

## R.I. Attorney

# Rehabilitating blighted residential properties through court-supervised receivership

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Rehabilitating blighted, residential properties presents a number of complex issues. Currently, there are a number of strategies emerging to reposition blighted residential properties through court-supervised receivership proceedings. The purpose of these proceedings is to rehabilitate the blighted property and put the property back into productive economic use.

One common scenario is where owners do not occupy the property or the property is a failed investment property and the owner is no longer able or willing to invest funds into rehabilitating the property. In these situations, the owner has typically attempted to divest themselves of the property by a short sale or similar exit strategy. When those efforts fail, the owner is left in a stalemate – incurring taxes, insurance and other liabilities as well as the expense of a non-conforming property with no viable exit strategy to sell the property.

In situations such as these, owners have successfully utilized court intervention by petitioning the property into a court-supervised receivership proceeding. Through this process, maintenance issues at the property can be held in abeyance while the property is marketed and sold through a court-supervised competitive sale process.

A key benefit of this process is that it brings potential buyers to the table who can invest in rehabilitating the property. In turn, the buyers benefit because the receiver can sell the property free and clear of liens, claims and encumbrances. Beyond removing the blight, this is an attractive model to owners as the current wave of momentum in the residential market can result in competing bids for the properties, which allows the value of the property to be maximized. Another added benefit is that once that property is abated, the host municipality benefits from a property that's been put back into productive economic use.

Another “receivership” strategy is driven by municipalities. In Rhode Island, the Abandoned Properties Act allows municipalities to seek the appointment of a receiver either through the municipal court, or superior court process. In these situations, the court must first determine whether a property is

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both a public nuisance and abandoned. Once these two elements are established then, the court can appoint a receiver to address the public nuisance issues at the property. This process works in a few of

different ways.

One way is that the owner, or priority lien holder will work with the receivership to establish an abatement plan, complete the abatement plan and, exit the re-

ceivership process. This allows the owner or lien holder to preserve their interest in the property. In turn, the municipality also benefits in that the property is no longer a public nuisance and is placed back into economic use.

The second way is where no owner or lien holder is willing to step forward to abate the public nuisance issues. In those circumstances, the court can authorize the receiver to effectuate an abatement of the property. This involves working with the marketplace to identify what steps are necessary to abate the property and submitting that plan to the Municipal or superior court. Through this process, the public nuisance issues with the property are abated through a court-supervised sale

process and the property is placed back into productive economic use.

In any of the situations discussed in this article, the basic premise in seeking the court's intervention is to utilize the statutory and/or inherent equitable powers of the court, to preserve value, place the property back into economic productive use and resolve public nuisance issues thereby removing the blight from these residential properties.

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