

Choosing Dunkirk

A Strengths-Based Strategy for
Problem Properties in Dunkirk, New York

MARCH 2018



HON. MAYOR WILFRED ROSAS



czb

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Table of Contents

- 4 Introduction
- 8 Problem Properties: Taking Count
- 12 Market Matters
- 16 Making Good Decisions
- 20 Problem Property Action Steps



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INTRODUCTION



In Dunkirk,
1 out of 6
 residential properties show
 signs of disinvestment.

Whether a house is derelict and vacant after decades of decline or has only begun to show signs of neglect, everyone knows a “problem property” when they see one. Perhaps it has chipping paint, faded siding, a shaggy lawn, unkempt landscaping, or a sagging roof. Maybe garbage is strewn in the front yard, or unopened mail is piled on the porch. In severe cases, there might be broken or boarded windows, or evidence of a fire.

In Dunkirk today, approximately 725 residential properties – or one out of every six – display some combination of these or other outward signs of distress and disinvestment. And behind each property is some combination of causes for the distress – be they the financial or physical limitations of current owners, life events that throw a property into maintenance limbo, or deliberate choices by the owners to adopt lower standards.

Whatever the reasons for the lack of investment and maintenance, these properties are symptoms of a deeper problem in Dunkirk: a weak real estate market where there are not enough good buyers for the current supply of homes. Over time, this has resulted in stagnant prices that influence the willingness of property owners to invest, causing as much as \$21 million per year to be withheld from home investments by current households. But these market conditions also influence those who don’t live in Dunkirk – households that have chosen from a range of other options in the region due, in part, to a lack of confidence in the city.

With weak demand and low levels of confidence as root causes of chronic disinvestment and rising levels of property distress and vacancy in Dunkirk – vacancy, in fact, that is more than double the level that would be considered healthy – **the challenge before the city and its partners is two-fold:**

1. There is a need to address blight and distress proactively because they are exacerbating the weaknesses of the overall market by discouraging investment by existing or potential property owners.
2. Blight and distress need to be dealt with in ways that take limited resources into account and that bolster the assets – including the city’s many well-maintained homes – that serve as a foundation for making Dunkirk more competitive for households and businesses in northern Chautauqua County.

This problem property strategy for Dunkirk offers direction on both fronts by identifying the scale and nature of problem property issues in Dunkirk, providing a decision-making framework that takes market conditions and limited resources into account, and then connecting the problem property inventory to a set of market-appropriate tools.

Choices that will shape Dunkirk

When residents and civic leaders think about the choices that affect their city, attention often turns to choices over which there is little local control – choices made in Albany, Washington, or corporate headquarters in other states, or the decades-long chain of decisions that resulted in the dislocation of steel, railroads, and the other industries that built Dunkirk.

But Dunkirk’s future very much depends on choices big and small that are still in local hands and that are ultimately expressed by the levels of pride and confidence in city neighborhoods.

Choices by current residents and property owners

- Should I repaint my house this year, or keep putting it off?
- Should I plant tulip bulbs for next spring?
- Should I plan a neighborhood clean-up day, or block party?
- Should I support a proposal for park improvements, even if that means higher taxes?

Choices by potential residents

- If I accept my job offer from Athenex, should I look at houses and apartments in Dunkirk?
- Now that our kids have moved out, should we downsize from our farmhouse in Stockton to a Cape Cod near Wright Park?

Choices by city government and civic leaders

- Where and how should we invest our limited resources to become more competitive?
- What risks are we willing to take to get ahead, and how do we persuade our community to tolerate risk?
- Is business-as-usual getting us where we need to be? If not, are we willing to do things differently?

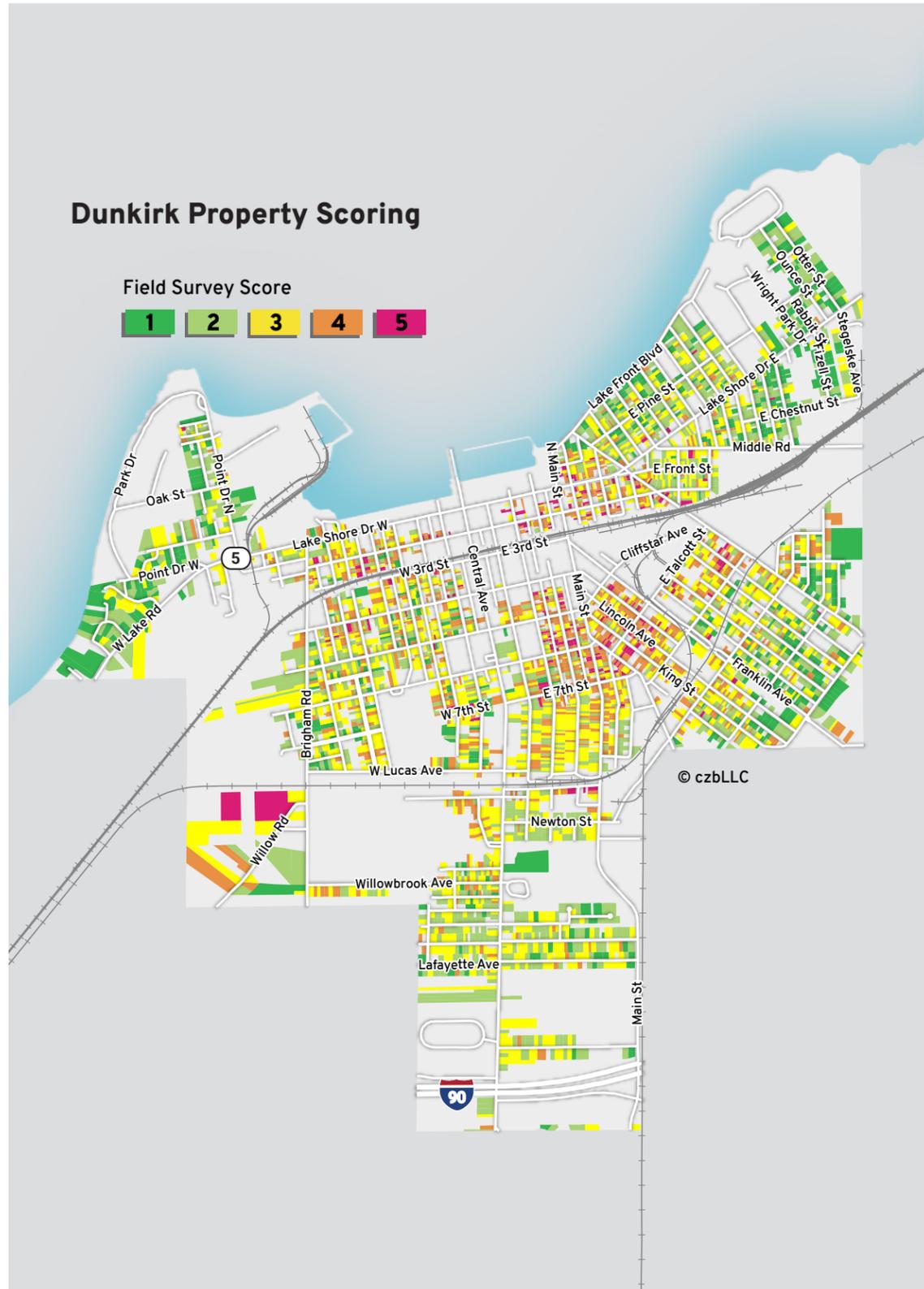


Summary of Data Collection

An essential part of being proactive about blight and distress is having information that is reliable, up-to-date, and actionable. To that end, this project relied on a wide range of data sources – as will the city, going forward – to provide a comprehensive understanding of a complex subject.

These sources included:

- A field survey of property conditions by community volunteers
- Sales transaction records from the Chautauqua-Cattaraugus Board of Realtors
- Property assessment records
- Code enforcement activity
- Building permit activity
- Demolition activity
- Tax foreclosures
- Bank-owned property inventory from New York State Vacant and Abandoned Property Registry
- Lis pendens (or pre-foreclosure) filings with the Chautauqua County Clerk's Office
- Census Bureau datasets on population and housing



Field Survey

During September and October 2017, a dozen volunteers performed a field survey that scored the exterior of every residential property on a five-point scale. Properties that exhibited the highest levels of maintenance and attention to detail received a score of “1.” At the other end of the scale, properties that exhibited overwhelming signs of distress received a score of “5.” Observations of potential vacancy were also recorded. These scores were then mapped and analyzed along with other indicators to reveal patterns of market strength and weakness within Dunkirk.

VERY HEALTHY ← → UNHEALTHY

SCORE	1	2	3	4	5
	Best in class; ready to sell; top of the Dunkirk market	Modest investment needed for property to move into the “best in class” category	Good, solid home but tired and needing upgrades	Troubled property with significant issues and trending downward; still recoverable.	Blighted property with high risk of abandonment
	“ Staying on top of the details	“ Doing well	“ Could go either way	“ Several red flags	“ Red flags overwhelming

PROBLEM PROPERTIES: TAKING COUNT

The tell tale signs of problem properties are easy to recognize, but it is often much more difficult to pinpoint what is happening behind the scenes to cause chipping paint, a sagging porch, or other maintenance issues.

Even though broad weaknesses in the real estate market are an influence in most cases (not enough good buyers or stable renters to go around), addressing the problems of individual properties or blocks requires an understanding of individual circumstances. It matters whether the chipping paint is the product of a property owner struggling with a fixed income, an absentee landlord who lives in Ohio, or a drawn-out bank foreclosure process.

In Dunkirk, 725 problem properties were identified using a range of data sources at the end of 2017. They can be categorized into three general types that help define the scale of certain issues that destabilize the city's housing stock and neighborhoods, as well as the tools that are best suited to addressing individual problems.

TYPE 1: Vacant or High Risk of Vacancy



Number of Properties:

183

(4.2% of all residential properties)

Count based on lists of tax and bank foreclosed properties and field survey observations

Type 1 properties are in a state of flux that leaves them highly vulnerable to continued deterioration (if they are already declining) or to a rapid slide from stable to distressed. Whether the owners have had trouble paying their property taxes over the past few years, are at high risk of defaulting on their bank loan, have recently died and left an unsettled estate, or have abandoned the property for some other reason, these properties are likely to require some form of public intervention to limit their negative impact on surrounding properties.

What does intervention usually involve?

In markets with healthy demand, a tax auction, a bank auction, or an estate sale can be expected to result in a good buyer and a bright future for the property. That probability is much lower in a weak market. To lower the risk of a property becoming a chronic problem, local entities have to be proactive by monitoring properties, helping to find good buyers, or taking steps to acquire the property for demolition or rehab. Any intervention requires some commitment of resources.

TYPE 2: Troubled Rentals



Number of Properties:

372

(8.4% of all residential properties)

Count based on absentee ownership of property (owner's tax address is off site) and moderate or severe signs of distress observed during field survey

Type 2 properties are rentals that exhibit numerous signs of deferred maintenance and prolonged neglect. The condition of the properties and their concentration in high-poverty areas suggests that rents are lower than they need to be to support healthy levels of reinvestment, but are generally higher than many of the occupants can afford without some form of subsidy. To the extent that they remain habitable, these properties will be maintained at the bare minimum until the point where critical repairs exceed any remaining value.

What does intervention usually involve?

Addressing this type of problem proactively usually takes two steps: One is the regulation of rental units to ensure that private rentals all meet basic standards of safety inside and out – this establishes a floor beneath which standards will not be allowed to fall. For properties that are too deteriorated to meet minimum standards, a second intervention may require acquisition to demolish or rehab, or development of subsidized replacement units for low-income households.

TYPE 3: Owner-Occupied Slipping or Distressed



Number of Properties:

170

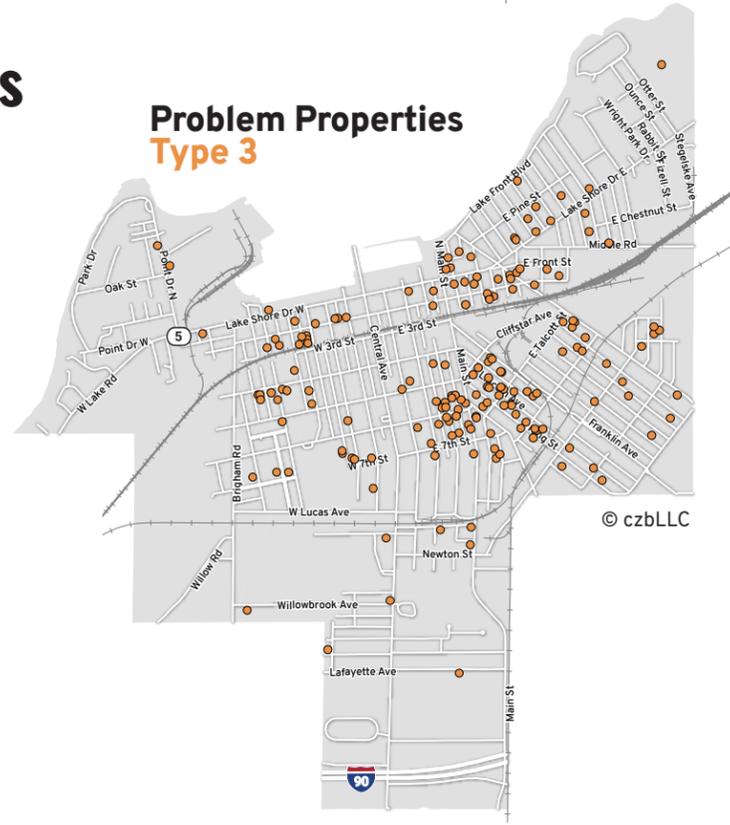
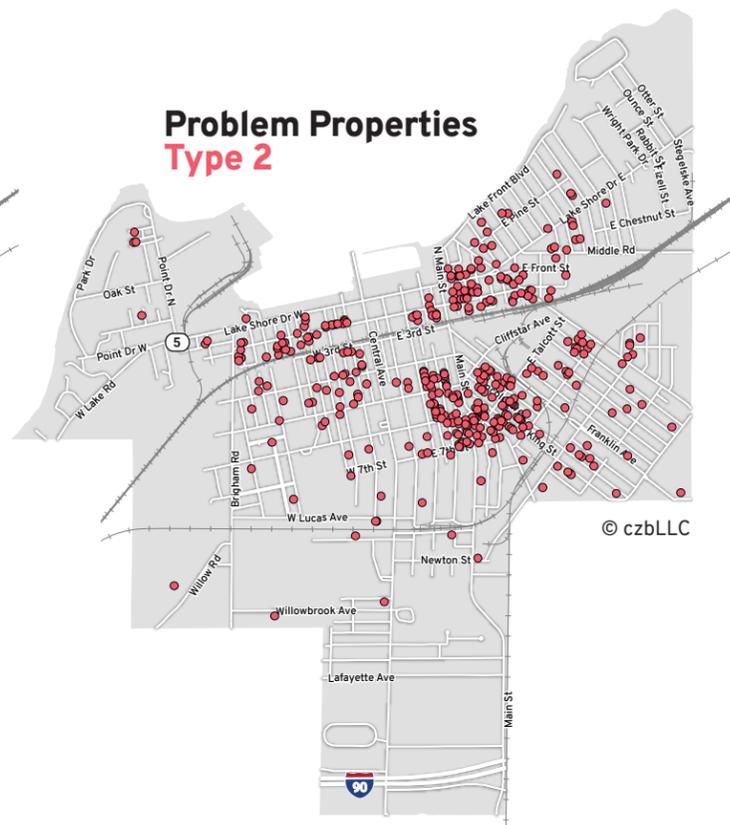
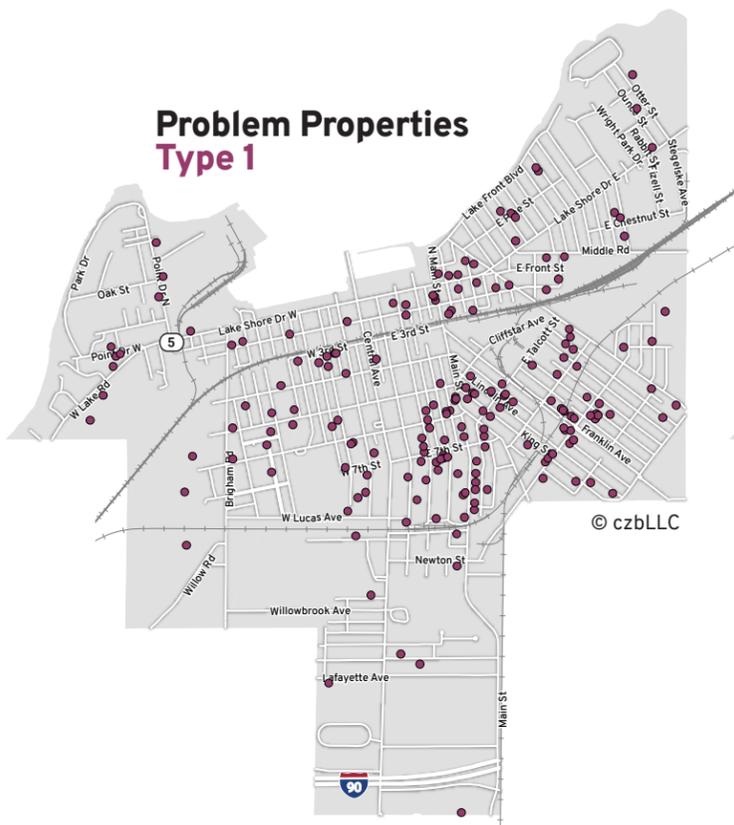
(3.9% of all residential properties)

Count based on owner-occupancy (owner's tax address is on-site) and moderate or severe signs of distress observed during field survey

Type 3 properties are owner-occupied and part of what needs to be a strong and growing base of homeowners in Dunkirk. But deferred maintenance is visible and hints at (1) an inability to invest in home repairs and improvements – indeed, 260 homeowners in Dunkirk spend more than 30% of their low incomes on housing payments and have little else to invest in maintenance, or (2) an unwillingness to do so because of low levels of confidence in the direction of a neighborhood.

What does intervention usually involve?

For financially struggling homeowners, typical interventions include budget counseling, weatherization assistance (to control utility costs), and low-cost loans or grants for home improvements. To encourage investment by homeowners who have resources but lack willingness, efforts to boost neighborhood engagement and leadership while removing sources of discouragement (such as blight) are critical – especially in stable neighborhoods that are at-risk of decline.



Distribution of the Three Types

Dunkirk’s problem properties represent a significant share of the city’s entire housing stock, with nearly one out of every six properties fitting into one of the three general categories.

But these properties are not evenly spread throughout the city. Some blocks have none. Many have at least a few. And some blocks are simply overwhelmed by properties that show moderate to severe signs of distress or have an unstable ownership situation.

The distribution of these problems matters. Where they are highly concentrated – as they are along the edges of downtown and near the lakefront – they form large areas of blight that adversely affect the well-being of the people who live there, threaten the viability of key city assets, and dampen general confidence in Dunkirk’s future.

Where these problems are scattered, as they are in much of the city, they have the potential to destabilize otherwise healthy blocks that are critical to Dunkirk’s ability to retain and attract households.

What are problem properties costing Dunkirk?

A city’s fiscal capacity and its ability to shape its own future are deeply intertwined. When a city has an ability to invest in the assets and services that people care about, it can stimulate demand for housing and neighborhoods.

Dunkirk’s fiscal capacity has been eroded over decades by deindustrialization, making the city heavily dependent on a single taxing entity (NRG) and ever more dependent on the value of a residential property base that is ever more threatened with devaluation by blight.



Dunkirk’s problem properties...

...undermine Dunkirk’s tax base while placing a disproportionate burden on city services.

The average market value of Dunkirk’s problem properties (\$40,335) is 29% lower than the average for all residential properties in the city.

...diminish the value of neighboring properties.

Homes in excellent condition on blocks with moderate levels of distress have a market value, on average, of around \$60,000. Similar houses on blocks where distress is much more limited are worth an average of \$86,000 – an average that rises to \$140,000 where distress is absent.

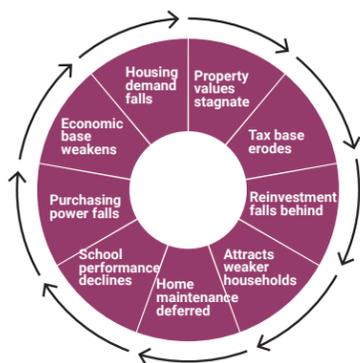
...discourage existing owners from investing more in their own properties.

Dunkirk households have the financial capacity to be spending as much as \$21 million more on housing expenses each year than they are currently.

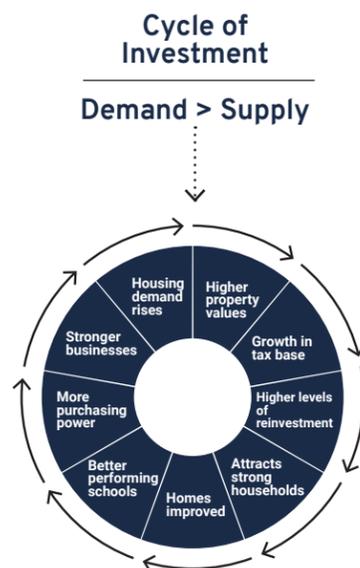
The withheld spending is nearly as much as the estimated cost -- \$23 million – for demolishing Dunkirk’s most blighted houses and addressing critical deferred maintenance on the remainder of the private housing stock.

...put Dunkirk at a competitive disadvantage in a region with plentiful options for strong households.

MARKET MATTERS



Cycle of Disinvestment
Demand < Supply



Cycle of Investment
Demand > Supply

Reducing the number of problem properties and their negative influence on the city’s economic, fiscal, and social health is an important goal for Dunkirk.

But unless the city intervenes in a way that simultaneously serves to improve the health of the city’s housing market, investments by the city and its partners will follow a familiar pattern – where outputs supported by public resources (a rehabbed house, a fixed roof, a demolished apartment building) have little or no influence on desired long-term outcomes (growth in property values, private investment, and stabilization of city finances).

To make investments that have a lasting difference on the health of the city – especially when the resources to make those investments are so limited – it is critical that actions taken by the city and its partners serve in some way to interrupt the vicious cycle of disinvestment that currently describes too much of the city, and to kickstart a cycle of investment. **This means protecting demand and confidence where it currently exists in Dunkirk so that it becomes more sustainable and widespread.**

Basic Indicators of Soft Demand in Dunkirk

Several simple indicators can be used to describe the overall weaknesses in the Dunkirk market that contribute to vacancy, disinvestment, and the spread of problem properties.

- The city’s population has fallen 34% since the 1950s – the last time it grew.
- Since 2000, the number of housing units in Dunkirk has declined by 5% due to demolitions and conversions, but the number of households has declined faster (6.6%), boosting overall vacancy levels.
- Vacancy has risen from 9.8% to 11.3% of all housing units since 2000 and is now more than double the 5% rate that is considered healthy.
- The median rent in Dunkirk is \$641 – 32% lower than the national median.
- The median value of owner-occupied homes in Dunkirk (\$65,300) is only 76% of the median for Chautauqua County, and only 35% of the national median.
- If the median home value in Dunkirk had merely kept pace with inflation since 2000 (when it was \$51,500), it would be 10% higher than it is currently. In other words, the typical Dunkirk home is losing value over time.

Tale of Two Markets

City of Dunkirk
(5,531 households)

Village of Fredonia
(3,812 households)

High-needs Households



Low and stagnant prices in Dunkirk have reinforced a high concentration of households with low ability to pay and few choices.

Low-wage Workers



Moderate-wage Workers



Traditional Middle Class



Upper Middle and Above



Households with plentiful choices have gravitated to healthier markets in the region, stunting demand in Dunkirk.

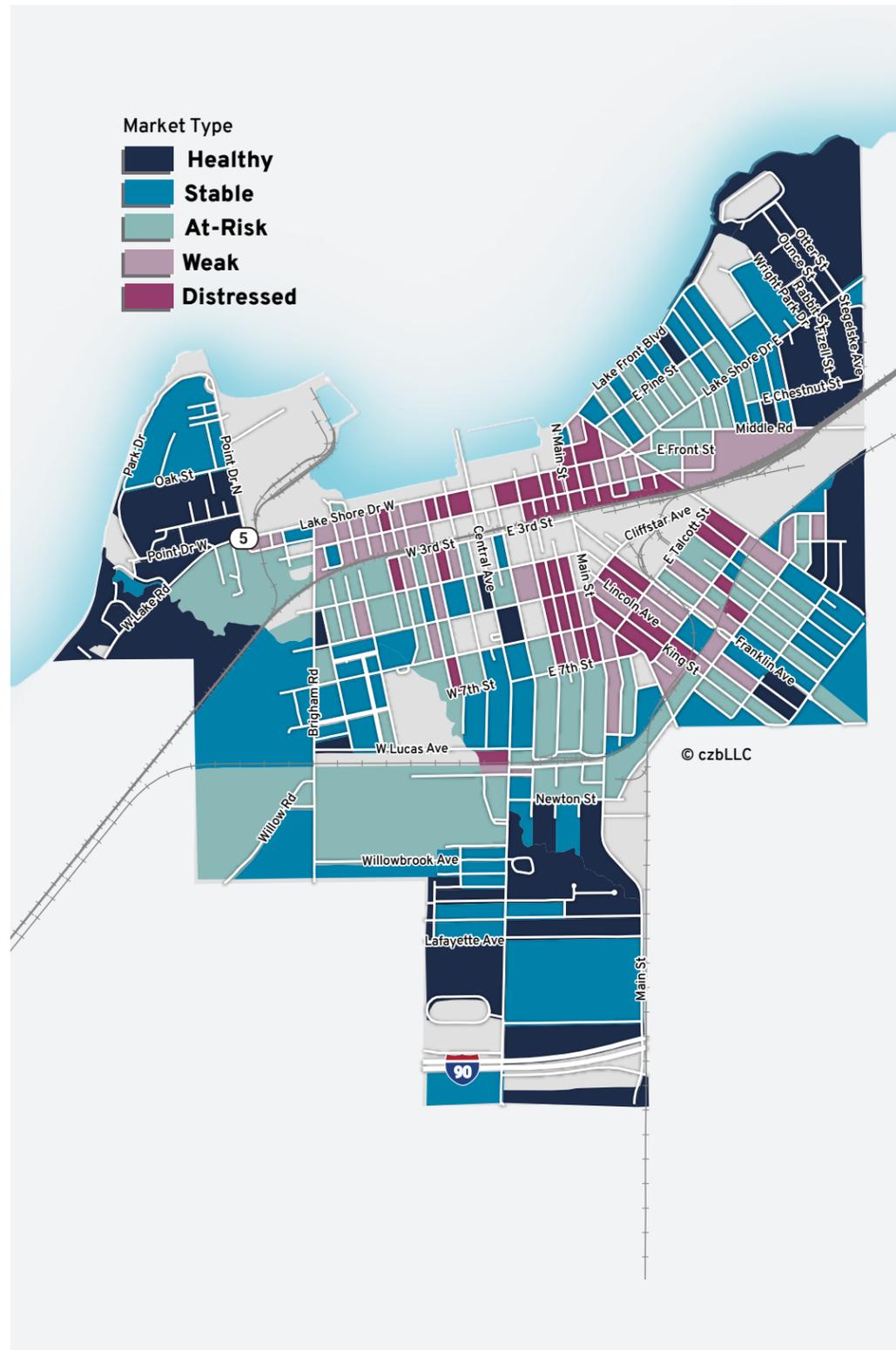
Household incomes are also a significant part of housing demand, as they indicate levels of purchasing and investment power. Altogether, the more than 5,000 households in Dunkirk today have estimated annual earnings of more than \$200 million – at least \$60 million of which can be considered available to pay for rents, mortgages, and typical housing expenses. This is a considerable sum for a city of 12,000 people. But low prices and low rents mean that many households in the city spend far less on housing than their incomes allow. Households making more than \$35,000 are estimated to be spending \$21 million less on housing expenses per year than they could be – freeing up those funds for other household uses but with the long-term consequence of inadequate investment in housing maintenance and modernization.

Although Dunkirk has many households making healthy incomes – perhaps more than most people would guess – decades of deferred maintenance and stagnant home values have resulted in concentrations of households with very low incomes and very little ability to pay for housing, and who therefore gravitate to Dunkirk’s relatively inexpensive housing. Meanwhile, households with higher incomes have gravitated to stronger markets, such as Fredonia, that are more expensive but offer housing stocks that have been steadily improved over time.

But market conditions and demand are not uniform in Dunkirk – they vary considerably from neighborhood to neighborhood, and even block to block.

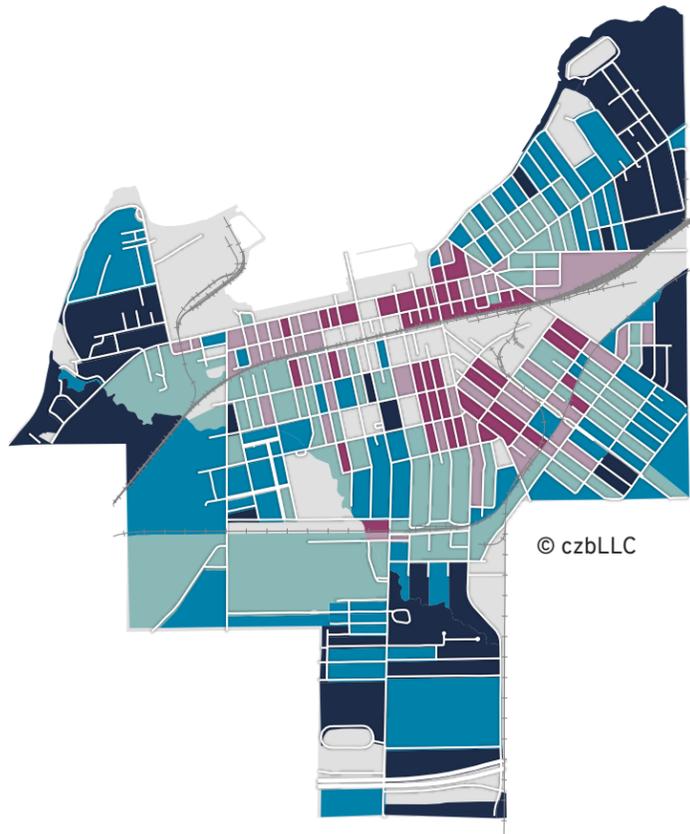
An analysis of Dunkirk’s census geographies using numerous indicators of market health identified five market types that range from healthy to distressed. Mapping these market types at the block level reveals a pattern familiar in most formerly industrial American cities like Dunkirk. The most distressed markets are found near downtown, where the housing stock is generally the oldest in the city, and where prices and rents are the lowest. The healthier markets are located near the edges of the city, where housing is newer.

Especially critical for Dunkirk’s future are the at-risk markets that form transitional areas in between healthier and more distressed blocks. The at-risk blocks include a mixture of well-maintained properties and properties exhibiting distress, but the typical house is in average condition – showing signs of neither strong investment nor disinvestment. The future of these blocks – improvement or decline – depends greatly on whether current owners feel confident about reinvesting in their properties and whether good buyers can be found as properties are placed on the market. The health of Dunkirk’s housing market and the fiscal viability of city government depend on the stabilization and improvement of these blocks.



	HEALTHY	STABLE	AT-RISK	WEAK	DISTRESSED
Share of Dunkirk residential properties	12%	25%	32%	15%	15%
Average Market Value of residential properties	\$90,993	\$64,266	\$53,159	\$39,090	\$35,149
Average Sale Price, 2011-2016	\$101,955	\$63,580	\$50,535	\$35,682	\$29,993
% of Homes in condition:	Excellent or Good: 80% Average: 20% Moderate or severe distress: 1%	Excellent or Good: 58% Average: 38% Moderate or severe distress: 4%	Excellent or Good: 41% Average: 48% Moderate or severe distress: 11%	Excellent or Good: 23% Average: 48% Moderate or severe distress: 29%	Excellent or Good: 13% Average: 38% Moderate or severe distress: 50%
Building Permits per 100 Properties	8.2	8.3	7.9	8.4	4.9
Property Maintenance Code Violations per 100 Properties	0.7	1.3	4.7	9.5	29.6

Of Dunkirk's 725 problem properties, 12% can be found in these critical at-risk blocks – and **34% of all problem properties are found outside of weak and distressed markets**. This poses an important consideration for the city and its partners to balance as they address problem properties with their limited resources. Should resources be steered to the greatest concentrations of problem properties – in weak and distressed markets? Or should they be steered whenever possible to stronger markets where they are fewer in number but exact a high toll on market confidence?



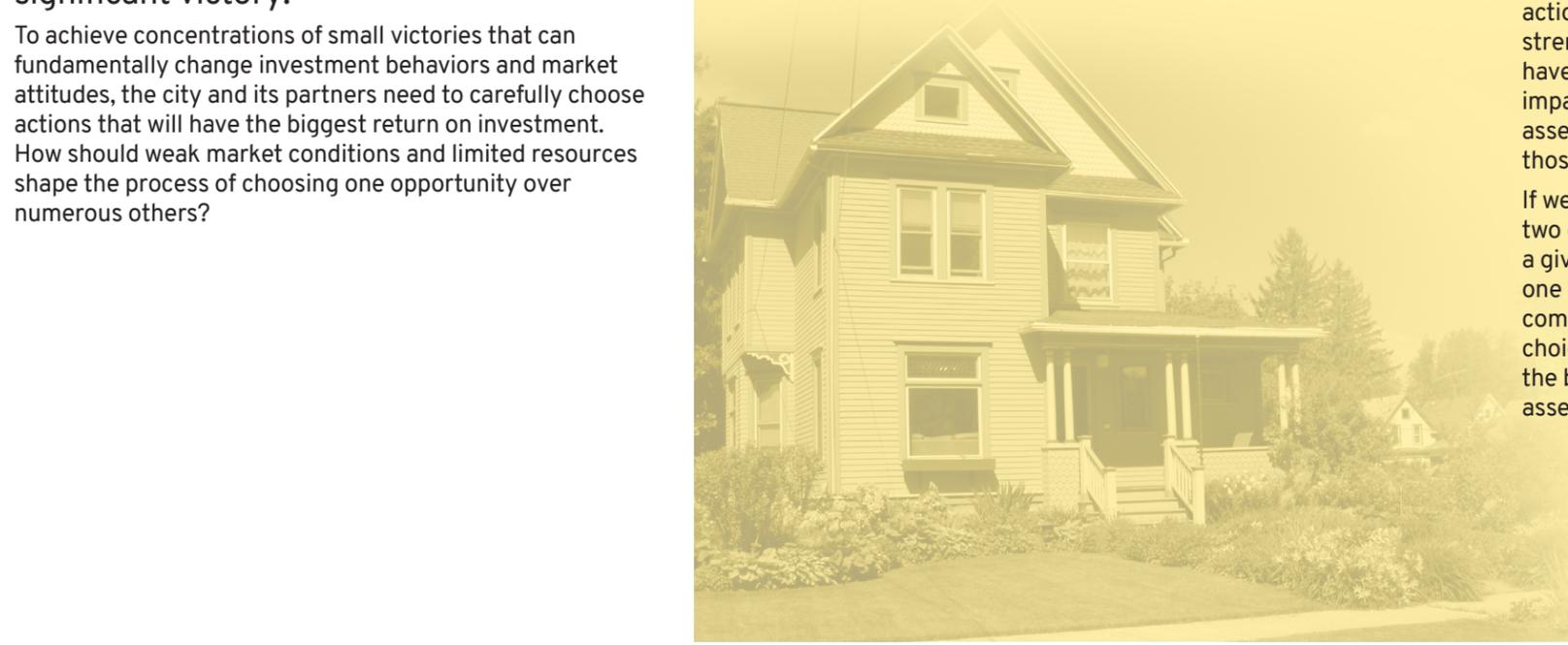
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	TOTAL PROPERTIES	Problem Property Type 1 Vacant or High Risk of Vacancy	Problem Property Type 2 Troubled Rentals	Problem Property Type 3 Owner-Occupied -- Slipping or Distressed	Total Problem Properties (#)	Problem Properties as Share of Total
HEALTHY	548	17	1	2	20	4%
STABLE	1,114	25	22	19	66	6%
AT-RISK	1,416	55	69	43	167	12%
WEAK	672	42	100	41	183	27%
DISTRESSED	656	44	180	65	289	44%
Citywide	4,406	183	372	170	725	16%

MAKING GOOD DECISIONS

With scarce resources and a complex problem to solve – weak market conditions that are decades in the making – every decision counts, even ones that are seemingly small. Every vacant property that is improved and reoccupied is a win, and every block that can be improved from “at-risk” to “stable” is a significant victory.

To achieve concentrations of small victories that can fundamentally change investment behaviors and market attitudes, the city and its partners need to carefully choose actions that will have the biggest return on investment. How should weak market conditions and limited resources shape the process of choosing one opportunity over numerous others?



Principles for Prioritizing Options

Principles can serve as a simple but important tool for assessing a series of options or confirming that an action aligns with conditions that Dunkirk is trying to influence or respond to.

On what basis should the city decide where to perform a demolition if there is money for one but there are five candidates? Where should rehab or repair assistance funds be directed when the need outstrips funding?

When Dunkirk makes decisions that have some impact on housing conditions and the housing market, those decisions should use the following principles as guideposts:



Asset-focused

Which assets does this action help to protect or strengthen? Actions that have a clear and positive impact on one or more assets are prioritized over those that do not.

If we are choosing between two or more properties for a given intervention, which one has the edge when it comes to assets? Which choice is likely to result in the biggest positive on an asset?



Outcome-oriented

Which positive market outcomes will be advanced by this action? Improved property values? Higher homeownership rates? Lower vacancy rates? Uptick in home reinvestment and building permits? Fewer code violations? Decline in concentrated poverty? How will we measure and track these outcomes?

Which outcomes are most appropriate or realistic for this neighborhood?



Confidence-building

What signals of confidence is this action likely to send into the market? How visible will this action be, either to immediate neighbors or the city at large? How can the confidence-building impact of this action be enhanced by other actions?

How will this action support or cultivate neighborhood leadership and capacity?



Partnership-driven

Does this action take maximum advantage of available resources and partners? What related or complementary actions can be clustered around this action to make the most of its momentum? Are we going the extra mile and reaching out to partners who haven't been involved on similar efforts in the past?

What are Dunkirk's assets?

If assets are to be used as a basis for prioritizing action by the city and its partners, how should Dunkirk define its assets? And how can the city avoid a definition of assets that is too broad to be useful or meaningful?

From the standpoint of strengthening the city's housing market, assets are features that help Dunkirk compete for households who have choices and who will compare the assets of multiple communities when they decide where to live.

The following list represents a short list of current or potential assets that are relevant to household location choices:



Parks system

Dunkirk has an impressively large and extensive park system for a city of its size – ranging from lakefront parks that serve as regional destinations (Point Gratiot and Wright) to neighborhood parks, such as Washington, that add character to surrounding residential blocks.



Lakefront

A significant portion of the Dunkirk lakefront is accessible to the public and has been for decades – a rarity for industrial cities on the Great Lakes. The lakefront is an asset with very uneven quality, however.



Historic housing stock

Just under 60% of Dunkirk's housing units were built before 1939, and the city's historic district overlay zone recognizes the importance that many of these homes play in the overall character and desirability of Dunkirk's housing stock. Renewed interest in historic preservation and city living by younger generations is an asset for Dunkirk to leverage.



Central Avenue Corridor

Although Dunkirk and Fredonia compete for many of the same households, they compete together against other regions for businesses and skilled workers. In that larger context, the Central Avenue corridor that links a Great Lakes waterfront to a historic village commons – with SUNY Fredonia, the fairgrounds, and numerous institutional and architectural resources along the way – is the signature and binding asset of the Dunkirk-Fredonia community.



Healthy blocks and homes

Homes in excellent or good condition do not currently represent a majority of the city's housing stock. But they do represent 43% of all residential properties in the city and number over 1,800. And there are also numerous blocks in the city where they represent the majority homes. These homes and blocks should be considered critical assets to protect and preserve for the health of the overall market and the city's financial capacity to invest in other assets.



Affordability of high-quality homes

Dunkirk's affordability is a double-edged sword. Low prices can stunt investment by existing property owners who see little chance of return on investment. But the existence of high-quality homes at relatively low prices also opens opportunities for good buyers who are seeking value and plan to invest their purchase savings into home upgrades. To have this occur at any significant scale, these buyers need to perceive that the city's market, while currently low, has upward momentum.



School facilities

Dunkirk's school buildings – some historic, some modern – are in good condition and are important anchors for their neighborhoods. While the school system's role in influencing home purchasing decisions by young families is a matter for healthy debate, well-maintained facilities are an important physical signal to the market.



Outcomes to seek in Dunkirk's five market types



Beyond the application of principles that reflect existing market conditions and resource limitations, good decision-making also requires reasonable expectations about what can be achieved in different types of neighborhood markets under conditions of limited demand. What outcomes are Dunkirk and its partners trying to achieve on blocks that are already strong? What about blocks that seem to be at a tipping-point? And what about distressed blocks where concentrations of problem properties are high and there is very little private investment capacity to tap into?

The following table summarizes outcomes to strive for over the next five to ten years in Dunkirk's five market types – outcomes that should further shape the process of prioritizing investments and developing new policies or initiatives.

HEALTHY	The number of properties in excellent or good conditions remains high; average sale prices and market values rise at a rate higher than inflation; problem properties remain limited in number.
STABLE	The number of properties in excellent or good conditions remains high; the number of properties in distress falls; average sale prices and market values rise at a rate higher than inflation; problem properties decline in number; issuance of building permits increases.
AT-RISK	Number of at-risk blocks with one or more distressed properties falls; proportion of owner-occupied properties increases; number of problem properties falls; more "average" properties improve than decline; average sale prices and market values stabilize or begin to rise.
WEAK	Blocks adjacent to critical assets and visible corridors stabilize (fewer distressed properties).
DISTRESSED	Blocks adjacent to critical assets and visible corridors stabilize (fewer distressed properties); vacant lots are well-maintained and/or used for community purposes; concentration of poverty stabilizes or begins to decline.

PROBLEM PROPERTY ACTION STEPS

The decision-making tools and market information provided in this report can be applied to a variety of ongoing initiatives in Dunkirk, including day-to-day investments by the city and its partners.

This includes looking at short- and long-term capital improvements in the city through the lens of strengthening the housing market (helping people “choose” Dunkirk) and making problem properties less likely to become so in the first place.

But there are particular actions for the city and its partners to consider that relate directly to the three problem property types identified in Part 2. These include policies, data collection efforts, and special projects or programs geared toward the issues presented by each problem property type. Some represent entirely new initiatives for Dunkirk to undertake, and some are existing efforts that could be modified or informed by the findings of this report.

Interventions by Problem Type

TYPE 1: Vacant or High Risk of Vacancy

Inter-agency Vacant Property Task Force

Demolition of blighted properties

Land Bank acquisition and negotiated sale of foreclosed properties

TYPE 2: Troubled Rentals

Citywide rental registration and inspections

Expansion of strategic code enforcement and compliance assistance

TYPE 3: Owner-Occupied Slipping or Distressed

Expansion of strategic code enforcement and compliance assistance

Homeowner financial counseling

Property owner engagement and leadership cultivation

Resources for home rehab and repair

TYPE 1 Inter-agency Vacant Property Task Force

WHAT

Create a task force comprised of representatives from city departments and other agencies that interact with vacant properties and their impacts, including police, fire, code enforcement, community development, and the Land Bank.

The task force should be charged with (1) maintaining and sharing up-to-date information about vacant properties or properties with a high risk of vacancy, (2) identifying properties that are priorities for intervention or careful monitoring due to their location and market context, and (3) organizing the actions of partners to ensure that timely and appropriate steps are taken to find solutions for priority properties.

WHY

Good information and good communication are always important – but they are even more so when resources are so limited. Having multiple departments and agencies sharing intelligence and all pulling in the same direction makes good decision-making more likely to happen and makes the most of the resources, expertise, and roles that each partner can contribute.

CHOICES TO MAKE

Prioritizing properties: Approximately 150 residential properties in Dunkirk can currently be described as vacant or at high risk of vacancy based on key indicators and observations. While it may be feasible to passively monitor all of these properties, it will not be possible to actively intervene in each case. Task force partners should choose which 15 or 20 properties require the priority attention using the principles outlined in Part 4 (including relationship to assets and threat posted to market confidence).

Collecting data: Compiling and regularly updating just a few key indicators will provide task force members with high quality information without making data collection overly burdensome. Suggested indicators include:

- Water shut offs, long-term and recent, as an indicator of property vacancy
- Lis pendens filings from the previous 18 months to flag properties at high risk of bank foreclosure
- Property tax foreclosure lists, inclusive of redeemed properties, to flag properties at high risk of vacancy or turnover
- Field observations made by task force members and neighbors

TYPE 1
Demolition of blighted properties

WHAT

Between 2012 and 2016, 29 residential properties were demolished in Dunkirk – with most of them involving paths 3 or 4 on the outline of potential paths below:

1. Private property owner demolishes the property voluntarily to redevelop the parcel or bank the land for future use.
2. Private property owner demolishes the property in order to remedy code violations and after determining that demolition is more cost effective than repair.
3. The City receives a court order to demolish a property due to imminent public safety hazards and inaction by the owner; a lien is placed on the property to cover demolition costs (lien payment is rare).
4. The City and Land Bank partner on the demolition of a distressed tax foreclosed property.
5. City acquires a blighted property (voluntarily through negotiation with owner, or involuntarily through “spot blight” eminent domain), followed by demolition to resolve a threat to neighborhood health and vitality.

Demolition is an important tool for removing the worst properties, but the cost of a publicly-funded demolition (approximately \$25,000) and the challenges of acquisition and site control limit its realistic use to just a handful of cases per year.

WHY

The fall 2017 field survey of property conditions in Dunkirk found that at least 90 residential properties in the city exhibited signs of severe distress. It is reasonable to assume that the majority of these properties have already – or will soon reach – the end of their life cycle and will be prohibitively expensive for any owner to make the investments needed to maintain even minimum standards for habitation.

Over time, the removal of these properties will aid in the stabilization of the city’s housing market and strengthen the market in ways that ultimately lead to fewer properties becoming a public demolition responsibility.

CHOICES TO MAKE

Prioritizing properties: The city may have little choice when it comes to demolishing a property to guard against an imminent public safety hazard. But to the extent that the city and its partners (including the Land Bank) have choices to make, they should always prioritize demolitions that protect key assets AND stabilize blocks that already contain healthy properties.

TYPE 1
Land Bank acquisition and negotiated sale of foreclosed properties

WHAT

Each year since 2013, the Chautauqua County Land Bank Corporation (CCLBC) has worked with city and county officials to identify unoccupied, tax-foreclosed properties in Dunkirk that are (1) salvageable, (2) located in areas where a return on private investment is feasible, and (3) are likely to stimulate additional demand in the neighborhood if properly renovated. These properties are then marketed and sold to the party with the strongest proposal – including resources and experience that make a successful outcome likely.

This activity has resulted in the completed or pending renovation of 31 properties in the City of Dunkirk and has broadened to include bidding on bank-owned properties that meet similar criteria.

WHY

The continuation of this activity is critical to improving the likelihood that vacant properties in sensitive locations (especially those in stable neighborhoods or in proximity to other key assets) will be successfully improved and reoccupied through the careful vetting of new owners.

CHOICES TO MAKE

Prioritizing properties: The CCLBC has collaborated with city and county officials each year to identify a short list of priority properties where intervention will do the most to strengthen neighborhood markets. That process should continue and use the market analysis from this strategy as guidance.

TYPE 2
Citywide rental registration and inspections

WHAT A rental registration and inspection program is a way for cities to ensure that all inhabited rental properties meet basic health and safety standards – both for the protection of tenants and to ensure a level playing field in the rental property marketplace.

Such programs require landlords (with some common exceptions, including rental properties occupied by the owner) to register their properties and to apply for an inspection-based certificate of compliance (or a rental license). For landlords with a track record of clean inspections and responsiveness to code issues, programs generally offer such benefits as longer periods in between inspections.

Cost of administration (including additional code enforcement personnel to perform inspections, or the services of third-party inspectors) is often covered by registration and inspection fees.

Among examples in upstate New York of rental registration programs that include interior inspections are Rochester, Canandaigua, and Binghamton.

WHY Distressed rental properties represent the single largest class of problem property in Dunkirk. While rental registration and inspection guarantees only occupied properties meet basic standards for health and safety, the presence of standards sends a positive signal into the marketplace, deters the entry of bad landlords, and ensures that all landlords are meeting the same basic requirements.

CHOICES TO MAKE **Designing a program:** Outlining the details of a program – including administrative oversight, fee levels, inspection periods, appeals processes, etc. – requires thoughtful deliberation between City Council and the city departments that would play a role in the program. There are several models in peer cities to learn from, but the system has to meet local needs and capacity.

Passing an ordinance: Adopting a law that establishes a rental registration and inspection program is a necessary step and one that is almost always contentious. City Council members must ultimately choose between having stronger standards or continuing the status quo.

TYPE 2 & TYPE 3
Expansion of strategic code enforcement and compliance assistance

WHAT Code enforcement in the U.S. typically relies on a complaint-based model for identifying code violations, backed-up by penalties for property owners who fail to comply. In most healthy or stable real estate markets, this is usually sufficient to maintain general standards of property maintenance because the vast majority of owners already meet or exceed those standards voluntarily.

However, as markets grow weaker, properties become less valuable, and the share of financially stressed households grows, voluntary compliance becomes less dependable. Where poverty is high, a growing lack of willingness to invest in maintenance is coupled with a growing lack of ability to do so. Under these circumstances, code enforcement must become a more broadly defined system of strategies that proactively responds to different market conditions and different problems that need solving. Core elements of such an approach include

- **Education:** Many property owners simply don't know what property maintenance standards are and why they exist. Helping people understand what's expected and why can boost voluntary compliance while engaging property owners as partners in neighborhood improvement.
- **Compliance assistance:** There's a big difference between property owners who are willing but unable to comply and those who are simply unwilling. Identifying those who are willing and finding ways to assist them is critical to helping them feel like part of the solution instead of ashamed or penalized for not meeting standards. This is a careful process of communication and outreach that requires involvement by community development personnel, not-for-profit housing agencies, churches, neighborhood leaders, and police.
- **Targeted resources:** Even with a range of partners involved, resources for education, compliance assistance, and strong enforcement actions are still limited and must be focused with the overall goal of preserving or creating market stability and protecting critical assets.

WHY Code enforcement cannot be expected to revitalize a struggling housing market. But it can serve a powerful role if supplemented by proactive tactics aimed at market stability and property owner engagement.

CHOICES TO MAKE **Capacity:** Greater staff capacity in code enforcement and community development would be required to do more strategic code enforcement and compliance work – including the time and energy that goes into coordinating with partners and communicating with the public.

Prioritization: Greater staff capacity in code enforcement and community development would be required to do more strategic code enforcement and compliance work – including the time and energy that goes into coordinating with partners and communicating with the public.

TYPE 3
Homeowner financial counseling

WHAT Dunkirk has not experienced a widespread mortgage default crisis like those seen in many communities during the Great Recession and its aftermath. Nonetheless, census figures suggest that 260 low-income homeowners in Dunkirk are cost burdened, which puts them at an elevated risk of default – and an elevated risk of deferred maintenance. The exact number of Type 3 properties that fall under this scenario is unknown, but it is likely a significant share.

CHRIC and COI already provide foreclosure prevention services and household budget counseling. Focused outreach to the owner-occupants of homes that are in fair-to-poor condition may aid in connecting more households to these resources.

WHY Financially challenged homeowners are at risk of defaulting and contributing more properties to the Type 1 list. And even if they continue to pay their home loan on time, they are less likely to be investing in their homes at a healthy pace. Connecting homeowners with advice and counseling – as well as additional resources and services to improve household finances – is a critical step.

CHOICES TO MAKE **Outreach tactics:** Not everyone in need of financial counseling or assistance will be willing to accept offered help. But how can the partners involved utilize a range of outreach tactics to encourage as much participation as possible? What are best practices? What do we know about local communities that will aid in designing effective outreach? What resources might be needed to communicate services effectively?

TYPE 3
Property owner engagement and leadership cultivation

WHAT Disinvestment in Dunkirk’s owner-occupied homes is due in part to financial or situational stresses for some households. But, as in any weak market, it is also due to a conscious withholding of investment by others. Those who are able to invest more in their homes but are unwilling to do so because of a lack of confidence must be encouraged to do more. Generating a greater willingness to invest can take a few different forms:

- **Leadership identification and cultivation:** Feeling connected to one’s neighbors can instill a greater sense of optimism and purpose, but neighborhood leaders are needed to reach out and bring people together. This happens organically in some areas. In others, the city and its partners may need to draw out and engage with potential leaders.
- **Collaborative investment:** Whether the city is repaving a block, planting trees, improving a park – any action that sends clear signals of investment to surrounding property owners – the city should view it as an opportunity to inform and engage neighbors. If a homeowner senses progress and commitment, they will feel better about investing their time, energy, and resources into property and neighborhood improvement.
- **Reinvestment incentives:** Financial incentives can play a role in reducing the perceived risk of home investment, but they can also be used as platform for engaging with homeowners as partners in the city’s future. Temporary property tax exemptions for eligible home improvements (421-f) and privately funded matching grant programs for groups of neighbors (as exercised in Jamestown and Oswego) are two applicable tools.

WHY Helping potential homeowners or business owners ‘choose’ Dunkirk over other options in the region will depend on the ability of the city and its residents to exhibit a willingness to invest in their own city. If homeowners are able to improve their home or neighborhood but choose not to, why should an outsider choose to invest?

CHOICES TO MAKE **Investment in capacity and partnerships:** Cultivating neighborhood leadership and boosting the level of engagement between the city and property owners requires a commitment of staff and volunteer time. To make the most of expertise throughout the community, consider establishing a “**Healthy Neighborhoods Task Force**” comprised of partners from multiple sectors (such as philanthropy, banking, non-profits, and home improvement businesses) who can collaborate with the city on developing, funding, and implementing catalytic initiatives in Dunkirk’s neighborhoods.

Consideration of impact potential: The city and its partners have to choose where to focus leadership cultivation efforts and reinvestment incentives – and this means starting in areas where leadership already exists to some extent and where market conditions suggest that private investment by homeowners is a reasonable outcome to expect of the city’s efforts (markets that are at-risk or stronger).

TYPE 3
Resources for home rehab and repair

WHAT Part of expanded efforts to provide compliance assistance to homeowners is connecting them with information and resources that will help them improve their properties and build equity. Examples of resources that currently exist and could be brought to bear for Type 3 properties include:

- Partnerships with local lenders to promote and help homeowners understand home improvement loans
- Weatherization programs to decrease utility costs and redirect those expenses to other home improvements
- Rehab and emergency repair resources for eligible property owners
- Volunteer-driven home improvement activities

WHY Owner-occupants have a vested interest in the future of their properties and their neighborhoods. If they lack the financial ability to address maintenance issues, helping them understand their options and connecting them with available resources is a critical step.

CHOICES TO MAKE **Prioritization:** There are more homeowners who need help than there are resources in any given year. So, what factors should the city and its partners consider when deciding who to assist? “First come, first served” is fair, but it might not be smart – especially if the city pays to fix the roof on a house that is likely to be demolished within a decade. Using the principles defined in this report to prioritize might be a smarter way to allocate resources, but that doesn’t make it easier to say ‘no’ to households in need.

Choosing Dunkirk

A Strengths-Based
Strategy for
Problem Properties in
Dunkirk, New York

MARCH 2018



HON. MAYOR WILFRED ROSAS

czb

