

Enhancing Capacity to Repurpose New Jersey's Vacant Properties

How to Advance Community Goals through Land Banking and Other Tools

Introduction

The competition for land (with and without structures) is being felt acutely across the Garden State. Since the pandemic, many New Jersey communities have seen markets flip almost overnight, with an influx of new residents who had been priced out of the New York City market. Much like in communities across the country, the housing supply does not meet the needs of residents at most income levels and the commodification of housing is rapidly attracting corporate and institutional investors, often [targeting neighborhoods with high populations of Black residents](#). Even New Jersey communities that just five years ago had struggled to address large inventories of vacant and deteriorated properties are now seeing [record real estate sales](#). As communities seek to respond to the housing affordability crisis, it is more important than ever to evaluate existing opportunities to use land to meet residents' needs.

These market changes have inevitably led to a decrease in vacancy in most New Jersey communities—an overall positive trend, given that vacant properties [cause significant harm to neighbors and neighborhoods and strain municipal budgets](#). However, these recent market

changes require local governments and their partners to think differently about addressing vacant, abandoned, and deteriorated properties (VAD) properties and historic community disinvestment.

While reducing vacancy is good for neighborhood stability, these upward market trends bring new challenges like involuntary displacement and affordability gaps, particularly for low-income households. Communities that still have even a limited inventory of VAD properties must think strategically and with urgency on how to acquire or compel the transfer of these properties to mission-aligned partners to meet critical community needs.

Tools to Address Vacancy

Up until the last few years, many urban centers across New Jersey struggled with large-scale vacancy, symptoms of decades of racist and unjust policies and intentional disinvestment. A statewide coalition, led by the Housing and Community Development Network of New Jersey (HCDNNJ), sought to equip local leaders with new, impactful tools to address systemic

Between 2017 and 2020, more than 47 percent of Newark's one-to-four unit buildings were sold to institutional buyers.



vacancy. The coalition, among other policy priorities, successfully advocated in 2019 for the passage of the [New Jersey Land Bank Law](#), which authorized local governments to create land banks.

[Land banks](#) are public or nonprofit entities with a unique purpose to put vacant, abandoned, and deteriorated properties back to productive use according to community goals. They can have profound positive impact in the communities they serve, [including stabilizing neighborhoods and property values of neighboring homes, addressing safety concerns, leveraging economic investment, furthering racial equity and social justice, and creating lasting affordability](#). Shortly after the passage of the state-enabling land bank legislation, Newark established the [first land bank in New Jersey](#). As of November 2024, it remains the only operational land bank in the state.

Community Progress and HCDNNJ embarked on a two-year engagement¹ to increase knowledge about land banks across the state and help New Jersey communities explore the value and utility of creating a local land bank to address widespread vacancy and disinvestment. In our complimentary [Land Banking in New Jersey](#) brief, we described the functions and process for establishing land banks in the state.

However, through this work we also made a key observation: land banks may be useful to a smaller pool of communities than originally anticipated given the rapid appreciation of real estate markets and the change in VAD property inventory from being widespread to scattered.

It is crucial for local governments to prevent VAD properties from causing further harm to neighbors, and to reactivate them to meet community needs, like affordable housing. In communities where a land bank would not be useful, this will require leveraging existing legal tools in a targeted approach. The problem is, few New Jersey communities can immediately acquire these properties because they lack staff, legal, and operational capacity to use these existing policy tools.

This brief offers additional guidance to local governments and partners on alternative approaches

¹ Throughout the course of this engagement Community Progress and HCDNNJ reviewed relevant state laws related to land banking and addressing VAD properties; convened listening sessions with affordable housing developers, and their partners, to understand future opportunities and challenges with addressing VAD properties; hosted educational webinars on land banking in New Jersey; and provided technical assistance scholarships to three competitively selected communities (Atlantic City, Plainfield, and Salem).

Case Study: Newark Land Bank

The Newark Land Bank and its partners joined together to provide homeownership opportunities for residents by leveraging an underutilized provision of HUD's Housing Choice Voucher program. Using existing public inventory, the [Newark Land Bank is rehabilitating single family properties](#) and working with public and private partners across the city to make the dreams of homeownership a reality for Newark residents.

Programs like Newark's Section 8 Homeownership Conversion program are in jeopardy due to the dwindling public inventory and competitiveness for land. Affordable housing developers and community-based nonprofits, including land banks, have historically played a critical role in providing housing for the most insecure households. The more they get crowded out of the real estate market, the housing affordability crisis is likely to worsen.

to tackling a far more limited and scattered inventory of VAD properties—and recommendations on how to address the barriers to implement more effective approaches.

Challenges to Acquiring VAD Properties

The delinquent property tax enforcement system is one of local government's strongest legal tools to address VAD properties by compelling their transfer to new, responsible owners. In communities with high levels of vacancy, a land bank that is integrated into the tax enforcement system is often the optimal approach to neighborhood stabilization and revitalization. The land bank can be a temporary public steward that thoughtfully and predictably directs vacant, tax-foreclosed properties to new responsible owners.

Unfortunately, New Jersey state law requires local governments to offer tax certificates for sale to private buyers, weakening communities' ability to



In Salem, only 10% of tax certificates defaulted to the City in 2024, down from nearly 70% just two years prior.

use the property tax enforcement system to address VAD properties. This practice transfers the local government's right to collect *and foreclose* on the unpaid debt to a private party.

Most tax certificate purchasers want to collect as much interest and fees from the delinquent owner as possible. Some buy the tax certificates hoping the owner does not pay and they can then foreclose and either flip the property for a sizable profit or speculate and let the property sit vacant for years. Whatever the outcome, the sale of tax certificates denies local governments the chance to play an active role in neighborhood stabilization and equitable revitalization. This practice is a **significant barrier** for local governments to predictably and cost-effectively access VAD properties and transfer these liabilities to a land bank.

Despite this state law—and even without land banks—local governments and mission-aligned partners historically used the property tax enforcement system to acquire properties for community use in the following ways:

1. **Purchasing Tax Certificates:** Affordable housing developers and community-based nonprofits have successfully bid and acquired tax certificates at the tax certificate sale. In the weaker pre-pandemic market, many distressed vacant properties at auction were underwater in value and unappealing to investors. Affordable housing nonprofits often successfully purchased tax certificates for nominal costs. After a two-year redemption period, these affordable housing entities could foreclose on the outstanding tax certificate and take ownership of the property. Listening sessions across the state revealed this had been a common and cost-effective acquisition strategy for years.
2. **Acquiring Tax Certificates by Default:** When a tax certificate is offered for sale and receives no bid, it defaults to the local government. State law allows local governments to initiate a foreclosure action after a shortened six-month redemption period and subsequently take ownership of the property. Local governments are permitted to then sell or transfer the property at minimal cost to mission-aligned partners. Listening sessions across the state found that this was also a common practice, particularly for communities with a high count of vacant properties.

However, the hot real estate markets have made the tax certificate sale more competitive. Affordable housing developers and community-based nonprofits are being outbid by cash-rich private investors. Virtually all properties are now receiving bids at the auctions and few, if any, are defaulting to the local governments. In many communities, the portfolio of surplus properties accumulated over years from tax certificates that defaulted to the local government is either quickly dwindling or gone altogether.

In addition to the appreciating market, the legal landscape related to tax foreclosure has changed due to the Supreme Court ruling in *Tyler v. Hennepin County* (2023). The *Tyler* decision determined that local governments can recover only what they are owed in a tax foreclosure. This decision requires that property owners have a mechanism to recover any surplus—the value in the property that exceeds the amount owed. New Jersey Governor Phil Murphy signed a reform bill ([A-3772/S-2334](#)) in response to the *Tyler* decision, which provides property owners or their heirs the ability to claim surplus by requesting their property be sold at a

judicial sale or online auction. We do not fully know how this legislation will impact local governments and their mission-aligned partners' ability to acquire properties, but it will almost certainly make acquiring tax-delinquent VAD properties more costly.

How Local Governments and Their Partners Can Address VAD Properties

Recommendation 1: Leverage Existing Legal Tools

Even in this hypercompetitive market landscape, local governments in New Jersey have an opportunity to address community needs—with or without a land bank.

Local governments and partners should use existing code enforcement tools to strategically acquire VAD properties to reduce harm to communities and reactivate them to achieve priorities, like creating affordable housing. This approach is crucial for communities that do not have widespread vacancy and where the property tax enforcement process presents fewer opportunities to acquire VAD properties.

1. **Identify and analyze privately owned vacant properties and leverage existing legal tools to acquire.** Understanding the scale and nature of VAD properties is a critical first step. Communities will also need to determine what problem they are working to solve and what legal tools may be helpful. From our experience across the country, the communities that have the highest impact in addressing vacant properties have institutionalized the work through a dedicated group of leaders from departments that directly deal with vacancy, such as code enforcement, delinquent tax enforcement, legal, GIS, and public safety. The group could be responsible for assessing consistent, timely data that answers questions like:
 - Is the property tax delinquent?
 - Is the property code compliant?
 - What is the condition?
 - Who is the owner, and why is the property vacant?
 - What neighborhood market is the property located in?
 - Is it an [heirs' property](#)?

Example from the Field

[St Joseph's Carpenter Society](#) (SJCS), an affordable housing developer and NeighborWorks affiliate, has successfully used various tools under the Abandoned Properties Rehabilitation Act to transition VAD properties into affordable homes. SJCS is based in Camden and works in neighboring jurisdictions including Merchantville, Gloucester, and Collingswood. SJCS has used spot blight, receivership, and purchased properties at the Special Tax Sale. They recognize the capacity and financial constraints of the cities they work in and have paid for the legal costs associated with the enforcement actions that are usually the local government's burden.

Armed with this information, local governments should use legal tools that will most effectively address the issue. Achieving voluntary compliance from the owner should always be the priority; local governments should put equitable programs and policies in place that help low-income or vulnerable owners achieve compliance. However, if the property is truly abandoned or some corporate owner, for example, has resources but refuses to bring it into compliance, then local governments should look to compel the transfer of these properties to new, responsible owners. Where possible, local governments should seek to acquire and/or coordinate the transfer of the vacant property to a mission-aligned nonprofit.

Local governments in New Jersey have several legal tools to address VAD properties, most notably through the [Abandoned Properties Rehabilitation Act](#). These tools include:

- **Abandoned Property List:** Allows municipalities to certify certain harmful, vacant properties as meeting the legal definition of "abandoned," opening new powers and legal pathways to address them.
- **Special Tax Sale:** Allows municipalities to set entirely different rules for tax certificate sales of properties on the Abandoned Property List, including allowing purchasers to foreclose immediately instead of waiting two years, and setting bidder requirements.
- **Spot Blight Eminent Domain:** Allows

municipalities to acquire, address, and steward specific, individual properties with structures that are causing significant harm to neighbors and neighborhoods.

- **Vacant Property Receivership:** Allows municipalities to preserve and restore vacant buildings that are at risk of being lost from neglect or disinvestment by obtaining a court-appointed receiver to carry out abatement and rehabilitation activities.

2. **Prioritize long-term outcomes when disposing existing and future *in rem* inventory.**

Local governments should take stock of their existing *in rem* property inventory—the tax-foreclosed properties that have accumulated over years because their tax certificates received no bid in past auctions and defaulted to the local government. These properties should be mapped and analyzed against neighborhoods indicators, including market strength, demographics, public and private investments, and community needs. Local governments must also identify properties where tax certificates have defaulted to the municipality, but where foreclosure has not yet been completed. Due to the pandemic and the Supreme Court ruling in *Tyler*, there has been a statewide moratorium preventing local governments from completing the foreclosure of previously defaulted tax certificates. For example, Atlantic City has about 150 defaulted tax certificates it has not yet foreclosed on due to the moratorium. Local governments should pursue these foreclosures with guidance from local legal counsel.

However, *before* selling properties to the highest bidder at public auction, local governments should develop thoughtful disposition strategies that prioritize community-informed goals, like increasing affordable housing. In rapidly appreciating real estate markets, local governments may be tempted to sell their publicly owned properties to the highest bidder, but such a strategy could exacerbate the affordable housing challenge and harm current residents. Local governments have a responsibility to ensure that land use facilitates equitable neighborhoods.

- ## 3. **Consider land banking to address large inventories of VAD properties.**
- While the number of New Jersey communities that could benefit from a land bank may be limited due to

Example from the Field

In [Empowering Public Property: Simulating New Housing, Economic Development and Greenspace Policy with Newark’s City-Owned Property Inventory](#), the Rutgers Center for Law, Inequality, and Metropolitan Equity argues for repurposing publicly owned properties in pursuit of affordable housing, economic development, and community resiliency to advance the City’s established equitable development goals. The report also provides a roadmap for other local governments interested in better understanding their public inventories through data and developing informed policies for their disposition.

hot real estate markets, land banks are still a powerful tool to consider, especially in the handful of communities that still have large inventories of VAD properties. To learn more about which communities may benefit from a land bank and how one can be created, read our complementary brief [Land Banks in New Jersey](#).

Recommendation 2: Fill Capacity Gaps with Support From Public Agencies and Philanthropy

There was a clear trend in our conversations with leaders and our technical assistance engagements across the state: **New Jersey communities lack critical capacity, especially legal capacity, to acquire VAD properties to advance community goals.**

Most of the communities we spoke with were not using the [Abandoned Properties Rehabilitation Act](#) or other available legal authorities. Simply having the legal authority is not enough—community-wide education, staff capacity, legal expertise, and deep technical knowledge are needed to meaningfully implement these tools. Public agencies and philanthropy can play an important role in supporting VAD property acquisition and revitalization in line with community goals.

1. **Local governments and other public agencies should dedicate resources to increase staff, legal, and operational capacity to address VAD properties.**

In addition to local funding sources, public decision-makers should think creatively and partner with other communities to advocate for state-level resources.

2. **Philanthropic partners could increase investments in creative programming to address VAD properties.** This could include supporting statewide use of data systems, resourcing organizations that provide legal support to supplement local capacity, or programs focused on resident-informed education campaigns that ensure people harmed by VAD properties are at the decision-making table.

Building capacity and funding operations is typically not a top priority for either public or philanthropic funders, but it is a powerful way to deliver results. Examples from the field include:

In 2016, **New York State** passed the [Abandoned Property Neighborhood Relief Act](#), known as the “Zombie Law,” which required banks to assume certain maintenance responsibilities for the property while it carried out a mortgage foreclosure action, and gave local governments the ability to bring enforcement actions against banks that failed to comply. However, many local governments, especially those most impacted by zombie properties, did not have the capacity or legal expertise to carry out the new powers afforded under the law. In response, the New York Attorney General’s Office carved out about \$22 million from a series of settlements with banks stemming from the mortgage foreclosure crisis to build local government capacity to enforce the Zombie Law. The Attorney General’s Office engaged [LISC](#) to

Types of Capacity Needed

Developing and Implementing a Strategic Approach to Addressing VAD:

Data analytics and mapping tools, additional staff focused on VAD issues, internal process development, legal support.

Operations: Funding to boost legal capacity for enforcement, acquisition, and stabilization and maintenance activities on acquired VAD properties (e.g. demolition, rehabilitation, etc.).

Partners: Land banks can be created to address larger inventories of VAD properties, and can operate at the regional level to serve multiple municipalities and respond to opportunities as they emerge.

Education: Amongst various stakeholders including local government staff and elected officials, partners, and community members.

[manage and administer two rounds of grant funding](#), which helped more than 80 cities across the state. Grants helped local governments hire staff, train municipal employees and legal experts, and procure specialized software to implement a strategic, data-driven approach to address these properties.

Missouri state law allows qualified nonprofit organizations to ask a court to grant them possession of certain vacant and abandoned

While not all communities have an abandoned property list, those that do all mentioned that legal capacity is a major barrier to advancing enforcement actions for properties on the list.



properties that are at least one year tax-delinquent. Legal aid organizations in Kansas City and St. Louis have used this law to work with neighborhood organizations and pro bono attorneys to identify vacant and abandoned properties and use the law to abate problems and redevelop them into safe, affordable housing. In St. Louis, Legal Services of Eastern Missouri's (LSEM) [Neighborhood Advocacy program](#) also assists with vacancy prevention by providing homeowners with estate planning and offers local and state lawmakers technical assistance and legal guidance. Supported by philanthropic funding, LSEM will also help governments and stakeholders across the state explore and implement land banks and new tax foreclosure processes enabled by [recent reforms to state laws](#) that Community Progress helped draft and see to fruition.

The **Massachusetts** Office of the Attorney General launched the Abandoned Housing Initiative in 2009 in the wake of the foreclosure crisis. Through this program, the Attorney General's Office brings receivership actions against owners of vacant and abandoned residential properties identified by local municipalities. To bolster the effectiveness of this initiative, in 2012 to Attorney General's Office used funds from the national settlement with mortgage services to launch programs including a [Receivership Fund](#) to help receivers finance property repairs and rehabilitation, and a strategic demolition fund to help communities demolish properties that were poor candidates for rehabilitation. In the first ten years, the initiative had worked with 140 cities and towns, filed over 300 receivership petitions and led to the recovery of [\\$1 million in delinquent taxes](#).

Conclusion

Due to rapidly accelerating real estate markets, dwindling public inventory, and changing legal landscapes, many local governments in New Jersey must look beyond the delinquent property tax enforcement system to leverage VAD properties to meet community goals—like more affordable housing.

While there are several legal tools available to New Jersey communities for addressing scattered VAD properties, very few communities have taken advantage of them because of a lack of capacity.

Public agencies and philanthropy can play a significant role in filling this capacity gap. Funders committed to housing and racial justice and building thriving communities should support local governments and their partners so they can utilize these alternative legal tools to reactivate VAD properties in support of more just and equitable outcomes.

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