a nuisance or keep his property habitable, the authority may ask for a court-appointed receiver to collect rents, resolve the nuisance, and evict tenants.

■ **Eminent Domain**

Local governments can use their power of eminent domain to acquire key properties which are part of targeted homeownership initiatives. Eminent domain could be used where the properties cannot be acquired by other means (such as private purchase at a reasonable price, foreclosure of a tax lien, summary tax foreclosure) and where the owner is unwilling or unable to redevelop the site.

■ **Neighborhood Revitalization Zones**

Connecticut municipalities may create Neighborhood Revitalization Zones where a significant number of properties are foreclosed, abandoned, blighted, substandard, or pose a public safety hazard. NRZs require a collaborative process among community stakeholders and all levels of government. Community stakeholders create and implement neighborhood revitalization plans, which include specific projects to be developed with local or State aid. The Office of Policy and Management and the Connecticut Economic Development Fund offer technical assistance to NRZs through mini-grants.

■ **Land Banks**

Land banks are public authorities created to acquire, hold, manage, and develop tax-foreclosed property. Through land banks, a community can ensure that tax-foreclosed property is sold or developed with the long-term interest of the community and surrounding property owners in mind.

■ **Property Ownership Records**

Local governments and community groups often report having a hard time identifying and finding the owners of neglected properties. But some municipalities, like Hartford, Bridgeport, Stamford, Meriden and Waterbury, have their own property assessment data online, searchable by street, owner or parcel. In 51 other towns, an outside firm provides real estate appraisal services. The company's searchable databases include owner names and addresses.

Reverse lookup tools, for finding someone associated with a street address, are also available online. Additionally, the Secretary of the State's CONCORD system may be useful in finding contact information for a business's principals and statutory agents, whose role is to receive legal notices for the business. Business forms may also be reviewed at the SOTS office.

■ **Resources in State Government**

In addition to the State Building Inspector and the State Fire Marshal, which set and enforce the state building code and state fire code, state agencies provide resources to local governments for fighting blight and problem properties.

Community Development and Housing

The Connecticut Department of Economic and Community Development works with municipal leaders, public agencies, community groups and others on community development projects ranging from small-scale housing construction to repairing community facilities to creating museums, parks, theaters and cultural centers. DECD offers grants and loans for things like removing lead paint and asbestos. DECD also develops programs that expand affordable housing opportunities and build a strong tax base, encourage safe streets, and empower neighborhoods and communities to flourish.

Rehabilitation Financing and Technical Assistance

Rehabilitating problem properties can discourage future slumlords. The Connecticut Housing Finance Authority administers the Urban Rehabilitation Homeownership Program, which provides low- interest-rate mortgages, down-payment assistance and rehabilitation loans.



The Connecticut Housing Investment Fund, Inc. (CHIF) finances affordable housing and neighborhood revitalization projects throughout Connecticut. CHIF offers low interest loans to nonprofit organizations for predevelopment and planning activities.

Security Deposit Investigations

The Connecticut Department of Banking investigates problem landlords who unjustly withhold tenant's rental security deposits. In 2004, the Banking Department resolved 256 landlord tenant disputes in the fiscal year and recovered \$95,307 for tenants.

Eviction Prevention Program

The Department of Social Services Eviction Prevention Program uses landlord-tenant conflict resolution services to help prevent evictions and its subsequent homelessness, lost rental income, and repair costs. Trained community-based mediators use assessment, mediation and, when necessary, rent bank resources, including grants, to keep families in their homes.

■ **Community Development Corporations**

Community development corporations rebuild their communities through housing, commercial, job development and other activities. Generally, they are nonprofit organizations that are responsible to residents of the area they serve. A CDC's mission normally focuses on serving the needs of local, low- or moderate-income households.

■ **Nonprofit Legal Services**

Statewide Legal Services of Connecticut

Statewide Legal Services of Connecticut helps low-income people with landlord-tenant matters. SLS runs a telephone referral service where people can get information about their legal rights, consult with an advocate or attorney, and get do-it-yourself legal advice and referrals to other organizations' services.

The Legal Assistance Resource Center of Connecticut

LARCC, the Legal Assistance Resource Center of Connecticut, provides guidance for navigating the housing code enforcement system. LARCC publishes pamphlets on tenants' rights, energy and utility problems with landlords, court appointed rent receivers, and filing a complaint with the Fair Rent Commission.

WHAT SOME CONNECTICUT TOWNS ARE DOING ABOUT PROBLEM PROPERTIES

■ **New London NIP-IT Code Enforcement Team**

New London uses a team of four specialists, from the Police, Fire, Health and Building Departments, to collaborate from an office at the Police Department's Truman Street Substation. This NIP-IT team systematically addresses quality of life issues by jointly examining

all properties street by street. That means the impact can be felt by the whole neighborhood. The team aims to get compliance with all applicable codes, ordinances and laws. This is usually achieved voluntarily by educating homeowners, landlords and tenants, but abatement and criminal charges may result when other options fail.

■ **Waterbury – Citation to Court in One Week**

Using a proactive approach to resolving blight instead of just responding to complaints, Waterbury issues notices of code violations to first time violators, and on-the-spot summonses to repeat code offenders. Waterbury can have a violator in court a week after issuing a citation.

■ **Meriden Certificates of Compliance**

Besides inspecting rental units for compliance with the housing code, keeping a tracking and referral system for suspected code violations, and keeping records for the city's Neighborhood Rehabilitation Advisory Board, Meriden's Housing Division inspects rental units and issues Certificates of Compliance for them. Meriden requires a Certificate of Compliance for any dwelling or unit more than 10 years old before it is rented to ensure that the unit complies with the housing code.

■ **Stamford Anti-Blight Officer**

Stamford's Anti-Blight Officer works closely with the city's Health, Zoning, Building, Police and Fire Departments. When any of those departments encounter a blighted property, they notify the city's Anti-Blight Officer. Stamford's Anti Blight Program also has an online system for reporting problems.

■ **Norwalk "Call SoNo Home – Again"**

"Call SoNo Home...Again" is a collaborative venture among the city of Norwalk, Weed & Seed, Citizens Bank, and Fannie Mae to improve a targeted neighborhood in South Norwalk. Because of community meetings, street lighting, traffic improvement, and greater community police presence are all underway. Also, in an effort to provide home improvement assistance, funding, and technical assistance sources, a tenant/landlord education component has been designed to meet the requests of the neighborhood.

BEST PRACTICES FOR ROOTING OUT SLUMLORDS AND TURNING AROUND BLIGHT

Education, collaboration, and strong enforcement are the common denominators of successful anti-blight programs. Here's a glimpse of how other cities and towns across the country are winning the battle against blight.

■ **Landlord Training**

Successful anti-blight groups have learned that few landlords are fully aware of their legal rights and responsibilities, and that landlord training can go a long way toward reducing blighted and abandoned properties. A few examples of top-notch education programs follow.

Fee for Service Training in New York City

Neighborhood Housing Services of New York City developed a program for first-time homeowners who would also be first-time landlords. Through Chemical Bank and Chase Manhattan Bank, NHS gives monthly seminars for which the banks pay anywhere from \$75 per family to \$500 per seminar.

Training Required in New Jersey's Cool Cities Initiative

Fannie Mae's *Cool Cities*[™] urban revitalization initiative in New Jersey requires landlord counseling for buyers of properties with two-units or more. *Cool Cities* helps low and moderate income New Jersey residents become homeowners.

Police Collaborate on Training in Syracuse

Home Headquarters in Syracuse, New York, runs a free landlord training program for owners and managers of residential rental properties in Syracuse, New York. Syracuse's frequently cited model is based on the National Landlord Training Program created by John Campbell of Campbell Delong Resources Inc. of Portland, Oregon (www.cdri.com).

HHQ, the Syracuse Police Department, the Division of Code Enforcement and the Lead-Based Paint Abatement Program teach the program, which is sponsored by Weed & Seed and HUD.

Area banks have started to require landlord training for first-time homebuyers of two-family homes before closing on their mortgage.

Landlord Rehabilitation Classes in Kansas City

Kansas City started a *Bad Apple Program*, where slumlords are treated as troubled individuals in need of rehabilitation. Instead of going to jail, habitual violators of the city's nuisance and maintenance property codes must attend a landlord school similar to a school for drunk drivers. In addition to courses in landlord-tenant law, slumlords sit in on victim impact panels where they face residents who relate the horror stories of slum life. Some violators are forced to clean up their own property and other eyesores across the city as well.

Effective efforts to tackle blight involve building, health, fire, and housing inspectors; police; and neighborhood groups.

CHFA Spearheading Landlord Training

Encouragingly, the Connecticut Housing Finance Authority is reviewing proposals for counseling agencies to provide several types of services for landlord education and counseling for buyers of two- to four-family homes. CHFA expects to announce awards in June 2005.

■ **Neighborhood DA**

A Portland, Oregon neighborhood plagued with crime and problem properties used a Neighborhood District Attorney, equipped with a cell phone and a truck as his mobile office, to provide citizens and police with easy access to the district attorney's office. The NDA quickly established himself as a resource for activists and police. Portland's NDA did everything from



developing a citizen-driven search warrant, to enabling property owners to make it easier for police to arrest trespassers, to using civil eviction, to drafting city ordinances to close down nuisance properties, to accompanying police on "knock and talk" sessions.

■ **Project SCOPE: Selling City-Owned Properties Efficiently**

Baltimore's Project SCOPE (Selling City Owned Properties Efficiently) is a promising model for getting properties back on the tax rolls and revitalizing neighborhoods. Through Project SCOPE, Baltimore sells vacant properties through real estate agents who earn commission on sales. Unlike similar city projects, SCOPE does not subsidize buyers. The Community Law Center thoroughly vets prospective buyers to see whether they have previous housing code violations or have engaged in illegal flipping—buying a house relatively cheaply and selling quickly at an inflated price with few repairs.

The program has strict rules about rehabilitations. A SCOPE property must be repaired and inhabited within 18 months or it will revert to the city. In some neighborhoods, buyers must live in the homes or sell to someone who will. In other areas buyers can rent the houses out after rehabbing them.

■ **Phoenix Dirty Dozen and Slum Offensive**

Phoenix was once a haven for out-of-state investors in the business of buying rundown properties and neglecting them. Phoenix's Slumlord Task Force and Arizona's Slumlord Abatement Law changed that. Formed in 1998, Phoenix's Slumlord Task Force consists of city, county and federal agencies all working together in a proactive, preventive approach to dealing with slums. Using such objective measures as the number of police calls, and city and county code violations on the properties, the task force developed a "Dirty Dozen" slum list for Phoenix.

The task force wrote Arizona's tough Slumlord Abatement Law, which requires registration of all rental property with county assessors, making it easier to find absentee landlords. The law gave cities and counties new power against owners of property used for criminal activity and closed commonly used loopholes.

■ **Landlord Registration**

Thanks to a push from Chicago's Lawyers Committee for Better Housing, Chicago has a property ownership registration provision in its Residential Landlord and Tenant Ordinance, making it easier to find owners of problem properties.

■ **Neighborhood Early Warning Systems**

Neighborhood early warning systems (NEWS) are web-based systems that pinpoint deterioration in housing. Several cities, such as Minneapolis, Chicago and Los Angeles, have created NEWS to alert policy-makers and community advocates to buildings at risk and to craft strategies to revive failing neighborhoods. Early warning systems track key variables, such as tax delinquency, code violations, crime indicators, perhaps an absentee landlord and the absence of an onsite property manager, and certainly property abandonment are red flags that a neighborhood is on the verge of decline. [Neighborhood Early Warning Systems](#).

■ **Faith-Based Alliances**

The Annie E. Casey Foundation lists Bethel-Ensley Action Task, Inc.'s work in one of the poorest neighborhoods in Birmingham, Alabama as a best practice in church-community collaboration. Despite major obstacles, through BEAT, the Bethel AME church developed affordable housing, encouraged community and economic development, and strengthened the capacity of residents to determine the future of the community. Once 90% owned by outsiders, today 90% of the community's properties are owned by people who live there.

THINKING BIG: WHAT IF...?

Communities have many tools and multiple legal frameworks available to them for tackling slumlords, problem properties, and blight. Some cities and towns take advantage of those tools more than others. Even so, local governments still need the technology, staff, commitment to collaboration, and an unwavering resolve to handing out swift, certain and meaningful consequences to recalcitrant landlords. Essential tools for preventing slumlords include:



- Strict ordinances on nuisance abatement, registration, maintenance, and securing vacant properties;
- Meaningful penalties that are consistently imposed;
- Notices of violation that clearly spell out the legal consequences of noncompliance;
- Property ownership databases;
- A registry of problem properties; and
- Some form of early warning system.

But what if Connecticut's cities and towns didn't stop there? What if...

- *Blight-fighters across Connecticut held periodic roundtables where community groups, government officials, prosecutors, and lenders could share ideas and information?*
- *Blight inspectors could issue citations on the spot, just as parking tickets are issued?*
- *There were a single state registry for problem landlords?*
- *Problem tenants attended tenant training programs?*
- *Local governments cultivated relationships with landlords, and rewarded the good guys with awards, acknowledgements, and positive press?*
- *Connecticut had a single State Housing Code?*

Food for thought.

CPEC provides information and innovative decision-making processes to citizens, community and business leaders, civic organizations and local governments to set priorities and improve government performance. Visit www.cpec.org for more information on CPEC's projects and publications.

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