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Back from the Brink

Massachusetts communities are using housing receiverships to save neglected properties.

By Nadine Mironchuk

While there's certainly everyday drama in the city of Chelsea, just upstream from Boston Harbor, there's grit of another kind, too. The city (pop. 35,080) is working to keep urban blight at bay.

Standing at the crest of the high-rent Admiral's Hill townhouse development, where the Mystic Bridge rises up from the Chelsea waterfront, you can see just how challenging that task must be. Below Admiral's Hill, most housing in working class Chelsea is a crowded hodgepodge of multi-unit triple-deckers and brick, block-wide buildings where waves of immigrants come to begin their immersion into the U.S.

Many individuals — city planners, nonprofit managers, and state officials — have helped revive Chelsea's housing market. But the most valuable tool in Chelsea's tool chest may be *Mass. General Law C. 111, § 127I—Dwellings, etc.; Unfit for Human Habitation; Powers and Duties of Receivership*. Through this underused law, chronically negligent landlords have been dealt with and substandard housing has been rehabilitated, often as affordable housing.

Starting in 1997, seven severely neglected buildings have been assigned to a local agency for receivership, undergone rehab, and brought two dozen affordable rental units back onto the market. Receivership "has been a valuable tool in our efforts to reclaim our city," says city manager Jay Ash, formerly the city's planning director.

He found a gem

In the mid-1990s, attorney Stuart Rossman was working in the office of former attorney general Scott Harsh-barger. Rossman was promoting a program called the Safe Neighborhood Initiative when the receivership law caught his eye. Looking for a way to promote stability in declining neighborhoods, Rossman decided the law could be used to promote the good of a whole community.

"The law was originally written up in 1993 for the most incorrigible landlords to be hauled

before the court and sanctioned, sort of like in the movies where a judge gets fed up with violations of health and safety codes and sentences a landlord to live in their own infested building," says Rossman.

In this case, the law allows a judge to determine that a property is kept in such a dangerous or unhealthful condition that the residents are in peril, and the property can be removed from the landlord's ownership and given to a receiver who will commit funds to repair all safety and health code violations. Realizing the courts are serious about reassigning ownership, some landlords pay back the improvement costs, as well as outstanding liens and taxes, and thereby retrieve the property from the receiver.

In 1997, the attorney general's office had drawn up guidelines for cities to follow in approaching the courts for relief, and one thing was apparent: It would take a lot of inter-agency cooperation to pull off the successful receivership of a substandard property.

"The first thing we had to do," says Kim Driscoll, who was the Chelsea city solicitor at the time, "was to determine if there were properties in Chelsea that warranted the kind of effort it would require to follow through. Then we had to realistically assess our capacity to perform the takings."

In a city of 1.9 square miles, it isn't hard to pinpoint bad buildings. Falling down, unsafe firetraps are obvious choices. Graffiti, fast food containers, drug paraphernalia, and soiled clothes left by the "temporary tenants" of unoccupied buildings could be documented. There was proof that the law could be applied.

During that time, Chelsea's Inspectional Services Department was spending a lot of time surveying, inspecting, citing, and appearing in court to seek sanctions on property owners. In 1997, the city decided to pursue its novel venture into court-appointed receivership of abandoned housing.

The sparkplug

Many city officials were involved: Guy Santagate (the city manager at the time), Kim Driscoll, Jay Ash (then planning director), community development housing specialist Carole Martinez, and inspectional services director Joe Cooney. All of them agree that the moving force behind receivership partnerships is Helen Zucco, executive director of Chelsea Restoration Corporation, the local agency chosen to serve as receiver for the troubled properties.

"If I knew how incredibly big the support system for managing a receivership has to be, I might have been daunted by it," says Zucco. She's being modest. When there's a need in Chelsea, she typically jumps in with both feet.

Zucco lived through Chelsea's decline. This quiet, middle-class suburb lost its middle-class status in the 1960s, was overrun by drugs and a terrifying rash of arsons-for-hire in the 1970s. It saw its revenues dry up through property tax restrictions and was overwhelmed at

the same time by several waves of immigrants in the 1980s. In 1991, Chelsea lost its ability to function as a city and was itself placed in receivership for four years by former Gov. William Weld. The positive outcome was a renewed sense of "can do" in city hall.

Zucco helped found the Chelsea Restoration Corporation. It was one of the first organizations in Chelsea to take advantage of government and bank programs that provided low-interest funds for housing rehab and first-time home ownership.

"There's no question that Chelsea has fulfilled our vision of how the receivership of troubled property should work. They have done as good a job as any community in pulling it all together and creating success," says Rossman. Bullied and threatened by some property owners, verbally attacked in court by others, and always forced to play a cat-and-mouse game of tracking hidden holdings, Zucco never shied from the job at hand.

Surprising start

The first property targeted for receivership was a triple-decker that was so below code it ultimately cost \$140,000 to rehabilitate. Its owner had ignored several years of citations, court dates, and escalating fines. The house was a drag on an otherwise quiet and pleasant street of triple-deckers that followed the 1948 opening of the Mystic Bridge.

In 1997, the city went to Suffolk Superior Court to submit its first petition for a receiver. Boston has a housing court to deal with this type of legal pleading, but Chelsea doesn't. Kim Driscoll went to court with extra copies of the state receivership law because she was asking for something novel. In her briefcase was the city's accumulated trail of demands for remediation.

The result surprised the city. Following the court's mandate, the property owner handed over the deed to Chelsea Restoration Corporation and walked away from the property without further involvement in its eventual disposition.

Using its own reserve of money for affordable housing projects, as well as those at the city's Community Development Office and other regional housing agencies, the CRC put up the \$140,000 in renovation costs and sold the property in 1998 for \$219,000 through a lottery system of selecting first-time, lower income buyers.

"Well, we thought this was easy, let's do another," says Zucco. Easy wasn't the right word to use for subsequent efforts.

Some properties had tough owners. In one case, a triple-decker was written up in a petition for receivership in 2000, and it took just under two years until the owners abandoned their efforts to reclaim it from CRC. It was a \$160,000 job, and again, it was put back out as affordable housing through the lottery program.

In another case, a building fell into probate limbo after the death of the elderly owner. Gaining access to the property was a nightmare, but that property, too, was sold after the

conditions of receivership termination were met. In all, four troubled properties have been rehabbed and eventually sold by CRC as affordable housing; two other multi-unit properties are still under receivership, housing stable tenants; and one is still vacant and awaiting further action in court.

The average time a judge will give a homeowner to comply with court-mandated repairs before ordering a property into receivership is about four months, with work to begin immediately. Depending on the ability of a homeowner to pay and how many residents are living in substandard conditions, the timetable can be flexible.

If a homeowner convinces the court that repairs are unaffordable and receivership is instituted immediately, the work is done as soon as possible, and repayment may take anywhere from six to 12 months, with the homeowner sometimes being able to plea for some accommodation to stretch out the deadlines.

In a particularly difficult case, where tenants are not in imminent threat of danger, a homeowner may be able to forestall the order of receivership for a few months. He can delay the repairs and miss court dates for a few more months, then convince the court that rental payments are the only means of paying back the repair cost.

This "installment plan" follows a ratio of the amount of rent paid each month versus the cost of repairs. At a building where the payout of rent on three apartments is \$1,000 each per month, it will take just over a year to clear the debt. Therefore, a difficult receivership could take between 18 and 24 months to either turn back to the owner or to foreclose on and sell.

"In a strong real estate economy, there's more of an opportunity to convince owners to re-engage in the upkeep of their property in order to maintain the value, but in a down market, it may be that more owners will abandon their buildings," says Zucco. She believes that the past few years were an opportune time to begin the receivership initiative, and encourages other cities to take advantage of the climate while it lasts.

What it takes

"Any city contemplating the rehabilitation of property by means of receivership should understand the enormous resources that must be put to the task," says Chelsea community development housing specialist Carole Martinez.

"It's huge," she adds. "Between this office, inspectional services, the law department, the police and fire departments, the courts, the agency named to act as receiver, and special consultants like the attorney general's office, not to mention the bank loans and special funding that must be tied up to do the work, you have to have a significant incentive to launch a receivership."

Says Zucco, "Handling a temporary receivership that may default into permanent status, and then foreclosure, will involve a lengthy series of missed deadlines and face-offs in court, where the judge gradually loses patience with the landlord over the course of time, just as the

city has. So if you can't find someone whose reservoir of patience can be refilled as you take your petition to court, you might consider not doing it!"

While no other community can say that they have Helen Zucco to lead their charge into housing receivership, more than 20 other Massachusetts communities have begun their own receivership programs. Nearly 200 housing units have been rehabbed and put back on the market as a result.

Nadine Mironchuk is a freelance writer specializing in the promotion of successful community-building partnerships. She is the author of A Handbook for Receivership of Abandoned and Problem Housing, written for the Chelsea Restoration Corporation.

Spreading the Word

"We called the repeated efforts at enforcing the maintenance of unsafe and unsecured problem properties playing the 'Thwack-A-Mole' game, like in the carnival. No matter how many times you socked the puppet in the cut-out circle, it wouldn't fall over; you could never get the prize," says attorney Stuart Rossman about community efforts to eradicate the problems caused by abandoned properties.

Rossman's pet idea was first employed in the Field's Corner section of Dorchester (Boston's south-side neighborhood). The city had identified 100 properties that deserved attention under the state's housing receivership law.

The new law would give the receiver of the property a super lien that took precedence over all other creditors. It also allowed the receiver "good Samaritan" immunity for any preexisting problems, and it gave the receiver broad authority to mortgage, rent, or foreclose on the property.

Under the aegis of the attorney general's Abandoned Housing Task Force, pilot programs were begun in Fields Corner and Springfield. These early programs resulted in the rehab of 20 buildings, and returned more than 300 units back to the rental market in safe condition.

The Town of Orange, a small community near Springfield, called the attorney general's office for help when a bankrupt estate comprised of several downtown properties fell into abandonment. Executors of the estate cooperated in the receivership of the property. Following these successes, the task force produced a manual for receivership of abandoned housing, and the team was in demand.

Although it no longer staffs pilot programs for towns, the attorney general's office will advise communities that want to manage a receivership with their own staffs. And the state acts as a clearinghouse for ideas and strategies.

The Abandoned Housing Project, while not well-known, has been expanding. Communities now using the receivership law as one tool to stem the decay of housing stock include: Barnstable, Boston (Fields Corner, Grove Hall, and Dudley Street), Bourne, Buzzards Bay,

Chelsea, Everett, Fall River, Fitchburg, Gardner, Greenfield, Hyannis, Lawrence, Lowell, Malden, Melrose, Montague, New Bedford, Newton, Orange, Springfield, Westwood, and Worcester.

It is estimated that about 175 properties in addition to the 20 in the first two pilot programs have been rehabbed by means of receivership, at an average of three units each — meaning the "Thwack-A-Mole" has created 700 to 800 apartments.

Resources

Contacts. Office of Massachusetts Attorney General Tom Reilly: Ann E. Donlan, 617-727-2543; www.ago.state.ma.us.

City of Chelsea, Office of Planning and Community Development: Carole Martinez, 617-889-8233; www.ci.chelsea.ma.us.

Chelsea Restoration Corporation: Helen Zucco; e-mail: chelrestor@aol.com.

Other laws. Several locales have housing receivership statutes on the books, or are preparing them for legislative approval. Among them are Washington, D.C., New York, Illinois, Connecticut, New Jersey, Colorado, Indiana, Pennsylvania, Missouri, Delaware, Texas, Tennessee, Ohio, Rhode Island, Minnesota, and Ohio. The community interest groups promoting this initiative in their cities include mental health resident advocates, law enforcement agencies, "green" groups, and minority organizations, as well as affordable housing advocates.