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BY DANIEL MEYER

Abandoned properties are bad news.

Unfortunately, Western New York is littered with them, both commercial and residential.

Instead of bringing in revenue through property taxes, they become a financial burden to municipal governments, which are forced to maintain them. Such properties often become magnets for crime, graffiti and arson. They also depress the value of houses and other properties nearby.

Many communities, however, are making strides in cleaning them up to be reoccupied or, in some cases, having them torn down. A combination of regional leaders, community stakeholders and private entities are implementing tactics that have worked elsewhere in an effort to reduce the number of eyesores locally.

A primary contributor of vacant property and the blight typically associated with it are foreclosures, which deny local governments of much-needed tax revenue, erode the value of nearby homes, present possible health and safety risks and complicate neighborhood revitalization efforts.

"Foreclosures are never a good thing," said Buffalo attorney Garry Graber, who leads the bankruptcy, restructuring and commercial litigation practice group at Hodgson Russ LLP. "Each individual property is unique in its own right, but ultimately foreclosure occurs because there is not enough revenue being produced for the property owner to make payments on their mortgage."

While foreclosure filings for 2013 were at the lowest annual level since 2007, overall activity increased last year in 10 states, including New York. Scheduled foreclosure auctions in states that follow the judicial process were the highest in three years.

Most notable in recent years is the rise in "zombie" properties, which have been completely abandoned and left to deteriorate and are listed on the region's unofficial portfolio of despair. In what has become a recurring theme, homeowners fall behind on mortgage payments, causing their bank to threaten foreclosure. At that point, some homeowners simply move out and leave the house vacant. If the bank fails to follow through with executing the foreclosure, the property sits in limbo, sometimes for several years before any action is taken.

In the meantime, non-maintenance often leads to disrepair, making the structure attractive to squatters or drug dealers.

"In a growing and prosperous economy, you do not see foreclosures happening that often," Graber said. "Generally speaking, however, the foreclosure process is often started but not completed for a variety of reasons. It's when foreclosures actually go to sale that we see an impact and cause for concern about the real estate market. Make no mistake about it — foreclosures have an impact on the overall image of our region."

#### Government assistance available

Three years ago, the state Legislature established so-called "land banks" to help municipalities deal with abandoned properties, many of which are facing or already going through the foreclosure process. Nonprofit organizations are able to acquire vacant, abandoned or foreclosed properties and thoroughly investigate the structures before deciding whether or not to renovate or demolish them. For local governments, restoring such properties by using land banks can significantly lower the costs associated with maintaining them, reduce crime and boost the local economy. Approximately \$13 million in grant funding has been awarded to land bank programs in Erie County.

New York Attorney General Eric Schneiderman, meanwhile, announced a proposal last month to double the number of land banks statewide from 10 to 20 in order to meet "a critical need for the kind of community redevelopment that land banks can make possible," he said.

His plan requires plaintiffs in a mortgage foreclosure action "to maintain the property

in good faith" and holds banks responsible for any property that has been defined as being left vacant by the previous owner or their tenant.

Despite the efforts of state government, however, local real estate insiders say further action needs to be taken, especially at the federal level.

"There are things going on and programs are available but there is still not enough being done," said Dave Weitzel, a real estate broker with ReMax who has renovated properties he purchased on Buffalo's West Side. "We have some good not-for-profits around, but the programs being offered, particularly by the federal government, do leave a lot to be desired. I know there is only so much that can be done at the local level, but somehow we need some type of 'reset' button that we can hit because of the restrictions that are currently in place."

#### Still desirable

Observers of the local real estate scene say things are not as doom-and-gloom as many believe.

"Based on the conversations I constantly have with people outside of Buffalo, believe it or not, despite what you may see and hear and read around here, Western New York is not a bad market. And that includes the City of Buffalo, particularly downtown," said Roger Ross, an attorney at Hurwitz & Fine PC.

He has more than 30 years of experience in commercial and residential real estate.

"Sure, foreclosures are part of the landscape, but foreclosures happen everywhere, not just in Buffalo," he said. "People still want to do business here and set up shop here."

Ross pointed to a recent commercial transaction as a sign of outside interest in Western New York real estate.

"I am on the verge of closing for someone who is planning to invest what I would call a significant amount of money into the former Summit Park Mall," he said. "This is a property that at one time had 80-plus stores but has been underutilized for quite awhile. They want to come here, spend money to renovate it and ultimately provide retail shopping opportunities. That is just one commitment that I use as an example. There are more, and I believe there will continue to be more to come in the future."

While a foreclosure may be red-flagged as yet another failure, Ross said investors from Canada view it as a new opportunity to come across the border and investigate a new business venture.

"The people I talk to from Canada are investors who want to renovate American pieces of property and breathe new life into them," he said. "We are constantly talking here about despair and being upset about foreclosures, but there are Canadian residents who want to invest their money here and Canadians who want to come to our country to shop here. We should not sell ourselves short. There are foreclosed-upon properties that are not dead but instead just need someone willing to put in the time, money and effort to get them back on their feet as viable retail outlets."

"Buffalo is still well-regarded," agreed Sujata Yalamanchili, partner and practice area leader at Hodgson Russ LLP in Buffalo. "In my dealings with commercial leasing and real estate development, I hear that from people from out of town all the time. They think highly of us and see Buffalo as a community offering great potential. When I tell others about this, they are pleasantly surprised. We sell ourselves short and sometimes are our own worst enemy."

Graber, meanwhile, pointed to renovations at the Guaranty Building, Statler Towers and the former Sheehan Memorial Hospital as large-scale projects that have motivated investors.

"There are three examples, and there are others much like them, that give you reason to believe that things are not as bad in Buffalo as people may think," he said. "Maybe this renaissance that we are experiencing, particularly in downtown Buffalo, may need some time for a bit of digestion, if you will, but things are moving ahead."

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