



HOMESTEAD PLAN

City of Buffalo

CITY OF BUFFALO

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INTRODUCTION

Since 1974, the Homestead Program has promoted the redevelopment and reuse of vacant city- and Buffalo Urban Renewal Agency-owned houses and lots. It was established as an Urban Renewal Plan so that properties could be sold for less than Fair Market Value (FMV). State law requires municipalities to obtain FMV when selling property; but under the Urban Renewal Statute they are permitted to sell for less than FMV if the property is located within a designated area defined as blighted, deteriorated, or deteriorating; or that has a blighting influence on surrounding areas.

The existing plan was last updated in 2005, and has three components:

- Homesteading a house to renovate and occupy;
- Homesteading a vacant lot to build and occupy a new house; or
- Homesteading a vacant lot to add a side yard to an adjacent property.

Homestead-eligible areas reflect boundaries from dated or expired planning efforts, such as Urban Renewal Plans. With the adoption of the city's new Unified Development

Ordinance, the development controls contained in many Urban Renewal Plans will no longer be required. As a result, all existing plans are being terminated, with the exception of the Community-Wide Homestead Urban Renewal Plan.

To remain effective, Homestead boundaries must be adjusted to align program benefits with changing market and neighborhood dynamics. In contrast to the 2005 plan's common boundaries for all three components, the revised plan will allow homesteading of vacant structures throughout the city; permit new construction in residential zones of the UDO; enable homeowners to acquire side-yards only within HUD-eligible block groups; and allow for waiver of the project notification fee on demolitions throughout the city. Measures will be put in place in each instance to honor the constitutional prohibition on the gift of public funds.

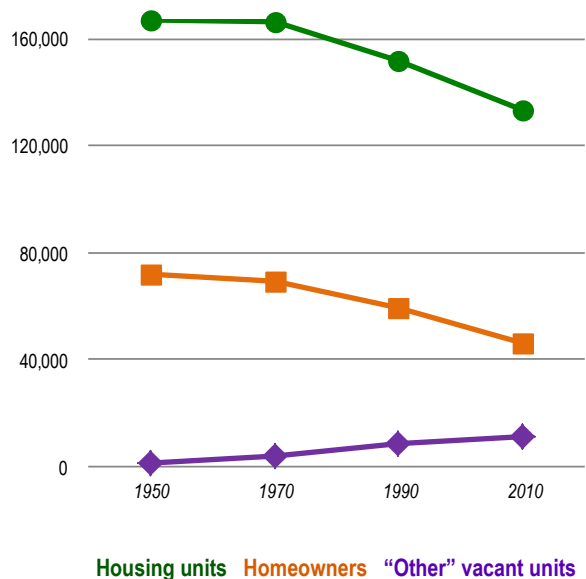
With the goal of putting more properties back into productive use, issues of abandonment, vacancy, blight, and affordability must be addressed. Experience has shown that homesteading can serve as a tool to foster the reuse of vacant and abandoned properties, and address issues of blight and affordability.

PURPOSE

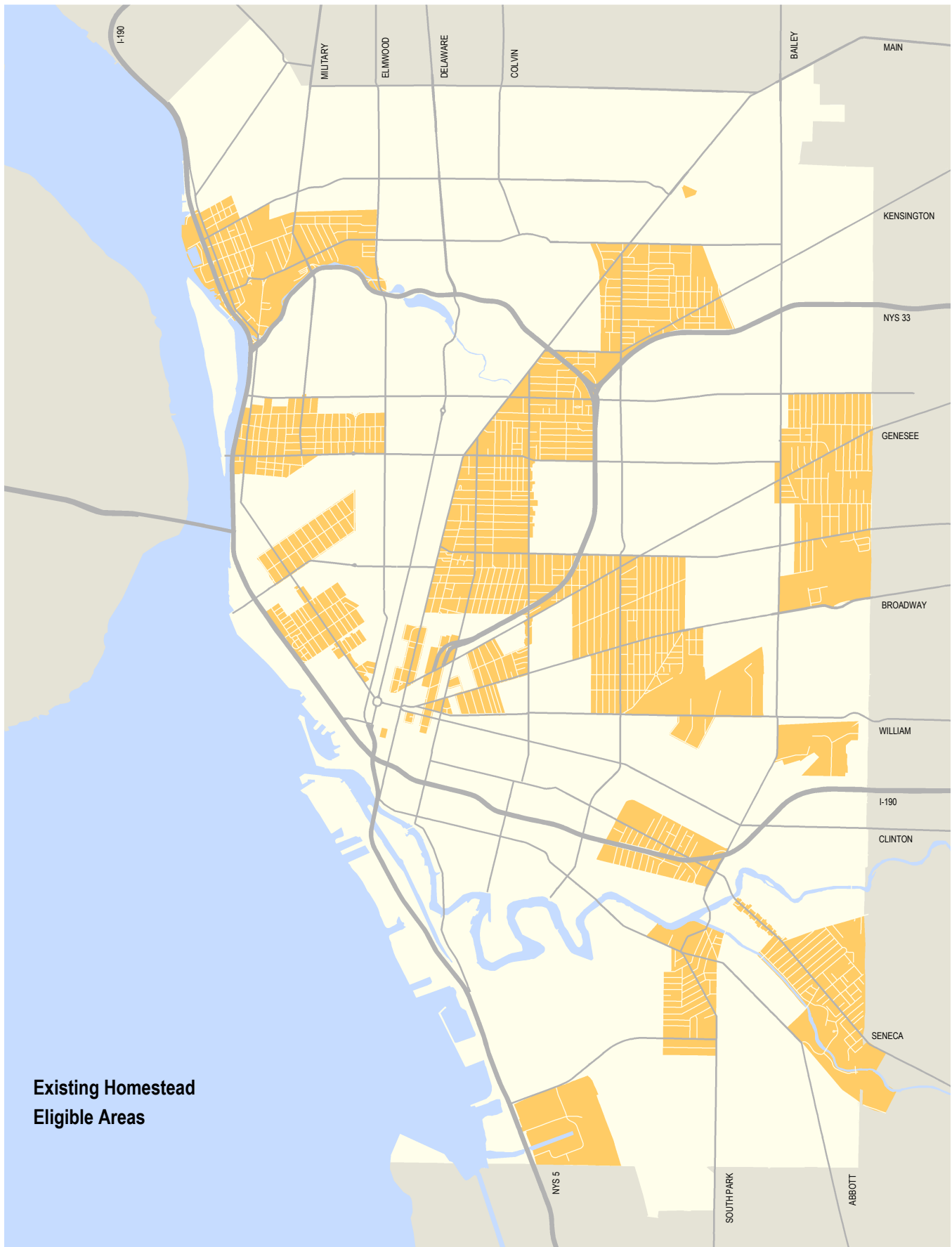
The City of Buffalo is actively working towards implementing vacant property maintenance and reuse strategies. There are 1,300 residential vacant lots in Buffalo, with over half in need of a maintenance and reuse strategy. The City owns 6,200 vacant lots, and another 1,400 are assumed to be abandoned due to nonpayment of taxes. In addition to these vacant lots, there are an estimated 20,500 vacant housing units, of which 5,000 are assumed to be abandoned structures. This translated to 11,196 units of abandoned housing.

The reuse of vacant and abandoned properties is challenging in a city with high concentrations of poverty. During the past fiscal year, the city spent over \$22 million in local, state, and federal resources addressing abandoned properties. Since 2006, Buffalo has spent close to \$100 million on demolition alone.

A comprehensive approach is essential to encourage the reuse of these properties and lower this cost burden. The city must be vigilant and focus on prevention. While the



city has over 100 community gardens, aggressive green infrastructure, and growing urban agriculture, there is a need to increase existing programs and implement new strategies.



Reduce Abandonment

Population and household losses between 1950 and 2010 reduced the demand for housing in the city and led to a decline of over 33,000 units. In addition to this significant loss of housing, the number of vacant units has risen significantly. According to the 2010 Census, Buffalo had just over 20,500 vacant housing units, which represents about 16 percent of its total stock. This included 9,300 units that were being marketed for sale or rent, or had occupancy pending; and 11,200 “other” vacant units that had essentially been taken off the market.

Since 1950, the number of “other” vacant housing units grew from 1,200 to 11,200. This housing is not evenly distributed across the city, but concentrated within certain neighborhoods. Unfortunately, using this data to determine the number of abandoned properties is difficult, since vacant units may be in structures where a homeowner lives but does not rent out the other units.

For example, although the Census reported 11,200 housing units that were no longer on the market in 2010, only 2,253 units (in 1,311 structures) went to auction for unpaid taxes that year. This indicates that many of these “other” vacant units are in structures still being maintained by their owners. In 2014, just 828 units (in 531 structures) were auctioned, with all but 30 of these units (in 18 structures) changing ownership after auction.

However, it is clear that properties which sit vacant for long periods are more likely to fall into disrepair and become abandoned. Blighted structures require a substantial investment to secure, maintain, or demolish. They affect

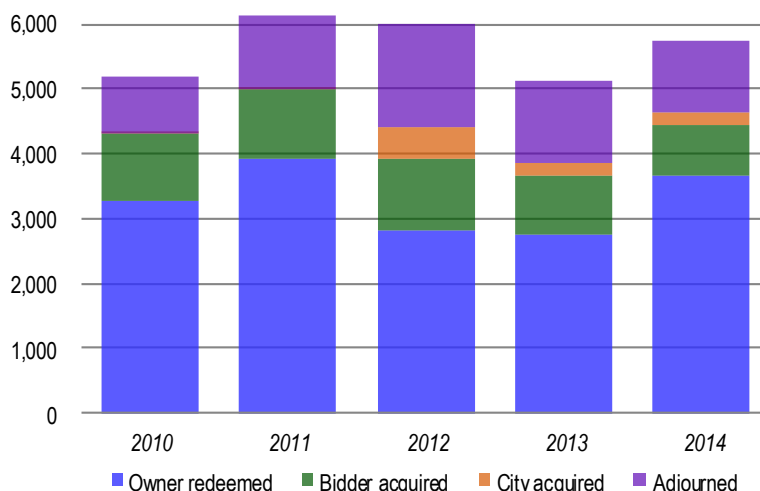
public safety when they become sites for drug activity, arson, and illegal dumping. They bring down property values when the lots become overgrown and attract vermin. They deter neighborhood investments, and can also prevent adjacent owners from obtaining property insurance. The city commits significant resources to address blight, but the most effective measure to prevent this issue is occupancy or new ownership.

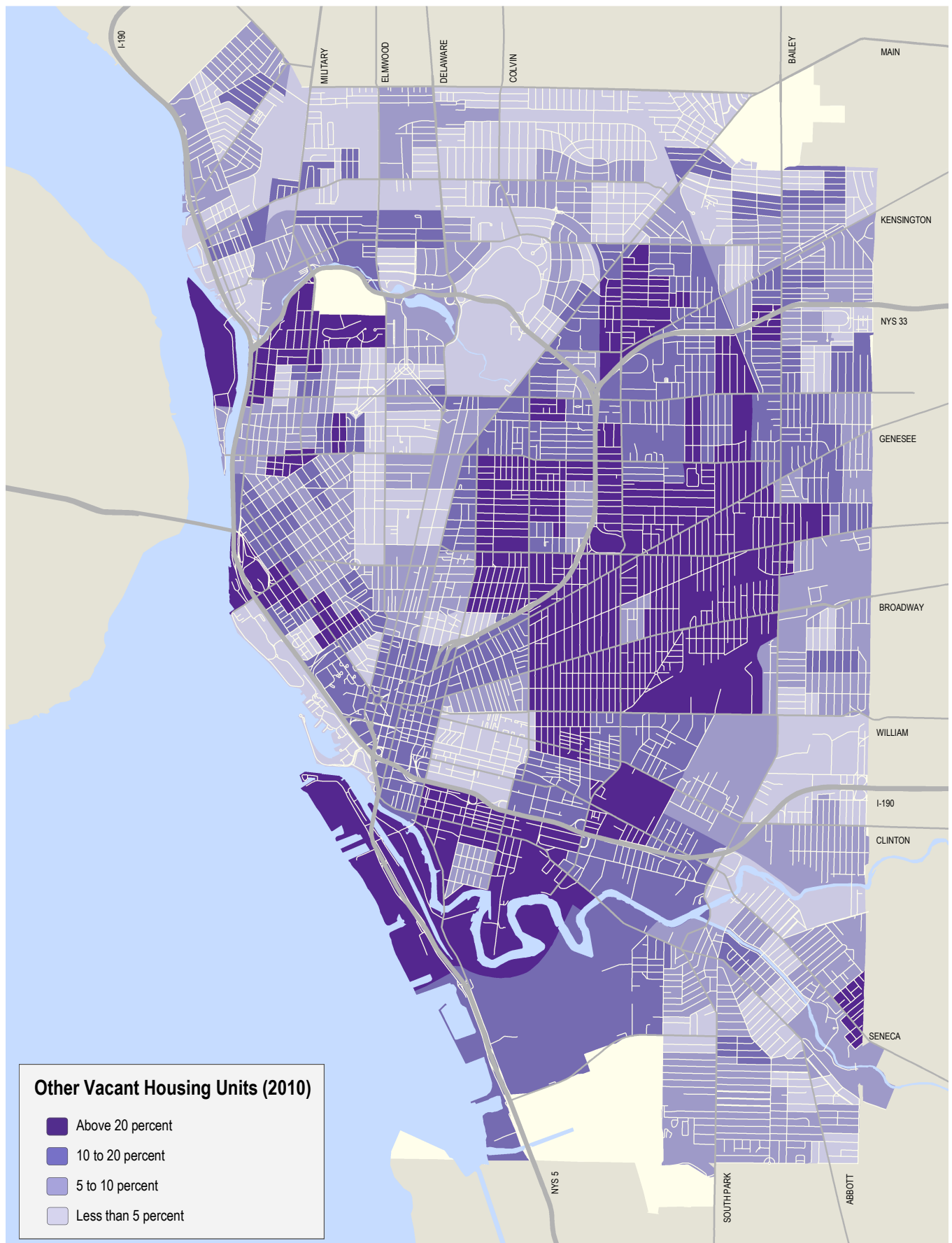
Many of these abandoned houses end up being demolished as a result of unaddressed building code violations and subsequent court orders. In the past, roughly 150 to 200 properties were added to the city’s demolition list each year. These are identified through Housing Court, 311 complaints, building inspections, and fire emergencies. While demolition is often necessary due to deteriorated conditions, costs averaging \$20,000 per residential structure, in addition to the maintenance of the resulting vacant lot, make this an expensive option to pursue.

There are currently 12,900 vacant residential parcels in Buffalo; with ownership having fallen to the city on over 6,000 of these. This number continues to rise, as private owners stopped paying property taxes and abandoned another 1,400 lots this year. Regardless of ownership, the maintenance burden for these properties primarily falls upon the city.

The city obtains most of its abandoned housing and vacant lots via tax foreclosure. From 2010 to 2015, an average of 6,000 properties faced foreclosure annually. About 62 percent were redeemed by the owner by either paying the back taxes or negotiating a payment plan. Another 5,000 properties were sold at auction to private bidders.

Because of the high costs of holding abandoned and vacant properties, the city is strategic with its acquisitions, taking just over 900 properties over the past six years. Properties that are not redeemed or acquired remain with their current owners, and will often end up repeating the foreclosure process in subsequent years as taxes continue to go unpaid. Due to concerns about growing property speculation, the city and BURA are investigating strategies to increase the number of properties acquired at auction.





Promote Affordability

Owners are likely to abandon housing when repair and maintenance expenses – which have often been deferred for many years – exceed a property's value. The reuse of these abandoned properties at FMV becomes a challenge when substantial renovation is required.

While Buffalo is considered an affordable housing market, with values below national and regional averages; it also has many residents with incomes that are too low to afford the average-priced city home. A common approach for determining affordability within a market is to calculate the percentage of housing that could be purchased by households earning the median income.

Using standard underwriting terms, a household with the citywide median income of \$32,400 in 2013 would be able to purchase a home costing up to \$54,000. However, the median value of Buffalo's single-family housing was \$68,500, indicating that the average household could afford less than half of this housing.

Decrease Inventory

Each structure acquired by the city or BURA through foreclosure was been abandoned by its previous owner. Since the city and BURA are unable to fully inspect properties prior to securing ownership, acquisitions are initially inspected to determine if they should be listed for sale or recommended for demolition.

In cases where the property is deemed structurally unsound or where renovation costs will greatly exceed resale value, it is placed on the demolition list. If the property is salvageable, the goal is to preserve the housing stock and time is of the essence. Salvageable properties are placed on the Multiple Listing Service (MLS) with a description, photos, and a FMV based on an appraisal.

Abandoned properties usually require a substantial investment to correct code violations and make them habitable, and may not sell at FMV. Properties that remain unsold and unoccupied for an extended period will continue to deteriorate, and eventually require demolition.

The state law requiring city-owned properties to be sold for FMV is a challenge, particularly in areas where purchase and renovation costs will exceed the resulting value. As a

There are also concerns regarding the ability of homeowners to handle necessary repairs and future maintenance of older homes. The city has some of the oldest housing stock in the country, with over 60 percent of all units built before 1940. Many of these structures need substantial retrofitting to accommodate current lifestyles, or require significant investments to bring them up to code and remove lead paint and asbestos.

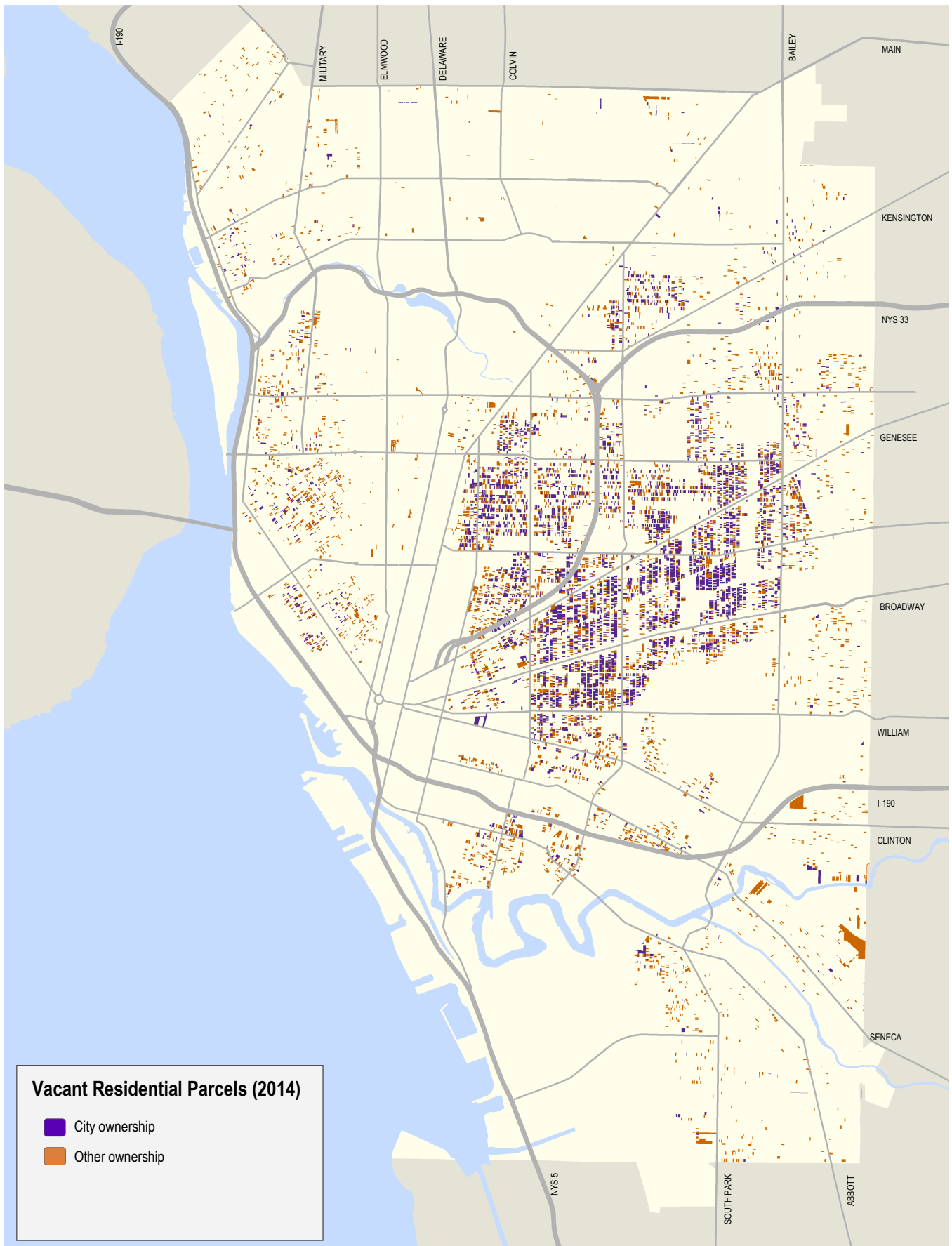
These factors all contribute to determining whether purchase and renovation are feasible. Further complicating matters, public resources to assist with housing renovations are increasingly limited; and when available, often raise the cost of repairs substantially due to the added regulations and standards. In cases where renovation is too costly or the resources unavailable, structures will remain boarded up with little chance of selling.

consequence, the city continues to hold many properties, generating large carrying costs in maintenance, liability, and lost tax revenue. Over the past five years, the city sold only 47 houses at FMV, transferred another 43 under the Homestead Program, and demolished over 2,400.

The city's current inventory of residential properties consists of approximately 55 abandoned structures—the majority of which are on the demolition list—and nearly 6,200 vacant lots.

Vacant lots in the city's inventory are typically post-demolition parcels that have been abandoned by the previous owner. Based on parcel characteristics, location, and market demand, vacant lots may be made available for redevelopment, sold as side-lots to neighboring owners, or land-banked for future development. Alternative uses such as green infrastructure, community gardens, and urban farming are also considered.

The city has had greater success in transferring vacant lots to private owners, with 369 sold at FMV over the past five years, and another 179 transferred through the Homestead Program to adjacent homeowners.



Property Transfers: 2009 to 2014

	<i>Total</i>	2010	2011	2012	2013	2014
SALES	416	113	69	88	75	71
Structures	47	9	3	4	10	21
Lots	369	104	66	84	65	50
HOMESTEADS	222	55	36	51	30	50
Structures	43	12	13	14	2	2
Lots	179	43	23	37	28	48

HOMESTEAD PLAN

A residential property, acquired by the city or BURA via foreclosure, bank Real Estate Owned (REO), donation or condemnation, that is not needed for public purposes (including land banking), and that no qualified buyer has attempted to purchase at Fair Market Value after a period of six months, may be eligible for inclusion in the Homestead Program. All decisions will be made on a case-by-case basis depending on the proposal submitted and the highest-and-best use for the property, with guidance provided by the appropriate decision tree.

As with the existing program, there are three components: renovation of abandoned structures, new construction on vacant lots, and side-yard acquisition by adjacent homeowners. Unlike the current program, each component will have its own eligibility criteria and target geography, to help ensure that the greatest number of abandoned properties are returned to productive use and constitutional prohibition.

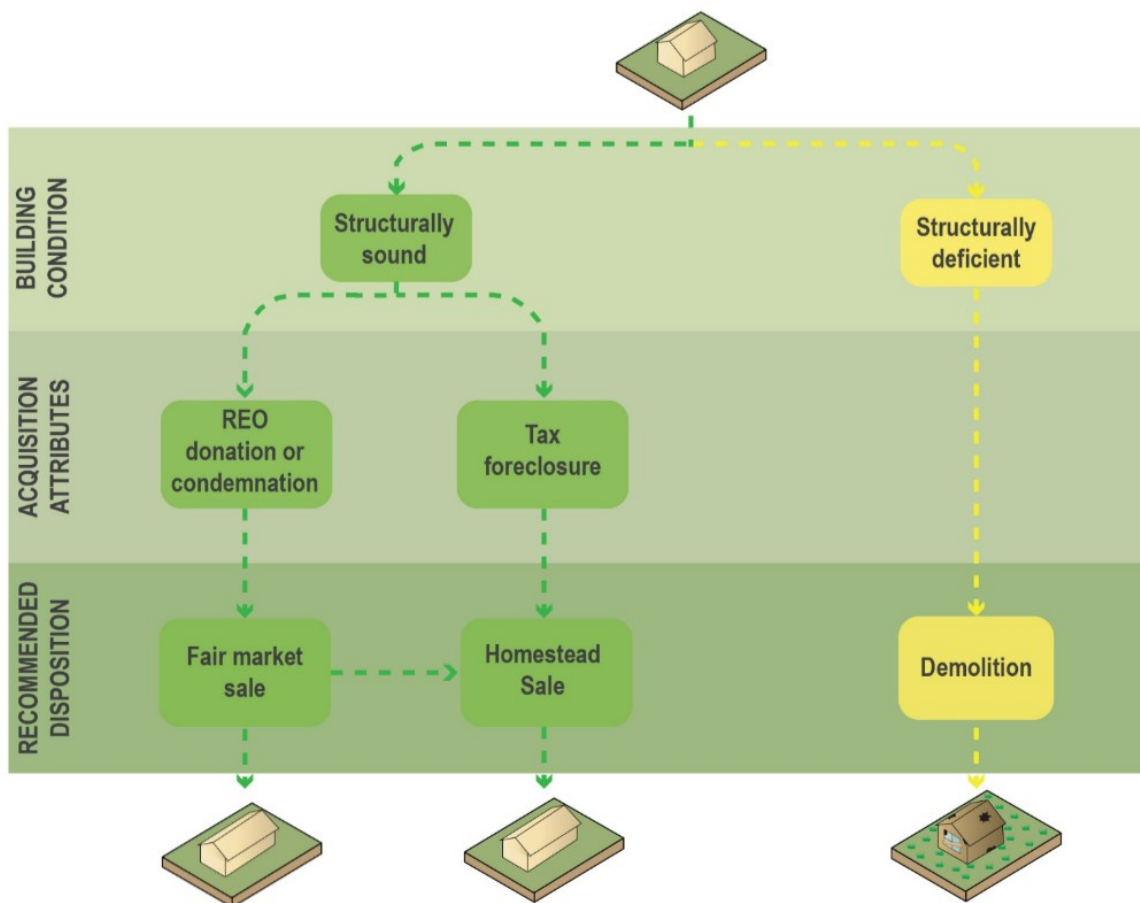
Renovation

Encouraging the renovation of abandoned housing will remove blight, increase homeownership, raise property values, and decrease public expenditures for maintaining and demolishing abandoned structures.

Prospective homeowners and non-profits are eligible to homestead abandoned structures (non-profits must agree to sell the property to a qualified homebuyer upon completion of renovations). Properties acquired by the city or BURRA through foreclosure, bank REO, donation, or condemnation will be eligible due to their inability to attract qualified buyers, deteriorated condition, or potential for causing blight in the neighborhood. Determinations will be based on the Vacant Structure Decision Tree.

The purchaser must submit an application to the Division of Real Estate confirming the financial ability to repair all code violations and continue to maintain the property; be current on all property taxes, water, sewer, and user fees; and have no public liens or code violations on any properties. Once transferred, renovations must be completed within 18 months or the property can revert back to the city or BURRA. To prevent flipping, the purchaser must occupy the residence for a minimum of three years. Purchasers are encouraged to contact the Division of Housing for assistance with renovation costs. If federal funds are provided for rehabilitation, the owner must occupy the property for 10 years, and comply with all other program guidelines.

Vacant Structure Decision Tree



New Construction

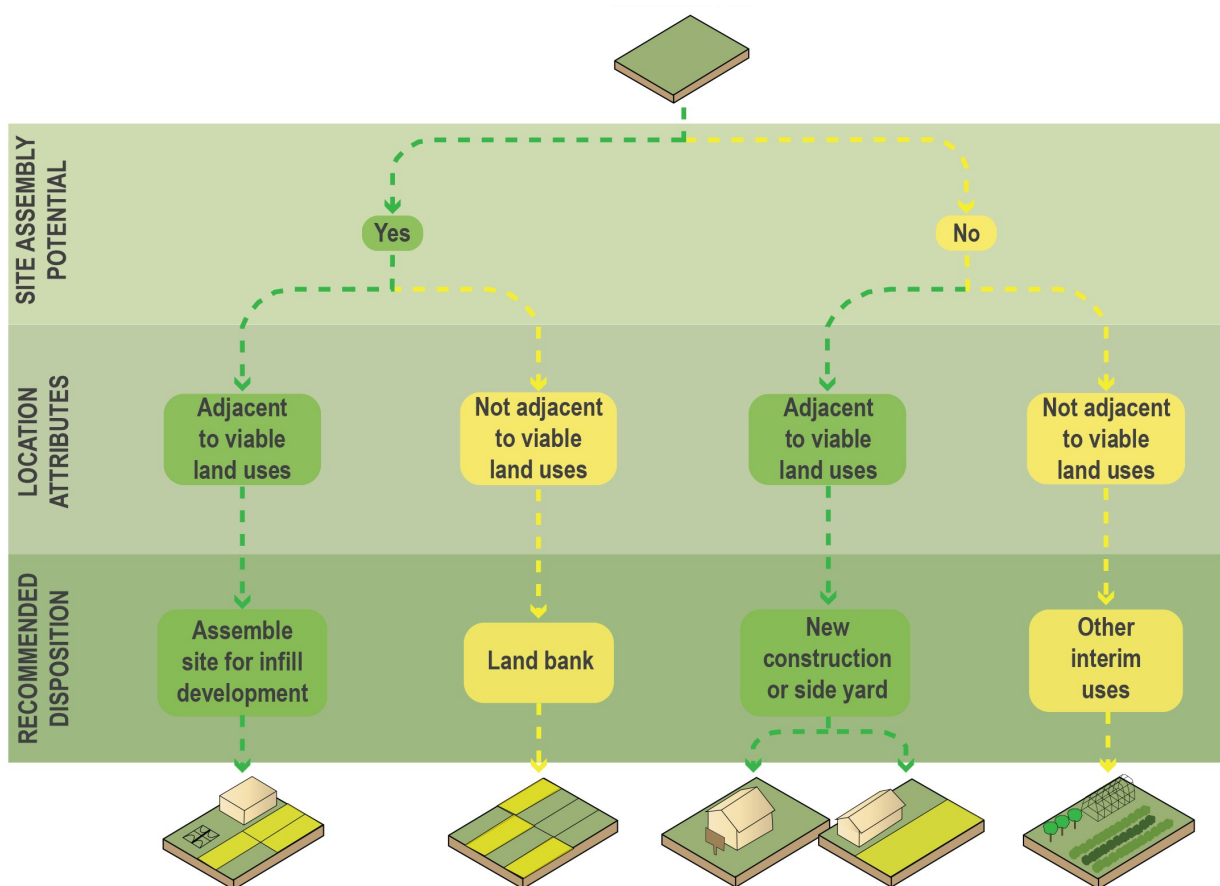
Encouraging the construction of new housing on vacant lots will help to remove blight, increase homeownership, raise property values, and decrease public expenditures on maintaining vacant lots.

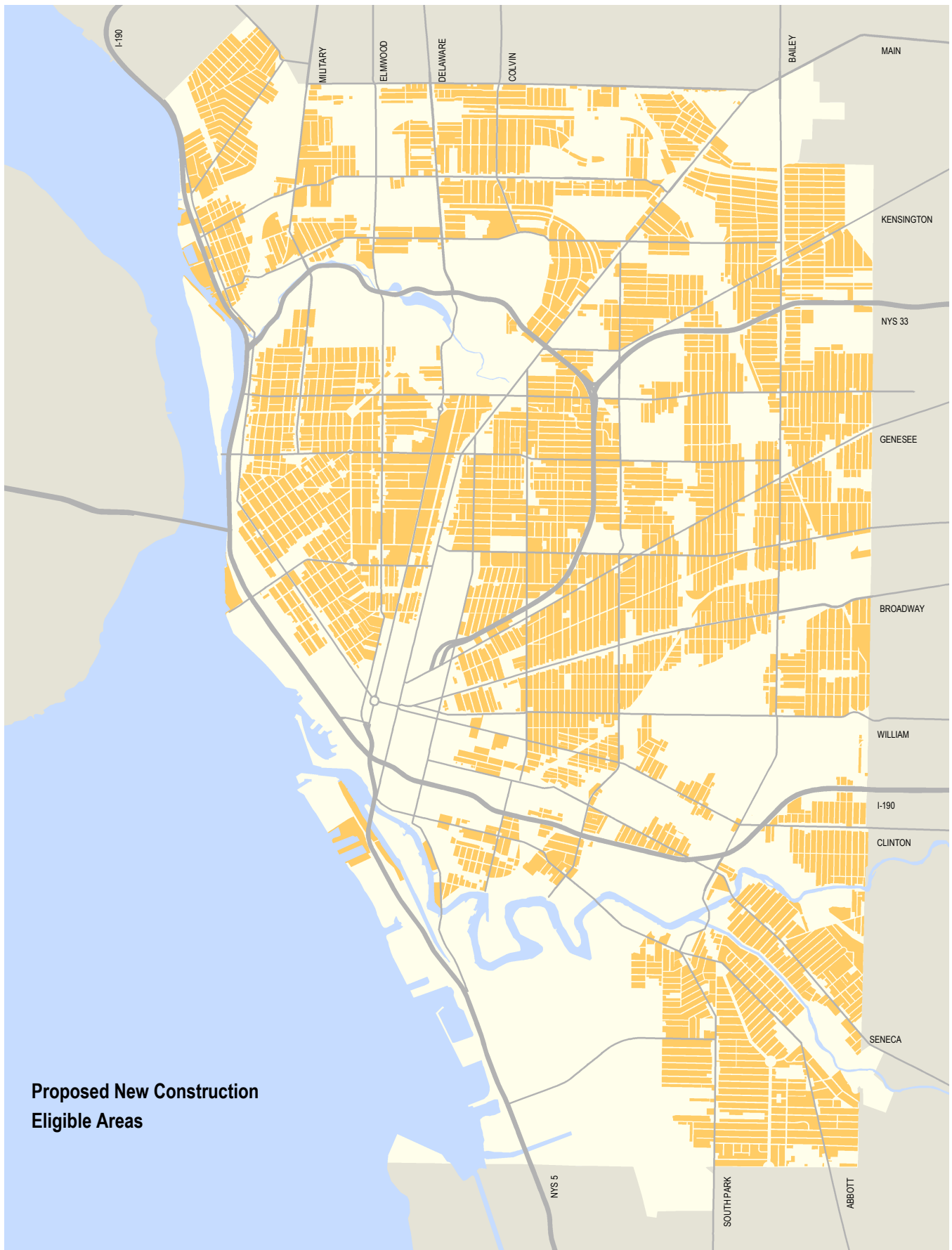
Prospective homeowners and non-profits will be eligible to homestead vacant lots for new construction in areas designated for housing (N-2E, N-2R, N-3E, N-3R, and N-4-50) under the city's Unified Development Ordinance, as long as the parcel is not in a flood management area. Eligible vacant lots include those acquired by the city or BURA through foreclosure, bank REO, donation or condemnation. Determinations regarding property availability will be based on the Vacant Lot Decision Tree.

The purchaser must submit certified building plans and proof of construction financing to the Division of Real Estate; be current on all property taxes, water, sewer, and user fees; and have no public liens or code violations on any properties.

Once transferred, construction must be completed within 18 months. To prevent flipping, the purchaser must occupy the completed residence for a minimum of three years.

Vacant Lot Decision Tree





Side Yard Acquisition

Encouraging the acquisition of vacant city and BURA owned parcels will allow homeowners to augment their side-yards, increase the value of owner-occupied properties, raise property values, and decrease public expenditures on maintaining vacant lots.

Homeowners will be eligible to homestead a vacant lot in Census block groups designated by HUD as low- or moderate-income. The city owns over 6,000 vacant parcels within these block groups; just over half are adjacent to an owner-occupied structure. Determinations regarding property availability will be based on the Vacant Lot Decision Tree.

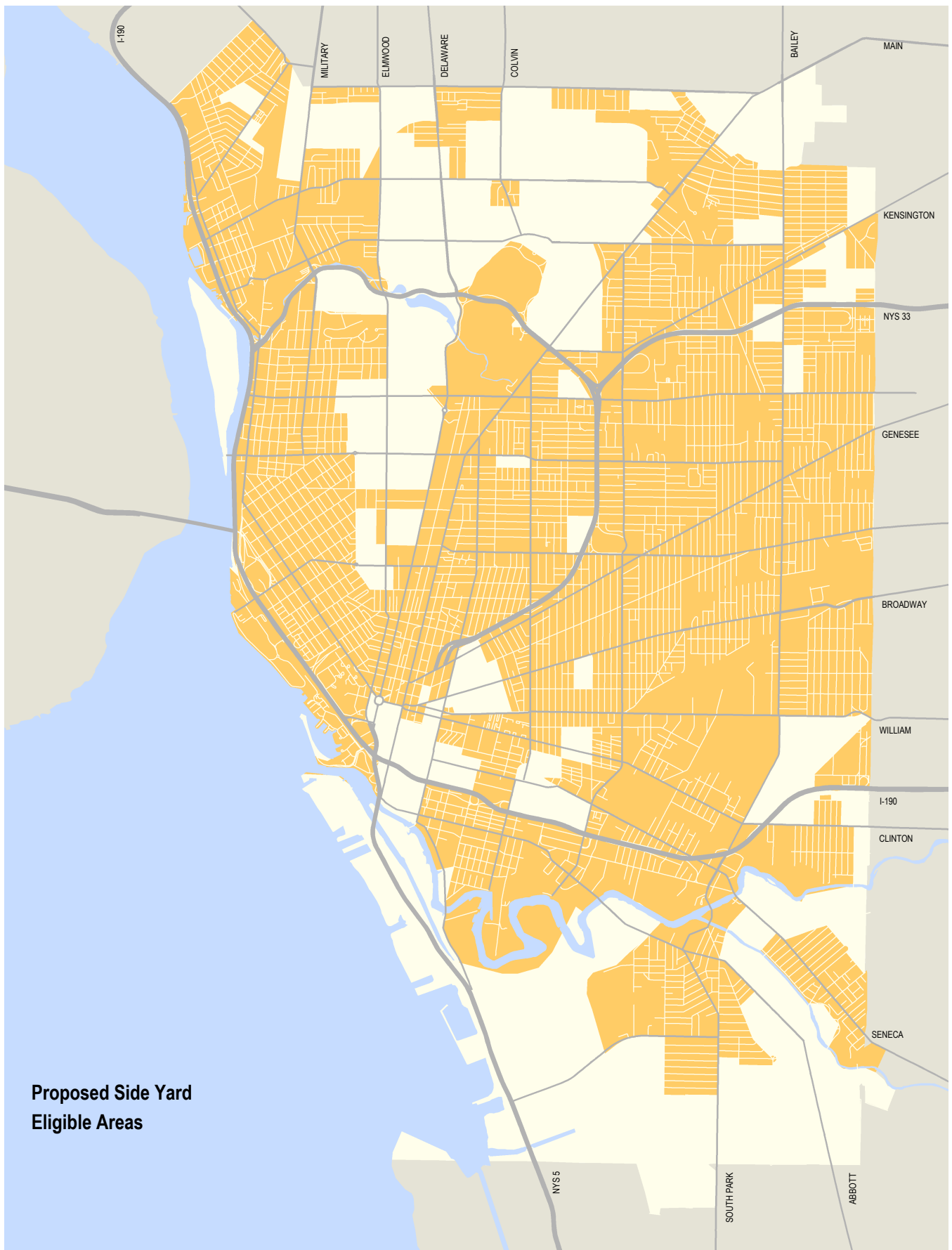
The purchaser must provide proof of ownership and occupancy of the adjoining residence; must have resided there for a minimum of three years; be current on all property taxes, water, sewer, and user fees; and have no public liens or code violations on any properties.

The vacant lot must be located to the side – not the rear – of the residence. The resulting size and frontage of the combined lots may not exceed the maximums set by the city's Unified Development Ordinance (typically 75-feet), and the purchaser must maintain the vacant lot for a period of three years.

A FMV sale will take precedence over a homestead sale, so every request will prompt notification to the property owner on the other side of the targeted parcel. If both adjoining property owners are interested, a sale at FMV will be required. The adjoining owners can agree to either split the lot or submit competitive bids on the entire parcel. If the homeowner already has a side-yard, FMV must be paid to acquire additional side-yard space, regardless of how the original side-yard was acquired. Size and frontage maximums set by the UDO will continue to apply.

SUMMARY

Updating the city's Homestead Program will encourage reinvestment in abandoned properties that have been a blighting influence in our neighborhoods. These recommendations provide the tools to help stabilize neighborhoods and raise surrounding property values, while relieving the city of the need to demolish abandoned structures and maintain a growing number of vacant lots.



HOMESTEAD PLAN

City of Buffalo

