

Testimony Supporting
S.B. No. 1212, An Act Concerning Protections for a Tenant Whose Landlord Is Subject
to a Foreclosure Action
Testimony of Benjamin Gross¹
To the Committee on Judiciary
March 25, 2011

Good morning. My name is Ben Gross and I'm a Yale Public Interest Fellow. I'm currently working with the Livable City Initiative and the Department of Economic Development at the City of New Haven. The Livable City Initiative, for those who don't know, is the City department that is on the front lines of the foreclosure crisis in New Haven. LCI spearheads the City's neighborhood stabilization efforts, including foreclosure registration and housing code enforcement.

Erik Johnson, the Director of LCI asked me to come here today to convey his support for the passage of Senate Bill 1212. He has two messages for the committee.

Director Johnson's first message is this: vacant buildings destroy neighborhoods.

Our experience in New Haven tells us that banks will evict all tenants from a foreclosed property as soon as they are legally able. And our experience also tells us that this practice makes banks bad neighbors. Vacant, bank-owned properties are uniquely susceptible to a whole host of maladies that threaten the health and welfare of both neighboring properties and people who live inside. Take, for example, the property on Washington Avenue in the Hill that was cleared out by a bank and promptly had 18 windows stolen and was stripped of all its copper piping. Or the property on Howard Avenue with enough interior water damage to render it unfit for human habitation, not to mention the half a car illegally dumped in the backyard. Or the property on Monroe Street in Fair Haven that sat vacant in the hands of a bank for several years, caught fire multiple times, and attracted all manner of unauthorized occupants, including prostitutes and drug dealers. All of these problems might have been avoided if the foreclosing bank would have allowed the pre-foreclosure tenants continue to pay rent and occupy the property.

Because they are so susceptible to these sorts of problems, bank-owned vacant properties have a propensity to rapidly destabilize neighborhoods and not only depress the value of the bank's asset, but of neighboring properties as well. This can accelerate the cycle of foreclosure, eviction and abandonment with which I know this committee is familiar.

While all vacant buildings face these difficulties, bank-owned vacant properties are especially susceptible to them because the foreclosing banks rarely hire competent and responsive local property managers in New Haven to keep track of their properties. It is our hope that this bill will encourage foreclosing banks not only to hire managers, but to take advantage of the free local property managers already available to them: their tenants.

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And that brings me to Director Johnson's second message: the City of New Haven cannot afford to subsidize the property management expenses of banks and other financial institutions.

Our experience in New Haven tells us that once they have managed to empty a building, banks are rarely responsible stewards of their vacant property. New Haven taxpayers are routinely saddled with the cost of boarding up bank-owned vacant buildings, maintaining the grounds and clearing debris and illegal dumped trash. The City is forced to act due to the all-too-frequent absence of responsive local management. While the City will always attempt to lien the property in order to recover costs, the liens often remain outstanding for months or years, especially during economic downturns. Again many of these problems could be avoided or at least mitigated by the presence of tenants.

Over the last year, New Haven has seen a marked decline in the number vacant properties across the city. This is an encouraging trend that bodes well for the neighborhoods hardest hit by the financial crisis. We believe that this bill will help continue this stabilizing trend in New Haven. We also believe this bill will help make better neighbors out of banks all over Connecticut, encouraging them to protect their assets and become more responsible members of the communities in which their properties sit. And that's good for tenants, for neighbors, for the City, and even for the banks themselves.

Thank you.