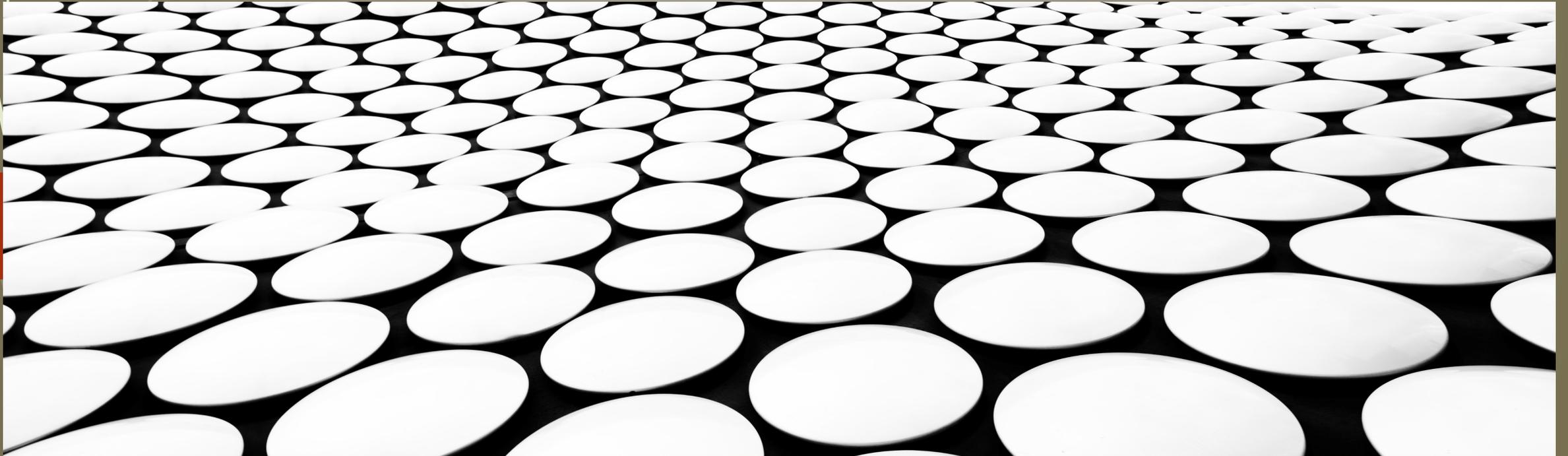


Zombie Properties: Collecting The Uncollectable

106th Annual NJ League of Municipalities Conference
November 18, 2021



Presented by:

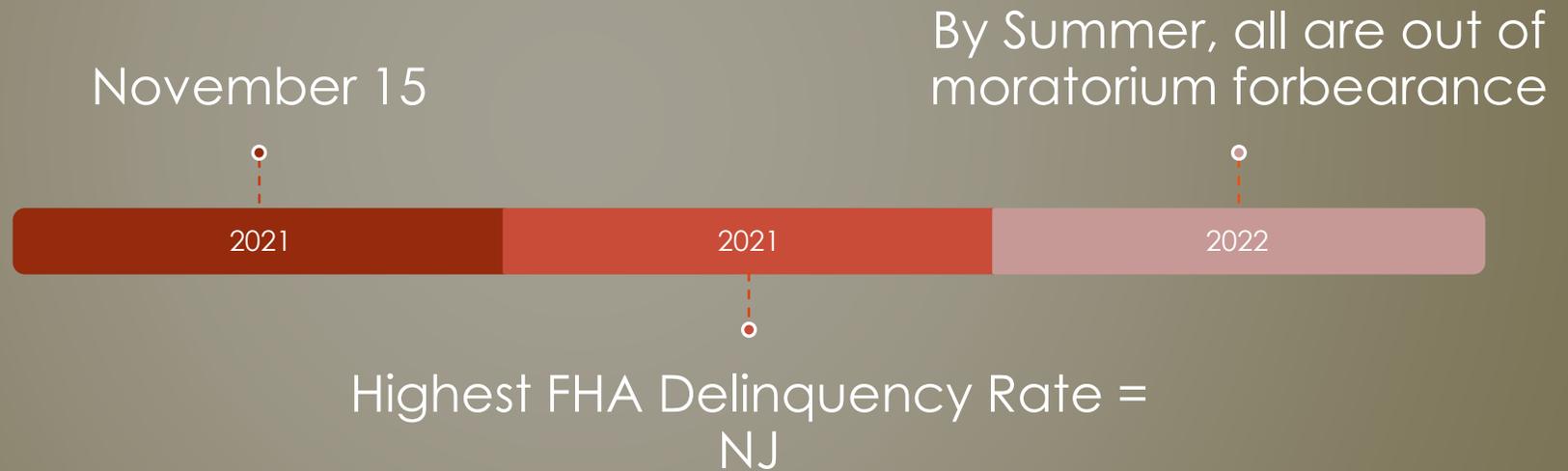
DONNA HOLMQVIST, AICP/PP
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Preferred Planning Group LLC

Land Development & Zoning Experts

NJ State Eviction Moratorium Ending For Homeowners



NJ Headwinds = High Foreclosure Risk



- ✓ Income Required for Home Ownership
- ✓ Wages Lagging
- ✓ High Median Price
- ✓ Job Creation Weaker than Nationwide
- ✓ Net Outmigration Accelerating

Local Red Flags

- ✓ Commercial Delinquency
- ✓ Distressed Sales or Foreclosures
- ✓ Residential Vacancy Above 5 to 8%
- ✓ Violent Crime
- ✓ Inventory Increase & Price Decline



NJ Counties Among Top 50 Most Vulnerable As of Q3 2021

North Jersey Counties:

Essex

Hunterdon

Monmouth

Ocean

Passaic

Sussex



South Jersey Foreclosure Filings:

Cumberland = 1 in 548

Gloucester = 1 in 696

Atlantic = 1 in 709

Natural Disaster Frequency

Hurricane & Flood



Fire & Mudslide



...plus economic impacts from Covid 19, e-commerce shift
& remote work preference

Vacant, Abandoned & Deteriorated (VAD)



Look at Distress Indicators
VAD's Multiply
Quantify VAD Pipeline

- Tax Delinquency
- Code Violations
- Deterioration
- Police & Fire Calls
- Nuisance Complaints
- Nuisance Abatement Reports
- Utility Shut Offs
- Neighborhood Feedback
- Vacancy
- Lis Pendens Notice by Lender
- Mortgage Foreclosure Filing
- Assessed Value
- Foreclosure Rate

What Is An Abandoned Property?

ANY of these conditions:

- Either mortgage or taxes at least 90 days delinquent, or
- Code enforcement inspection shows property not inhabitable & no corrective action taken 90 days after notification, or
- Property subject to court ordered receivership or nuisance abatement related to abandonment



VAD's Can Become Zombies

Zombie Property:

Abandoned by lien holder & owner

If vacant & delinquent for more than two years, may be abandoned



Zombie Foreclosure:

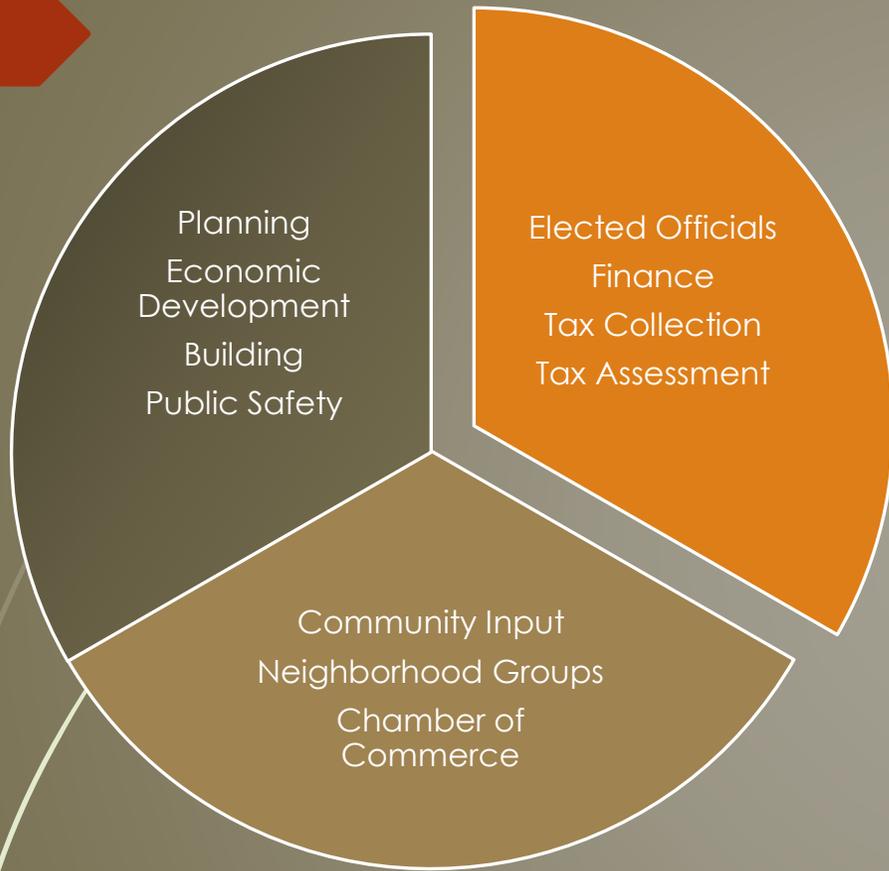
- Homeowner incorrectly believes they need to vacate property after notice of default.
- May chose to abandon for other reasons
- Undesirable Location
- Failure to attract buyers, too small or outdated, rehab cost too great
- If lender does not complete foreclosure process and sell home, it deteriorates & negatively impacts neighborhood.

Reasons Lenders Do Not Complete Foreclosure....

- Expensive Repairs
- High Back Property Tax
- Inventory Surplus
- High Liability



Municipal Support



- Foreclosure Prevention, VL Management & Data Analysis
- Prioritize Sites & Neighborhoods
- Update Master Plan & Zoning
- Adaptive Reuse
- Job Creation & Affordable Housing
- Scattered Site & Infill Revitalization



The Downward Spiral

- Tax Delinquency
- Environment Changes
- More Crime
- Public Costs Increase
- Investors Decline
- Stagnant Properties Increase
- Undermines Confidence
- Perceived Instability
- Residents Leave
- More Instability
- Less Demand
- Adds Even More Vacancy



.....very difficult to reverse

Rehab Opportunities

40% of housing stock at least 50 years old

- ✓ Distressed Property Can Be Bought, Updated & Sold Faster Than New Build
- ✓ Infill Housing
- ✓ Eliminate Substandard Housing
- ✓ Reduce Unsafe Conditions
- ✓ Rebuild Urban Core
- ✓ Social Equity Mechanism
- ✓ Wealth Builder



Hotel, Retail & Office Repurpose



Creativity & Vision.....

- Community Facilities
- Municipal Offices
- Affordable Housing
- Recreation



Municipal Quarterback (Strategic Tools)

Create System

- Identify Tax Delinquent Parcels
- Date Vacant
- Why Vacant?
- Code Enforcement
- Community Context
- Neighborhood Stabilization Plan
- Data Analytics For Study Area
- Homeownership Rate

Establish Goals

- Formulate Community Goals
- Promote Social Equity
- Affordable Housing
- First Time Home Buyers
- Eliminate Blight
- Plan Open Space
- Community Facilities

Collaborate

- Define Shadow Inventory
- Combine with Other Sites for Bigger Local Benefit
- Economic Development
- Surveys
- Task Force
- Technical Assistance
- Private, Non-Profit & Public Agency Partners

Municipal Options

Tool	Outcome
Do Nothing	Interest, Penalties & Debt Increase Owner Has Less Incentive to Maintain Property
Sell Liens	Investor & Developer Market Immediate Revenue May Result in Decline of Property
Land Bank	Convey Tax Lien to Municipal Authority or Land Bank Assemble Inventory Promote Community Goals Choose Reliable Partners
Community Development Corporation (CDC)	Municipal Gov't Gets Title After Judicial Foreclosure
Tax Abatement	Reduce Current Burden May Need Future Lien



Vacant Property Registration Ordinance

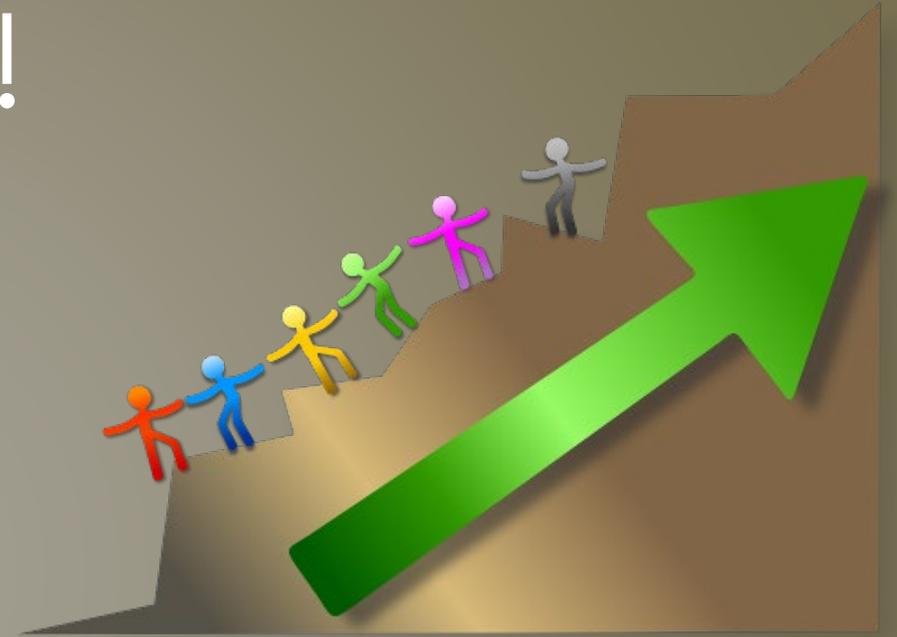
- Abandoned or Vacant Property or Lot
- Property Contact & Liability Insurance
- Avoids Local Costs for Maintenance & Code Enforcement
- Register Notice of Default or Intent to Foreclose
- Require Working Windows & Doors



Thank You!

Useful Sources:

- ❑ Housing and Community Development Network of New Jersey
- ❑ National Association of Realtors
- ❑ Center For Community Progress
- ❑ National Housing Institute
- ❑ Mortgage Bankers Association





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