

Memorandum

TO: Office of Housing and Community Development, Louisville Metro Government; Codes and Regulations, Louisville Metro Government; Management and Budget, Louisville Metro Government

FROM: Tarik Abdelazim, Vice President of Technical Assistance, Center for Community Progress; Matt Kreis, General Counsel, Center for Community Progress; Mallory Rappaport, Program Officer, Center for Community Progress

DATE: October 29, 2025

RE: Louisville Metro Government: Code Liens Analysis

Introduction

Louisville Metro Government (LMG) engaged the Center for Community Progress to review its inventory of outstanding code liens and recommend potential reforms to policies, practices, or programs that support neighborhood stabilization and revitalization. Code liens in Louisville result when a property owner fails to: (1) correct violations of LMG’s property maintenance and housing codes, and (2) pay LMG any resulting fines or costs incurred by LMG to remediate the violations.

Over the last several months, Community Progress analyzed LMG data related to code liens, reviewed state and local laws and policies guiding code lien enforcement, and held regular calls with leadership and staff from LMG’s Offices of Housing and Community Development (OHCD), Codes and Regulations (OCR), and Management and Budget (OMB) to better understand existing practices.

This memorandum summarizes our findings and recommendations to help LMG strategically coordinate code lien enforcement in support of its broader goals for neighborhood stabilization, revitalization, and community development. It begins with a primer on code liens and the unique leverage they provide to help LMG improve its neighborhoods. Then follows an overview of LMG’s code lien portfolio. It concludes with our key findings and recommendations.

Appendix A lists project participants and **Appendix B** summarizes the general code enforcement process and OMB collection process Community Progress conducted in summer 2022.

These findings and recommendations reflect our independent analysis and are subject to the review and guidance of LMG’s attorneys and other experts in this field. We hope our insights help LMG create a stronger framework to better leverage its inventory of code liens and we look forward to continuing to support these efforts.

Code Lien Primer

Where do these code liens come from?

State and local law gives Kentucky cities a range of tools to compel private property owners to maintain real property in accordance with state and local health, safety, and property maintenance codes. If an owner fails to, for example, remove trash and debris from their yard, repair broken gutters, or address other code violations, cities can fine the owner, correct the violation and bill the owner for the costs—or some combination of both.¹ When LMG follows the proper procedures to issue fines or incur abatement costs, state law and local ordinances allow it to secure repayment by filing a lien against the property.

As of May 2025, there are more than 80,000 unpaid code liens filed against private properties in Louisville.² These code liens largely reflect:

- 1. Fines and Fees.** Citations for housing or property maintenance code violations almost always result in an automatic fine and a small administrative fee. An owner can avoid these charges if they successfully appeal the citation to Louisville’s Code Enforcement Board or quickly remedy the violation and have the charges waived. If unpaid, the charges are assessed as a lien against the property.
- 2. Abatement Costs.** For many vacant, abandoned, and deteriorated (VAD) properties with absentee or irresponsible owners, violations are hardly ever remedied. When such violations become health and safety risks (“nuisances”) to neighbors, LMG can send staff or contractors to abate them and bill the owner for the costs. The most common nuisances LMG abates include high grass and weeds, trash and debris, and board-ups of vacant and open buildings. If an owner refuses to reimburse LMG for the public dollars used to abate nuisances on their property, then LMG will assess the costs as a lien against the property.

Notably, these liens are more effective when they reflect LMG’s true remediation costs, including personnel time, inspection fees, administrative costs, equipment costs, and other relevant expenses.

Why are code liens unique?

A lienholder has a legal interest in the property and can leverage this interest to compel the owner to pay the amount owed. For example, lenders are unlikely to lend money if the owner is seeking to use the lien property as collateral, or if the lender’s interest would be subordinate to prior or other lienholders.³ When an owner wishes to sell real property with an outstanding lien, the new owner (or, more likely, their lender and title insurance company) will typically not

¹ Louisville and other Kentucky cities have many tools to address vacant, abandoned, and deteriorated properties, but for the purposes of this memo we will focus on the most common ones: issuing fines and other fees to owners for noncompliance, and nuisance abatement powers. The Louisville Code Enforcement Board is the forum in which challenges to the cities use of these tools is typically heard.

² Data provided July 2025 from LMG, pulled from its Acela database (hereinafter “Acela”).

³ Generally, in most states, whichever lienholder files their lien first has priority over subsequent lienholders, although see the next paragraph for scenarios where this may not always be true (e.g., liens for unpaid taxes).

allow the transaction to proceed without seeking the payment and/or release of the lien. A lienholder can also file a foreclosure action, compelling the sale of the real property to generate cash to repay the lien.

Code liens give LMG added enforcement strength, provided proper noticing and procedures are followed. In Kentucky law, a code lien holds a special “priority” status.⁴ If LMG enforces the lien—usually through a foreclosure action—they get paid first, regardless of when other lienholders filed against the property. This priority status makes it more likely a lender or title insurer will require a potential new owner to ensure the lien is paid off before they will lend money or issue a title insurance policy.

In short, code liens are uniquely powerful legal enforcement tools that can be leveraged to achieve community development outcomes.

That said, their effectiveness depends on economic and market realities. For many property owners, compliance is an economic decision. Some owners have the money but choose not to invest in repairs, fearing they will not recover their investment, while others simply cannot afford them. A lien can only compel compliance if an owner values or seeks to protect their property value or interest.

DATA SPOTLIGHT

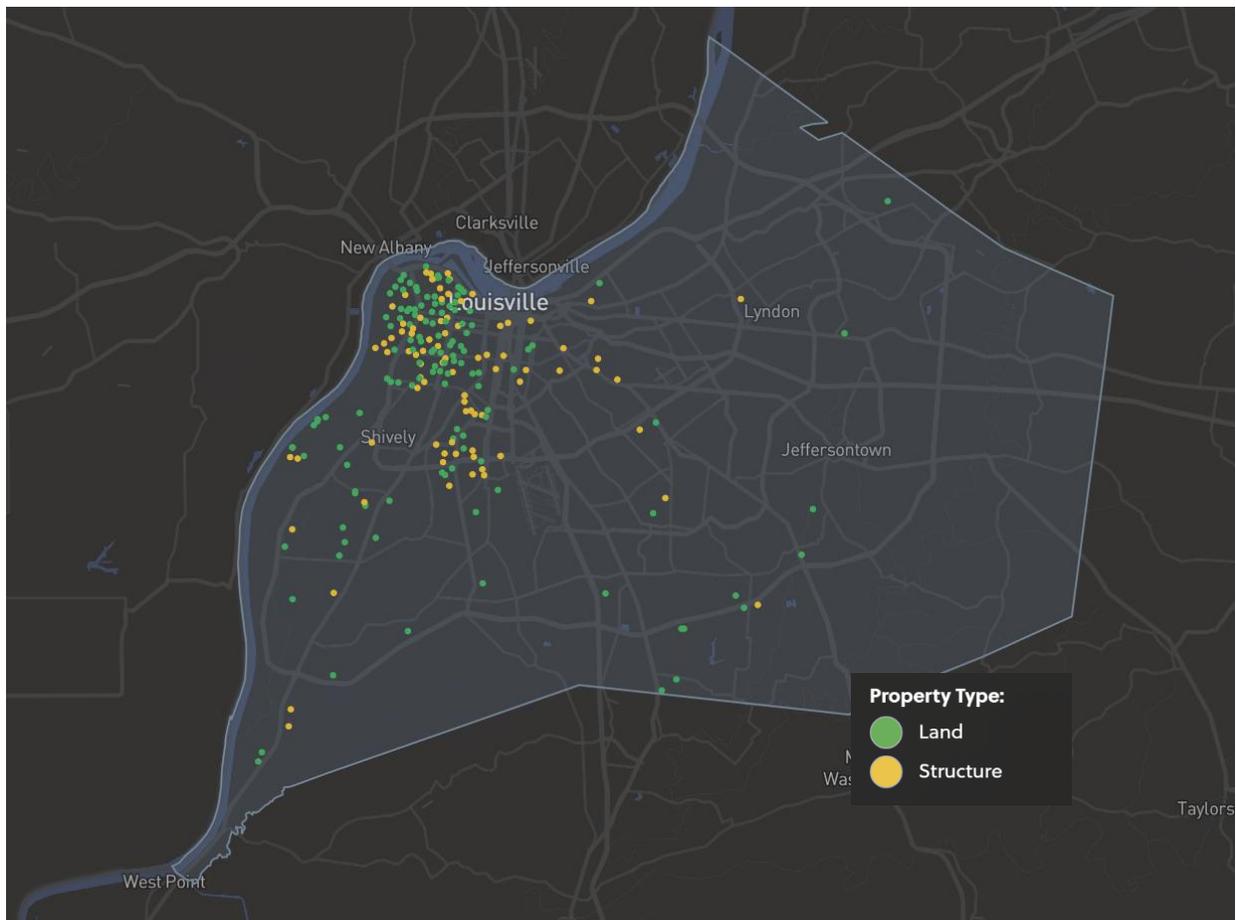
In 2023, 136 vacant properties were foreclosed upon due to outstanding code liens and offered for sale at the tax auction (Commissioner’s Sale). Of these properties, 104 received no private bids and ended up acquired by the City and then transferred to the land bank. The debt extinguished on these 104 properties totaled \$2,825,381 (per data provided by LMG’s Office of Management and Budget). Vacant properties are also likely to have increased calls from service from the Police and Fire Departments, resulting in additional and significant public costs. While this technically represents a “loss in revenue,” these receivables were likely never going to be collected. And worse, if the City had taken no action, these problem properties would have continued to threaten public health and safety and cost the City hundreds of thousands of dollars annually in ongoing abatement costs.

While it was not the intent of this engagement to quantify the costs of vacant properties, multiple studies and research have shown the tremendous fiscal and economic harms caused by vacancy. As an example, see this 2016 Community Progress report, [A Conservative Analysis of Costs Imposed by Vacant and Blighted Properties in Toledo](#).

⁴ See, for example, Kentucky Revised Statutes (KRS) §§ 65.8834; 65.8835; 65.8840(9) (related to abatement of public nuisances). Code liens generally have priority over all other liens “except state, county, school board, and city taxes” so long as the City follows proper procedures to notify the appropriate parties and take action. *Id.*

Figure 1: Parcels with Filed, Unpaid Liens with Amount Owed Greater than Assessed Value

Over 1,000 parcels have an unpaid code lien amount greater than the assessed property value



Code liens are usually found on properties exhibiting signs of decline, often VAD properties in need of significant repair and in areas where the housing market is weak and resale values are low. The amount to pay off the lien or repair the property may very well exceed the current *and* near-term future value of the property. If the sole goal of lien enforcement (e.g., mortgage foreclosure) is to recover as much of the lienholder's investment as possible, these underlying market conditions present a real challenge.

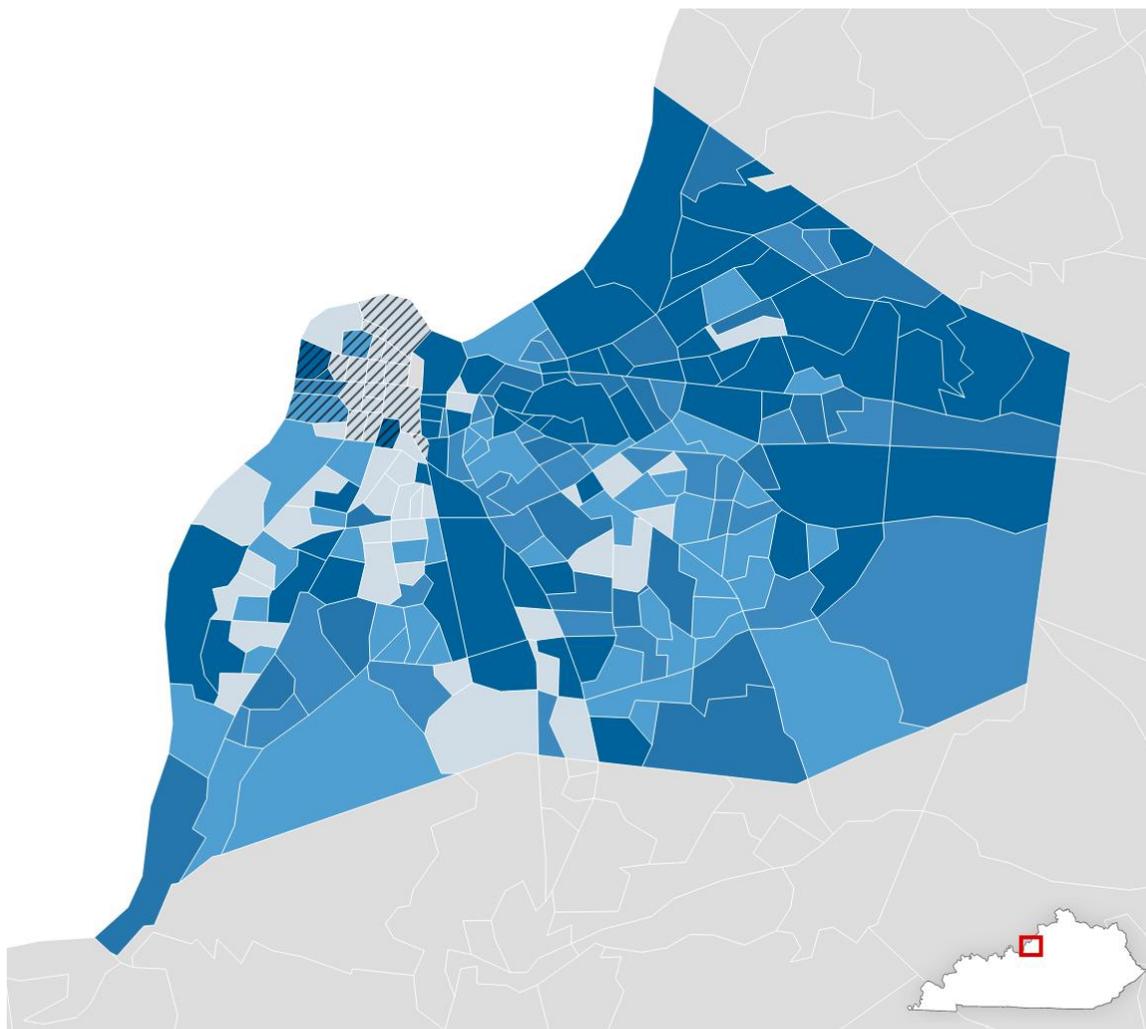
Figure 2: Average Home Sales Price, by Census Tract

The darker the shade of blue, the higher the average sales price in 2024 by census tract. Cross hatching indicates the percent of parcels with unpaid liens filed (out of all parcels) is above 10 percent

Average Sales Price, 2024

< \$150K
 \$150K–\$200K
 \$200K–\$250K
 \$250K–\$300K
 ≥ \$300K

Percent of Parcels with Unpaid Liens Filed is 10% or Greater



Data aggregated in Tolemi Building Blocks by Center for Community Progress

Map: Center for Community Progress • Source: Louisville Metro Government, May 2025

Therefore, in areas with high vacancy and disinvestment, code liens should be viewed through the lens of LMG's unique lien power, starting with the actions and activities that created the lien itself. Staff time, equipment use, removal or remediation costs, or any other local government

expenses incurred when addressing VAD property should be seen, in the short-term, as *an investment in neighborhood stability* and in the long-term as *an opportunity to transition the property to responsible ownership*. The benefit of this investment is much more than recouping public dollars. Each dollar spent to address or remediate VAD property positively impacts the entire neighborhood by:

- Decreasing potential physical and emotional harm to neighbors
- Stabilizing or increasing the value of neighboring properties, protecting the tax base
- Signaling to private actors that LMG is investing public dollars to clean up the neighborhood, potentially attracting future private investment

If LMG's investment in nuisance abatement has broader neighborhood implications, its use of code lien enforcement powers should too. LMG should leverage its code lien inventory for the following outcomes:

1. **Incentivize Compliance or Voluntary Transfer.** Offer property owners a series of diversion or waiver programs to reduce the costs of paying back or otherwise waiving the lien in exchange for the owner's compliance, rehab, or voluntary transfer to a responsible owner.
2. **Transfer to Responsible Ownership.** Foreclose and compel the property's transfer to a new responsible owner—or into public ownership—to support broader stabilization and revitalization outcomes.
3. **Get Paid Back.** Recover dollars invested in reducing the harms of VAD properties to sustain future stabilization activities.

First, LMG can use the threat of code lien enforcement to **incentivize property owners to enroll in programs or initiatives for property repair or reuse to advance LMG's objectives** (e.g., affordable housing) in exchange for LMG releasing its code lien. The following examples illustrate how this could look:

1. In Louisville's West End, rising home values have attracted developers and investors interested in rehabilitating long-vacant properties for sale or rent. However, the years of outstanding code liens (often tens of thousands of dollars) can stall some of these transactions. Based on feedback from some of these interested developers, LMG piloted an Affordable Housing Lien Forgiveness Pilot Program in 2024,⁵ allowing municipal code liens to be waived in exchange for a commitment by the developer to produce affordable housing. Since the program's launch, LMG has approved six of nine eligible applicants (three applicants declined to move forward).
2. Owners of VAD properties with chronic nuisances could choose to deed their property to LMG in lieu of foreclosure, in exchange for release from any future personal or financial liability related to the property. While an uncommon occurrence, LMG may

⁵ See Louisville's dedicated webpage of their pilot program, <https://louisvilleky.gov/government/community-development/affordable-housing-lien-forgiveness-pilot-program>.

want to explore conducting more proactive outreach and perhaps creating additional incentives.

LMG may also foreclose its lien and **compel the transfer of VAD property** with outstanding code liens and/or delinquent property taxes to a new owner. Scenarios include:

1. LMG forecloses on a code lien in a foreclosure action. If the court enters a judgment in favor of LMG, the property can be offered at the Commissioner's Sale for the total amount of the judgment.
 - a. If there are no bids, LMG may "purchase" the property for the amount of the judgement, acquiring the property in exchange for the release of its debt. LMG will own the property outright once title is transferred, and previous debts against the property are extinguished (including any subordinate liens like mortgage liens). LMG could then transfer the property to the land bank for demolition or rehabilitation.
 - b. If a private bidder's winning bid exceeds the total amount of the judgement, the property transfers to the new owner and LMG recoups all the public debt owed (see #4 in the "Get Paid Back" list below).

Even if the above two scenarios do not materialize, LMG could still **get paid back taxpayer costs** spent abating nuisances in several ways:⁶

1. Voluntary payment by the current owner, who may not have paid earlier due to oversight or temporary financial hardship
2. Payment by the current owner following LMG's use of state-authorized collection tools that threaten real consequences if not resolved
3. Payment by a prospective buyer at the point of sale, to clear title and be eligible for title insurance and financing
4. Payment by a successful bidder at the Commissioner's Sale, if the code lien was foreclosed upon by LMG and the successful bid exceeds all public debt (taxes, water arrears, code liens, etc.)

What other factors might impact LMG's ability to achieve desired outcomes?

Many properties in Louisville have code liens where the total amount owed likely exceeds their market value. For these "underwater" abandoned properties, LMG should strongly consider assuming responsibility for two reasons:

1. The properties will continue to harm neighbors and neighborhoods, and protecting residents' health and safety is a core responsibility of local government.
2. They continue to demand police and fire service calls and code enforcement abatement actions, all of which drain local tax dollars.

⁶ According to data provided by LMG during a 2023 technical assistance engagement with Community Progress, OMB collected an average of \$3,122,236 per year (2015-2019) in code lien payments. LMG does not currently track under which scenario they are receiving payment, a reform to data practices that could assist in designing more effective strategies to boost collection rates.

Time is the enemy of any vacant property. The sooner LMG can take control of the property, reduce the harm to neighbors, and limit repeated code and public safety actions, the better. While filing a foreclosure action does not guarantee LMG will take title to the property (as it must be subject to a public auction first), the likelihood of acquisition increases for these underwater properties.

It is also important to note the leverage from a code lien does not last forever. Under state law, code liens expire after 10 years.⁷ Given the sheer volume of code liens, LMG must triage its portfolio accordingly. Liens may continue to accrue against the property, but those older liens, which hold a higher value and greater leverage, should be prioritized to accomplish community development goals.

How should LMG think about its code lien portfolio?

This question is critical for decision-makers and elected officials when contemplating what is possible. For example, while maximizing revenue is a noble goal, it is not always practical. Outcomes depend on the underlying neighborhood market conditions, lien amount, owner type, and the property type and condition. The intent of this research was to better understand the characteristics of and trends within LMG's expansive code lien portfolio and assess which interventions and outcomes are most practical based on the different "types" of code liens.

Key questions guiding this research included:

1. How many VAD properties could benefit from the Affordable Housing Lien Forgiveness Pilot Program, and is it an effective way to attract investment and produce much-needed safe and healthy affordable housing?
2. Should LMG pursue any of the more aggressive tools to collect code lien debt available under state law (e.g., wage garnishment, freezing a bank account)? OMB has the skilled staff to leverage such tools if needed, but it is unclear if they would need more resources, and there would need to be strong protections to avoid aggressive collections on vulnerable owners (e.g., senior citizens on a fixed income, low-income households facing financial insecurity). The bigger question is: Is there sufficient collectible debt that would warrant building the capacity to do so?
3. Is the portfolio of long-abandoned VAD properties significant enough to warrant increased capacity for code lien foreclosures and transferring VAD properties to the land bank for stewardship and resolution?
4. Do data trends and patterns suggest the need for policy and practice reforms?
5. Are there upstream interventions and reforms that could reduce the number of code liens, reduce vacancy, stabilize neighborhoods, and reduce disparities among residents?

⁷ See, for example, KRS § 65.8840(9).

Data Summary and Analysis

Overview

This section summarizes the analysis of unpaid code liens filed by LMG. Of the 16,242 unique parcels with code liens filed from 2017 to 2024, 47 percent have liens that remain fully unpaid. Our analysis focuses on these parcels with **unpaid** code liens (as of May 2025), to identify trends related to property type, occupancy status, current use, and tax delinquency status.

Figure 3: Percent of Paid and Unpaid Code Liens Filed

Of the 16,242 unique parcels with code liens filed against them from 2017 to 2024, 47 percent have fully unpaid liens

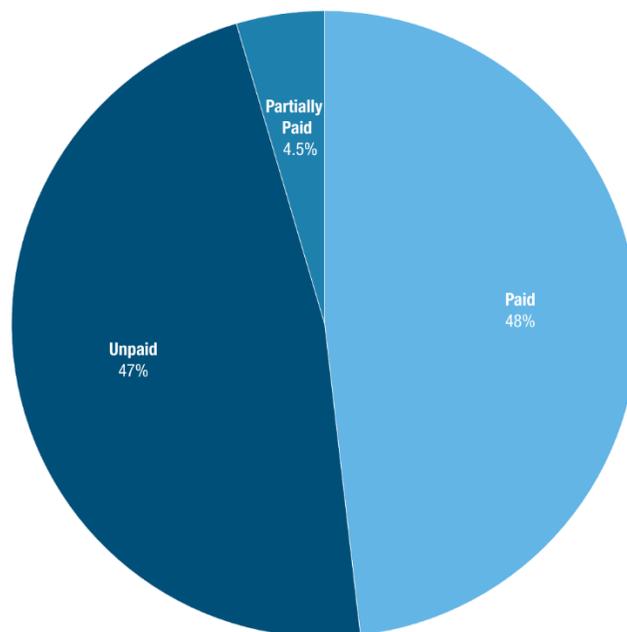


Chart: Data aggregated in Tolemi Building Blocks by Center for Community Progress • Source: Louisville Metro Government, May 2025

Data sources, collection, and aggregation

All filed code lien data was pulled from Accela and provided by LMG's IT division, Metro Technology Services, in May and June 2025. The datasets included both paid and unpaid liens filed from 2017 to 2025. Tolemi, an LMG-contracted software vendor, imported these datasets into Building Blocks, a map-based application that regularly imports data held in different systems and formats across departments and agencies in LMG, including the OHCD and OCR.

After aggregating the fines and fees data into Building Blocks, Community Progress compared information about liens filed and their respective parcels across many different LMG datasets. It is critical to note that the liens data includes dollar amounts at the time the code lien was

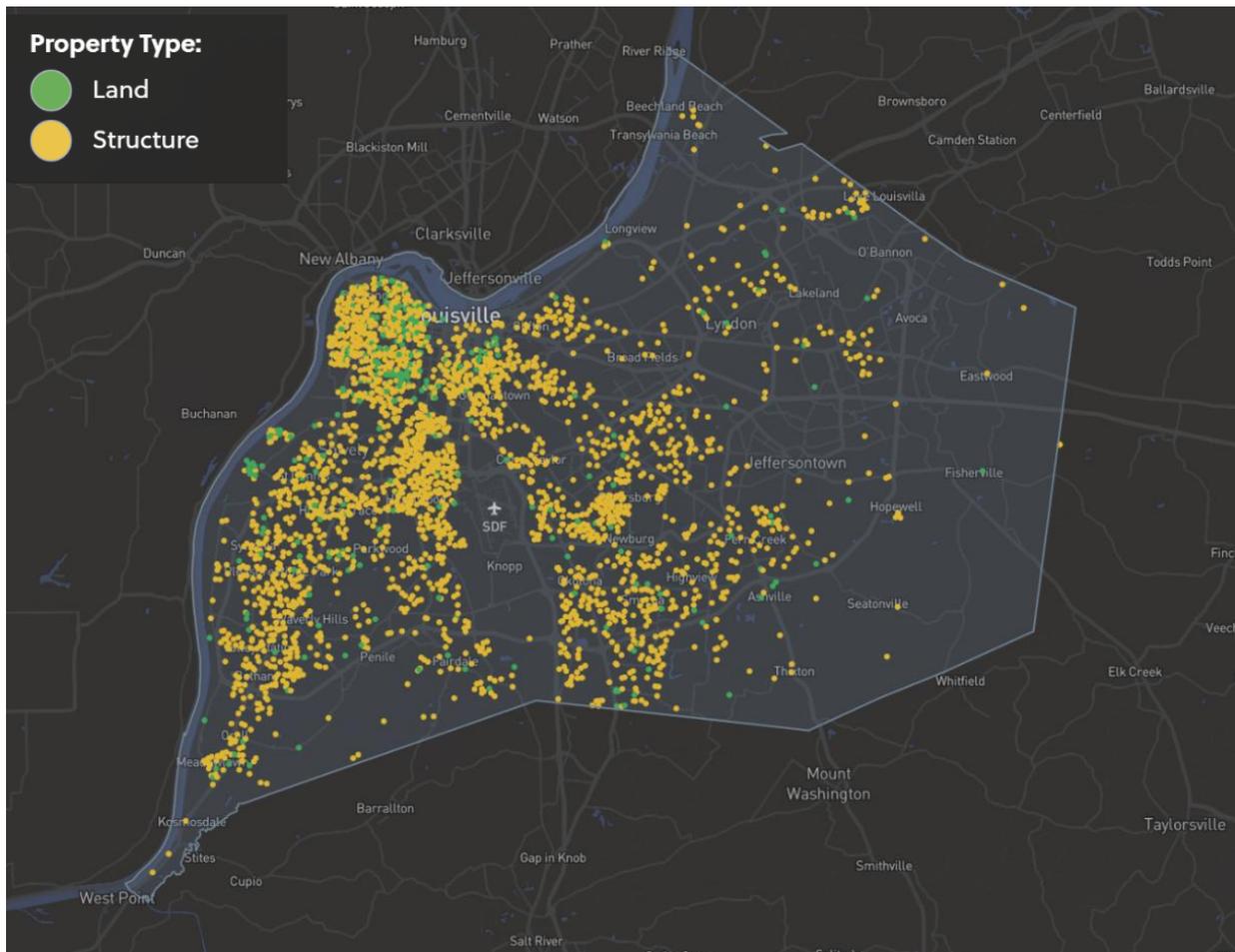
filed *but does not reflect the 18 percent interest that accrues annually*, which is not tracked in Accela.

Though the Accela dataset is a static snapshot of filed code liens, the many other data informing Building Blocks have a live connection to LMG departments. As such, the following maps and figures indicate trends around code liens rather than exact numbers.

Characteristics of *unpaid code liens* in Louisville

Figure 4: Parcels with Filed, Unpaid Code Liens by Property Type

82% of parcels with filed, unpaid code liens are parcels with structures



Figures 5 & 6: Structures with Filed, Unpaid Code Liens by Occupancy Type

Most structures with filed, unpaid code liens are occupied properties

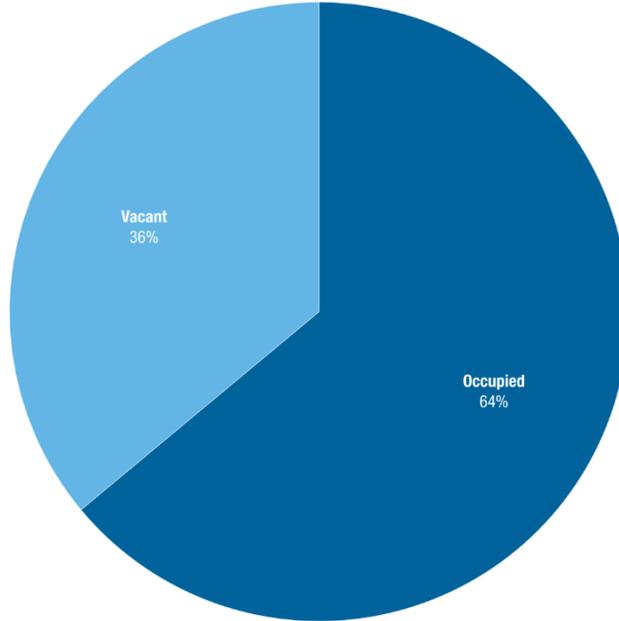


Chart: Data aggregated in Tolemi Building Blocks by Center for Community Progress • Source: Louisville Metro Government, May 2025

Occupancy Status	Count of Parcels	Total Amount Owed	Count of Liens
Occupied	4,416	\$19,139,163	41,166
Vacant	2,489	\$11,680,228	24,553

Total amount owed does not include interest accrued, which was not provided in calculations from Accela.

Table: Data aggregated in Tolemi Building Blocks by Center for Community Progress • Source: Louisville Metro Government, May 2025

Figures 7 & 8: Parcels with Filed, Unpaid Code Liens by Current Use

85% of parcels with filed, unpaid code liens are residential properties

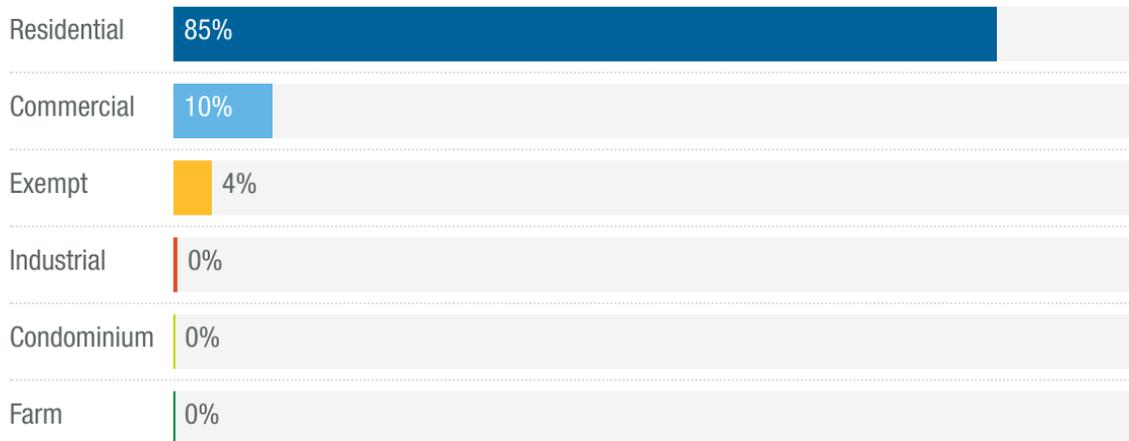


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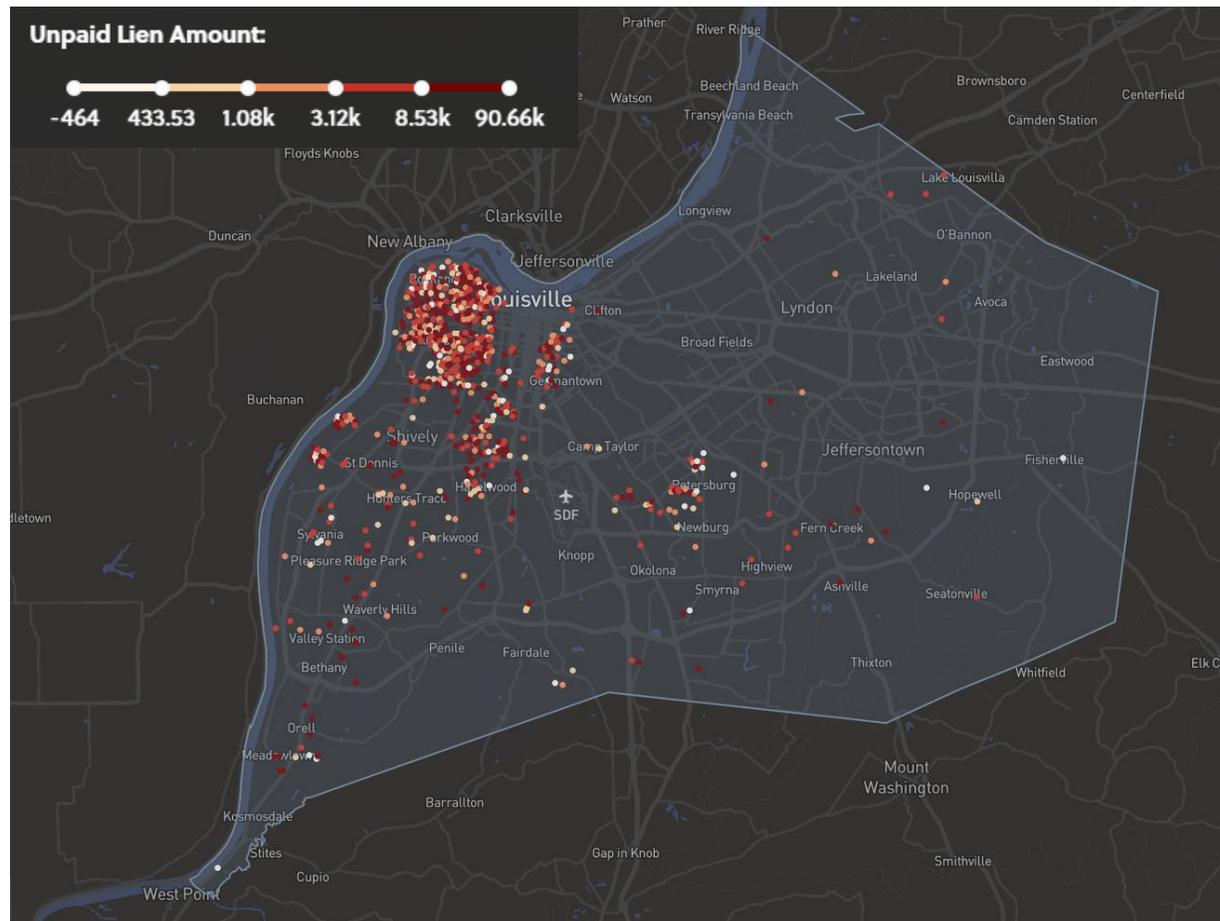
Current Use	Count of Parcels	Total Amount Owed	Count of Liens
<i>Residential</i>	5,918	\$25,316,706	53,601
<i>Commercial</i>	704	\$2,487,525	4,885
<i>Exempt</i>	273	\$2,948,245	7,063
<i>Industrial</i>	26	\$63,214	141
<i>Condominium</i>	7	\$46,160	82
<i>Farm</i>	4	\$3,791	9

Total amount owed does not include interest accrued, which was not provided in calculations from Accela.

Table: Data aggregated in Tolemi Building Blocks by Center for Community Progress • Source: Louisville Metro Government, May 2025

Figure 9: Parcels with Delinquent Property Taxes and Filed, Unpaid Code Liens

63% of parcels with filed, unpaid code liens are up to date on their property taxes. Of the 31% of parcels with unpaid code liens that have been tax delinquent for 2 or more years, most parcels are concentrated in West End.



Key Findings and Recommendations

For each finding below, we have included an explanation and embedded key recommendations for LMG's consideration.

1. Improved data collection, management, and integration will enable more thoughtful analysis in the future.

Community Progress originally sought to provide LMG with clear categories for grouping properties with code liens based on criteria revealed in our analysis. While this grouping is still possible, it would require LMG to enhance some of its data collection and analysis in Accela.

For example, it took significant effort for Community Progress to aggregate the total outstanding amounts owed for each of the thousands of properties with code liens. Even then, we were unable to calculate interest accrued and other charges, due to how code liens are typically tracked in Accela. Since there are multiple ways that a lien can be released without payment that are not tracked in Accela, Metro Technology Services noted their dataset can only show invoices *filed* but not all outstanding payments.⁸

OMB and Metro Technology Services staff are highly skilled and efficient at aggregating data when asked for a payoff for a particular property. The inability of the system, however, to quickly run a report to determine the exact number of properties that have liens, the number of liens on each of those properties, and the total amount owed (including interest) limits the utility of the available data.

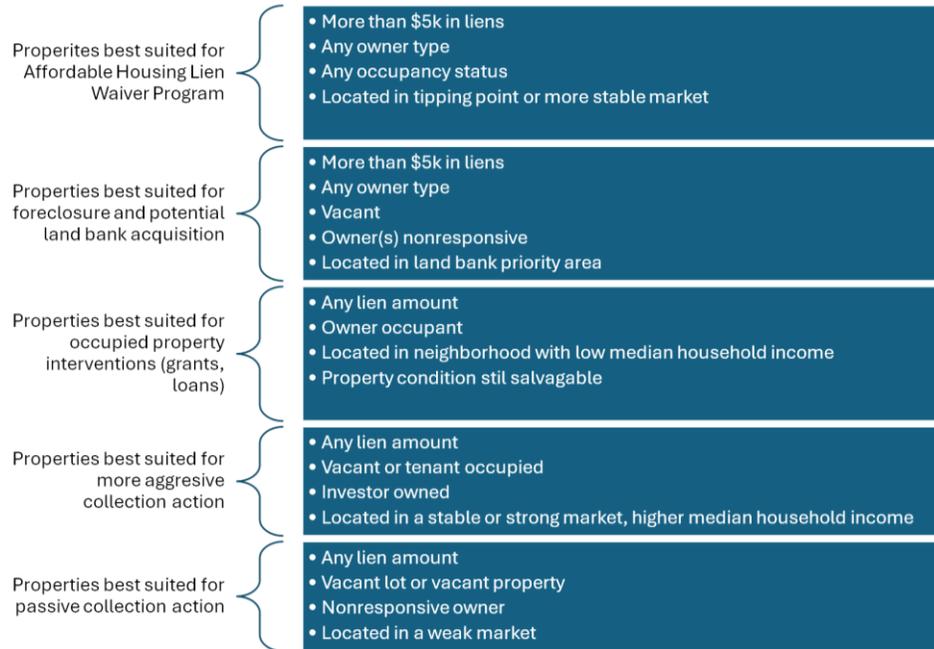
Recommendations:

- a) Metro Technology Services should work with the team at Tolemi to update, automate, and run a code lien portfolio report on a quarterly basis in Building Blocks. While Community Progress was able to enhance its analysis by spending time manipulating the data provided to us, our decision to engage the data experts at Tolemi to upload the filed, unpaid code lien dataset into Building Blocks enabled a more robust analysis.
- b) LMG's two interdepartmental teams working on various aspects of blighted properties should participate in a half-day, in-person training from Tolemi to better understand the utility of Building Blocks. The training should focus on how to leverage the rich ecosystem of local data points within the platform to support strategic decision-making, inform policy and practice reforms, and make the case for new programs and/or investments.
- c) LMG's internal tech experts should consider prioritizing developing a new tool to allow staff to enter any parcel address or property owner name and quickly see the total amount owed from code or other public liens (including interest and charges). OMB staff should still be consulted to verify accuracy, but the software should be tailored to produce a fairly accurate result.

⁸ Metro Technology Services provided a separate and distinct dataset of code liens paid from prior years, which we cross-referenced with the filed, unpaid code liens data to see how this limitation and concern expressed by MTS might impact our analysis. We found less than 2 percent of properties on both lists, which gave us strong confidence that the filed, unpaid dataset is reliable and more than appropriate to ground a trend-based analysis.

- d) Ultimately, it is still possible to group code liens by specific interventions, or at least to identify criteria by which they could be grouped. See Figure 10 provides an example of how LMG could consider grouping its liens in the future.

Figure 10: Recommended Code Lien Groups, by Intervention Strategy



2. The Tax Delinquency Diversion Program (TDDP) is a well-intentioned initiative driven by a thoughtful commitment to equity, but it may have unintended consequences.

There is a strong correlation between tax delinquency and unpaid code liens in the West End. Of all parcels with unpaid code liens, 31 percent have been tax delinquent for two or more years. *Notably, 93 percent of those parcels are in TDDP areas, whereas only 7 percent are in non-TDDP areas.*

Figure 11: Percent of Parcels with Unpaid Liens that are Tax Delinquent, Inside and Outside TDDP Areas

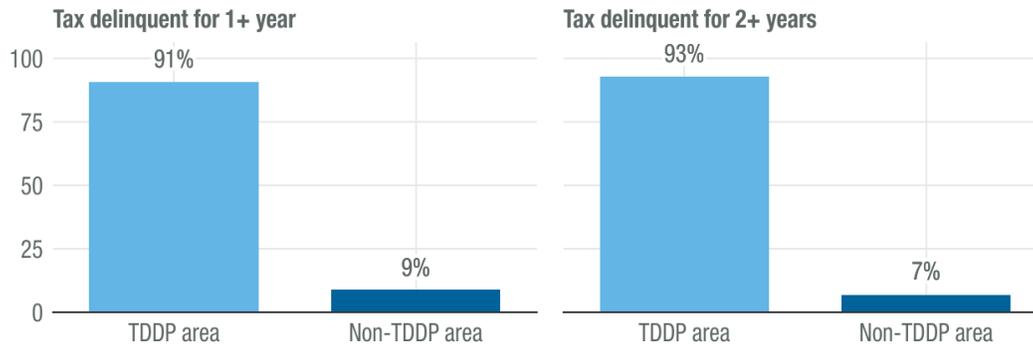


Chart: Data aggregated in Tolemi Building Blocks by Center for Community Progress • Source: Louisville Metro Government, May 2025

This disparity reflects deep, structural issues. The West End has weathered decades of racist policies and intentional disinvestment, and today is home to the highest concentrations of poverty, housing insecurity, and Black residents in Louisville.

There are thousands of properties in and outside the TDDP area with unpaid code liens—but the difference of those with delinquent taxes as well is stark. In the TDDP area, 52 percent of properties that have been tax delinquent for one year or more also have unpaid code liens. Outside the TDDP area, only 7 percent that have been tax delinquent for one year or more have unpaid code liens.

Again, there is a very reasonable explanation for this disparity. Property owners outside the TDDP area that fall delinquent on taxes face the threat of losing their property—whether that is a home or an investment asset—to a tax lien buyer who can foreclose on the tax lien if the debt goes unpaid. Very few property owners outside the TDDP area would allow their asset, which has great value in today’s housing market, to be lost over a few thousand dollars in tax debt. So delinquent taxes are routinely paid.

Inside TDDP areas, however, there is currently *no enforcement threat* for unpaid property taxes.

We deeply respect the intent of TDDP: a thoughtful, just approach aimed at providing housing security to low-income homeowners impacted by long-term disinvestment. However, about 50 percent of TDDP-area properties are rentals. Their landlords face no enforcement threat for unpaid paying property taxes or chronic property maintenance code violations that shift the burden of nuisance abatement to taxpayers.

In essence, two key enforcement tools—delinquent property tax enforcement and code enforcement—have been taken off the table in TDDP areas. TDDP also prohibits the annual sale of tax debt to tax lien investors for those properties inside the area. Additionally, LMG focuses its limited capacity to prioritize code lien foreclosures on harmful vacant properties, rather than occupied rentals. If landlords are exploiting this situation, reforms to existing policies and new programs seem needed.

Recommendations:

- a) Explore whether TDDP benefits could be limited to properties with an authorized homeowner exemption, with careful analysis of potential implications on tenants and equitable interventions and supports (see Key Finding 3, Recommendations b).
- b) Small, cost-effective outreach efforts could produce big results.

- i. Develop a one-page letter to rental property owners in the TDDP area clarifying that the TDDP does *not* prohibit foreclosure actions from unpaid code liens.

Certainly, LMG does not want to foreclose on financially struggling owner-occupants who want to comply. Consider a support hotline that can connect homeowners to home repair resources, waiver programs, and additional education, advertised via a doorhanger, delivered to all homeowners within the TDDP area. That said, even those owners would benefit from understanding that failure to pay code liens or otherwise address deferred maintenance could result in a foreclosure action.

- ii. For properties outside the TDDP area, explore with legal counsel whether there is authority to add code lien debt to the minimum bid at the tax lien sale.⁹ Leveraging the delinquent property tax enforcement system in this way could improve the collection rate of outstanding code liens and strengthen municipal finances. If this is currently not permitted by law, consider working with the Kentucky League of Cities or other partners to explore possible changes to state law to allow for this practice and advocate for reform.
- iii. Identify the worst chronic violators of unoccupied properties and send a letter offering lien release in exchange for donating their property to LMG or the land bank. Emphasize that state law allows LMG to pursue wage garnishment and other collection methods.

- c) Foreclose on a small number of rental properties in the TDDP area and issue a media release about LMG's intention to hold irresponsible landlords accountable. Importantly, LMG should first develop a plan to protect the tenants from involuntary displacement. Evaluate the results of this "pilot" and adjust supports or partnerships in pursuit of outcomes that advance resident safety while reducing unintended harm.

3. The overwhelming majority of code liens are on occupied properties, which, based on our experience, is unusual among municipalities with high vacancy rates.

Community Progress was somewhat surprised to learn that the overwhelming number of properties with code liens were occupied. OCR did not begin the inspection part of its Rental Registry and Inspection Program until 2024, which may explain this trend, however this finding raised important questions: *Does this change how LMG should leverage code liens to achieve either fiscal or community development outcomes?*

⁹ See, for example, KRS § 65.8834.

Foreclosing on occupied properties raises serious concerns about continued harm to historically harmed groups, displacing tenants and the loss of generational wealth for legacy homeowners. Code lien foreclosure should be a last resort—if used at all—for occupied properties, reserved for properties where living conditions create serious health or safety risks for occupants.

Recommendations:

- a) If low-income homeowners cannot comply, consider:
 - i. Creating a diversion program under a new “Compliance, Community” campaign. This would stay fines while directing the owner to available resources (e.g., Office of Aging and Disabled Citizens programs, home repair grants or loans, nonprofit support services). Only impose fines if the violation is not remedied in an additional 60-90 days, unless the violation is immediately impacting the owner’s health or safety.
 - ii. Consider launching a “Legacy Homeowner Repair Fund” (piloted for homeowners with the most unpaid code liens) and helping owners repair code violations. Waive all outstanding liens in exchange for placing the property into a local community land trust (CLT) and evaluate outcomes, since the CLT could help the owner with maintenance, thereby reducing costs to LMG and harms to neighbors. Heirs could still be named as financial benefactors of the sale of the property upon death, but it would remain permanently affordable to serve generations of Louisville households.
- b) Based on the code lien data, it is clear many landlords of occupied rental properties—especially in the West End—are violating basic maintenance standards, ignoring citations (mostly high grass or trash and debris), and relying on LMG and taxpayers for nuisance abatement while still collecting rent. Our experience has shown that “cutting off the rental revenue” is the most effective strategy in compelling compliance from less than responsible landlord. Consider:
 - i. Establishing a rent escrow program instead of the usual “citation and fine and lien” approach. Detroit is currently reimagining its Rent Escrow Program to better serve tenants living in harmful conditions.¹⁰ Baltimore uses a process by which tenants who live in properties with uncorrected, dangerous code violations can file a rent escrow case with the court and pay rent to the court.¹¹ However, simply having this law on the books is not enough to solve the problem; robust tenant education and support is necessary to work effectively.
 - ii. Designing a new rental inspection program that is performance-based, using violations and code liens as *criteria for more frequent inspections and a higher registration fee*. Some proactive rental inspection and licensing

¹⁰ See the Detroit website at: <https://detroitmi.gov/departments/buildings-safety-engineering-and-environmental-department/bseed-divisions/property-maintenance/tenant-rental-property/rental-property-escrow>.

¹¹ See the Baltimore website at: <https://dhcd.baltimorecity.gov/renter-resources/rent-escrow>.

programs are designed to apply universally to all types of rental properties and landlords. However, the more effective and equitable programs instead focus limited resources on the landlords failing to provide tenants with housing that meets health and safety standards. While it was not our charge to evaluate the separate lead and rental inspection programs being implemented by different divisions in LMG, it may be useful to explore a performance-based program design, create a definition for “chronic violators,” and approach these problematic landlords with more frequent inspections and higher registration fees.¹²

- iii. Alternatively, make repeat violations (i.e., a certain number of code liens in a set period) *a criterion for revoking the rental license*. LMG would need to establish a just and well-resourced relocation program to support impacted tenants, and the revocation order should allow tenants at least 60 days to find alternative housing.

- c) Revisit code enforcement recommendations made in Community Progress’ August 2022 memorandum to LMG.¹³

4. Conservatively, there are currently about 118 properties that could benefit from the Affordable Homeownership Lien Forgiveness Pilot Program (LFPP).¹⁴

To determine this set of properties, we used program criteria and the following assumptions:

- Any lien amount over \$5,000 could prompt a developer to request a waiver, noting that no developer would likely agree to an affordable housing provision to save a few thousand dollars when market rate sales or rent could generate far more¹⁵
- Unpaid liens filed are outstanding for a year or more
- Property survey condition is average or good, requiring some rehabilitation or repair¹⁶
- Property type is a structure
- Property is vacant

The low number of properties (see Figure 12) could be because our code lien database did not include interest, and perhaps the dollar amounts owed are much higher.

However, even if fewer than 125 properties could benefit from this program, it does not mean the program should be abandoned. If this program enables the production of even five

¹² Alan Mallach, *Raising the Bar: Linking Landlord Incentives and Regulation through Rental Licensing*, (Center for Community Progress, November 2015), <https://communityprogress.org/publications/raising-the-bar/>.

¹³ “A Racial Equity Audit of Louisville, Kentucky’s Code Enforcement Program,” (Center for Community Progress, September, 2022), <https://communityprogress.org/publications/racial-equity-code-enforcement-audit-louisville/>.

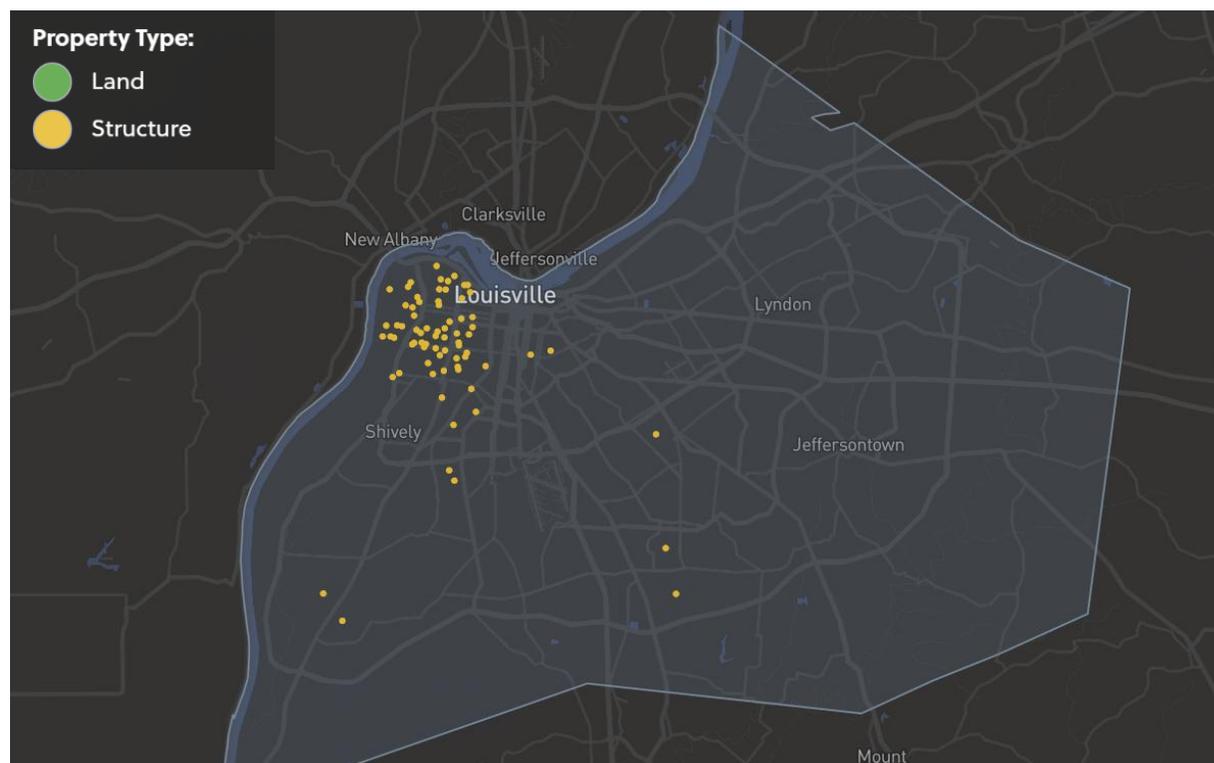
¹⁴ See LMG’s website at: <https://louisvilleky.gov/sites/default/files/2025-08/2LFPP%20Public%20Policy%20-%20Updated%20FINAL%20-862025.pdf>.

¹⁵ We acknowledge that this amount may be too low to incentivize a developer to invest. However, given the dearth of high amounts of liens, we thought this threshold illustrated the limited nature of these higher leverage liens for the reader.

¹⁶ Property survey condition was identified using data input into Tolemi Building Blocks. All parcels with a survey condition of 1, 2, or 3 were considered (1 - Slightly damaged structure, some trash; 2 - Moderately damaged structure, moderate trash; 3 - Significantly damaged structure, lots of trash).

affordable housing units, it will be worth it. It just means that expectations for what this program can deliver must be realistic.

Figure 12: Parcels with Unpaid Code Liens, Filtered for Potential LFPP Participants



Recommendations:

- a) Consider modifying Section 2.A.6. of the LFPP to require sales of homes developed under the program to be subject to a fixed price calculated by LMG to be reasonable and attainable for the demographic the program seeks to benefit the most (e.g., household earning 60 percent or less of AMI). Based on our experience, developers find this approach more appealing and efficient than requiring the developer to find and qualify specific income-eligible households. It also allows flexibility if there are no “priority” purchasers ready to become homeowners. For example, the program could stipulate that for the first 30 days the property is listed for sale, LMG will review and certify those applicants making at or less than 60 percent AMI. However, to protect the investment and support the developer’s needs, LMG will, after the first 30 days, consider applicants with household incomes up to 100 percent AMI who are seeking to become first-time homeowners. The renter requirements should remain.
- b) Consider expanding “Eligible Properties” under Section 2.B. to include occupied properties and expand the program requirements to ensure proper guidelines. Vacant properties are simply more expensive to rehab, and the data shows there are a lot more occupied properties with code liens than vacant properties. Expansion must be paired with equitable considerations, for example limiting to local, nonprofit affordable housing agencies or private, small landlords who must submit “anti-displacement plans” as part of the application and have a record of demonstrating a strong commitment to tenant protections and housing justice.

- c) Consider adding a requirement that any developer refer new purchasers (homebuyers) to a local attorney or legal aid center to make a will or estate plan if they do not already have one in place. To the extent LMG has programs (or partners with programs, like Rebound) that will support lower-income purchasers create a will or estate plan, require developers to point purchasers to the appropriate LMG (or partner) program.

5. There are 280 properties with outstanding lien amounts totaling more than \$20,000—fewer than we anticipated.

Louisville stakeholders told Community Progress that it seems a major criterion for selecting which properties to advance to a code lien foreclosure action is how much harm the property is causing the neighbors and how many public resources the property is commanding through repeated service calls and abatement actions. This is an effective, reasonable approach, but given the total amounts owed on most properties with code liens is not particularly high (e.g., over half of parcels owe less than \$2,500—*without interest*), it may make sense to prioritize “collections” on occasion throughout the year.

Recommendation:

- a) Use Building Blocks to identify a subset of vacant properties with unpaid code liens totaling less than \$2,500, in moderate condition, and located in neighborhoods or census tracts with improving housing markets. These properties could be advanced to the Commissioner’s Sale with the goal of collecting all the public debt owed through sales to responsible bidders. LMG should set auction criteria, as permitted under state and local law, to ensure properties go to responsible buyers.

5. Over three quarters (78 percent) of properties with 20 or more filed, unpaid code liens were also on LMG’s “Cut List” in the last year. More than half (54 percent) of these properties owe more in code liens than the property’s assessed value.

This is not surprising; each mowing represents a taxpayer-funded abatement action that goes unpaid and results in another code lien. But it raises a key question for Louisville’s leaders: If taxpayers are already paying for routine maintenance and ongoing stewardship of privately owned VAD properties, why should the community not also take ownership and control outcomes and reuse opportunities for these properties?

For 15 years, Community Progress has advocated for using a “Fix it Up, Pay it Up, Give it Up” approach on vacant, problem properties and helping communities build the capacity, knowledge, and tools to implement this strategy effectively. LMG already has the legal authority and expertise to pursue this strategy—and has been implementing it successfully for years, in part. ***However, it lacks the staff capacity and flexible funding to scale it strategically, informed by a resident-centered vision and grounded in values like equity and inclusion.***

Recommendation:

- a) We identified 734 vacant residential properties that have outstanding debt of at least \$5,000 and 10 or more code liens. LMG could prioritize this entire portfolio for code lien foreclosure within one year. This will require building capacity in the Attorney’s Office and Office of Housing and Community Development (including the land bank).

Some of these foreclosed properties may receive a bid at the Commissioner's Sale, which would then reimburse LMG for all public dollars spent on abatement actions—a positive fiscal outcome. For those that do not receive a bid at the Commissioner's Sale, LMG can acquire each property for the amount of the foreclosure judgment and transfer them at no cost to the land bank.

The land bank—which already manages 800 properties—would need additional capacity and recurring annual funding to effectively assess, steward, and activate or demolish this new portfolio of VAD properties. However, committing to this long-term strategy finally sets the stage for intentional, resident-centered planning for equitable neighborhood revitalization in many parts of the West End. It also positions the land bank and LMG to move properties quickly if and when local markets start to see an upswing.

Conclusion

LMG has long invested in minimizing the harms of problem properties, including the often-unrecognized investment to maintain private properties owned by irresponsible landlords or abandoned altogether. Over time, this commitment to protect neighbors from the health and safety risks caused by nuisance violations (and to charge private owners for this public investment), has resulted in a rather substantial portfolio of unpaid code liens. While LMG successfully collects millions every year in outstanding code liens, new debts seem to accrue just as quickly, if not faster. Given market realities, owner types, and property conditions, maximizing code lien collections may not be the most practical or effective strategy to return problem properties to productive use.

This memorandum offers a compelling case for how code liens can be leveraged as a tool for community development rather than simply a mechanism for repayment. Our recommendations depend on strong cooperation between OCR, OMB, and OHCD, as well as sustained political vision and leadership. Community Progress values our longstanding partnership with LMG, which has consistently shown humility and openness in rethinking its approach to code enforcement and code liens through the lens of equity and justice—and implementing reforms. We remain available to LMG as a partner and resource as you explore these recommendations.

Appendix A

Stakeholders Interviewed

Name	Title	Department/Organization
Richard Price	Director	Codes and Regulations, LMG
Daniel Albers	Assistant County Attorney	Jefferson County Attorney
Robbie J. Howard	Assistant County Attorney	Jefferson County Attorney
Benjamin Anderson	Application Development Supervisor	Metro Technology Services, LMG
Sally McNally	Enterprise Application Systems Analyst	Metro Technology Services, LMG
Laura Grabowski	Director	Office of Housing and Community Development, LMG
Tia Bowman	Executive Administrator	Office of Housing and Community Development, LMG
Carrie Peers	Fiscal Manager—Accounts Receivable	Office of Management and Budget, LMG
Cynthia Schneider	Executive Administrator	Office of Management and Budget, LMG
Jason Oberhausen	Executive Administrator	Office of Management and Budget, LMG
Ben Clayman	Senior Data Solutions Engineer	Tolemi
Kate Bischoff	Director of Client Services	Tolemi

Appendix B

The following language is largely copied and pasted from a memo provided to LMG by Community Progress in August 2022. It is included solely for reference for those readers who are not familiar with these processes. This excerpt has been slightly modified to reflect newer information revealed during this engagement, though Codes and Regulations and OMB officials, many of whom are new to their respective departments since 2022, should be consulted to ensure accuracy.

Code Enforcement Process

LMG's code enforcement process is primarily complaint-based. When investigating a complaint, the Property Maintenance Division's Standard Operating Procedures (SOPs) direct code enforcement officers to attempt to contact the property occupant and leave a door hanger. Code enforcement officers report that they document all observable violations, not only those that gave rise to the complaint.¹⁷ If officers see that neighboring properties have the same violations, the SOPs direct officers to document those violations as well.

In most cases, the SOPs direct code enforcement officers to issue a warning letter—formally, known as a Notice of Violation—giving the owner notice and time to correct the violation.¹⁸ The SOPs give the officers the option of issuing immediate citations for trash, high weeds, vehicles parked on grass, opening buildings, public nuisances, and graffiti on vacant structures. They also direct the officers to issue immediate citations only in limited circumstances, such as where the owner is a repeat offender.

Violations are primarily punishable by civil penalties.¹⁹ These penalties range from \$100 to \$1,100 and increase based on the number of uncorrected violations and the number of inspections LMG is required to conduct while the violations remain uncorrected.²⁰ LMG staff report that they generally attempt to avoid deeming rental properties unfit for human habitation to avoid tenant displacement.

Property owners can appeal citations to the LMG Code Enforcement Board, which comprises five city residents who are paid \$100 per meeting.²¹ The board members serve as hearing officers and have the power to conduct hearings, impose fines and administrative costs, and issue remedial orders. LMG staff report that it currently takes two to three months to schedule a hearing and estimate that 75 percent of owners who file appeals own rental properties. It has been LMG's policy not to issue any further citations against a property while a hearing request is pending. LMG staff report that if an owner has corrected a violation before the hearing or is willing to do so within a reasonable time, the Code Enforcement Board will conditionally dismiss the citation, including the fines and costs.

¹⁷ If the complaint is for an exterior violation, officers report that they will attempt to document other exterior violations only. They will not seek to gain access to document interior violations.

¹⁸ Officers are also authorized by LMG ordinance to issue warning letters, rather than immediately issue citations. LMC §§ 32.283(B), 156.804(A).

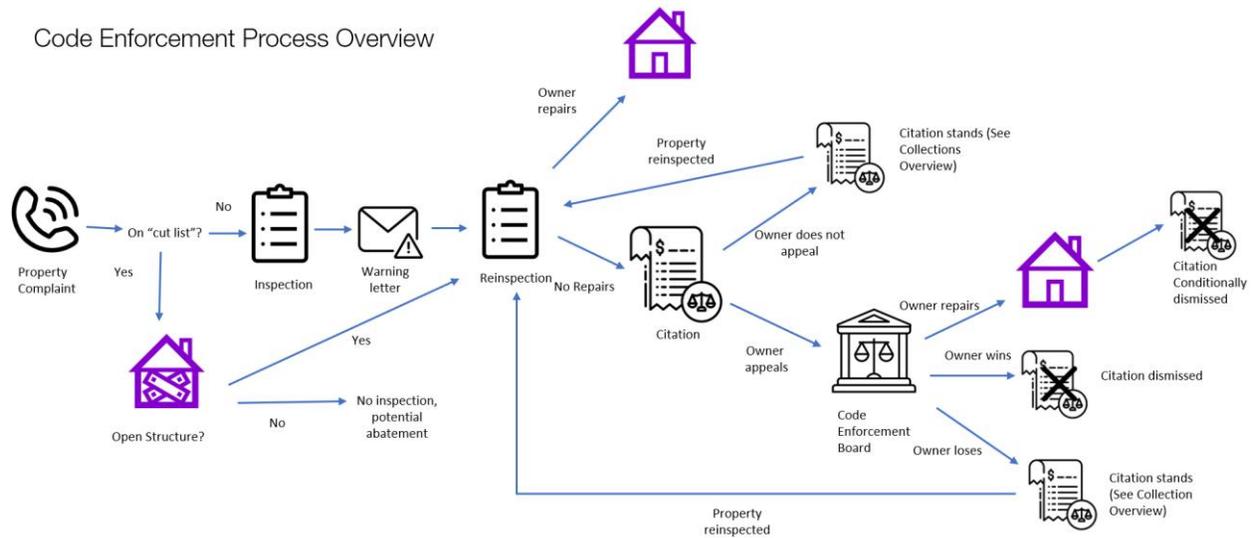
¹⁹ LMC § 156.999(D). Violations are also punishable by criminal penalties of not more than \$250 if committed by a person, not more than \$500 if committed by a corporation, imprisonment for a term not to exceed 50 days, or both, but staff report that criminal charges are rarely brought. LMC § 156.999(F).

²⁰ LMC § 156.999, Appendix C.

²¹ LMC § 32.275 etc.; Local Government Code Enforcement Board Act, KRS 65.8801 to 65.8839.

If a property owner fails to correct a violation, staff report that LMG will continue to reinspect the property and issue additional citations. Generally, staff report that LMG will abate nuisance conditions on vacant properties only. A few times a year, however, they may abate nuisances at occupied properties where the conditions present health and safety concerns.

LMG has a rental registration ordinance, which requires rental property owners to register their properties with LMG by providing the property address and detailed contact information for the property owner and manager.²² There is no registration fee.



Collection Process

LMG's Office of Management and Budget (OMB) is responsible for collecting fines and other costs assessed against the properties. OMB sends two collection letters to the property owner. If the owner does not pay, staff report that OMB will then place a lien against the property. LMG can obtain a priority lien against the property for all civil fines assessed and charges and fees incurred by LMG in connection with a code violation, including abatement costs and an additional 15 percent to cover administrative costs on the fines, charges, and fees.²³ The lien bears interest at 18 percent per year and is valid for 10 years from the date of the final order or court judgment.

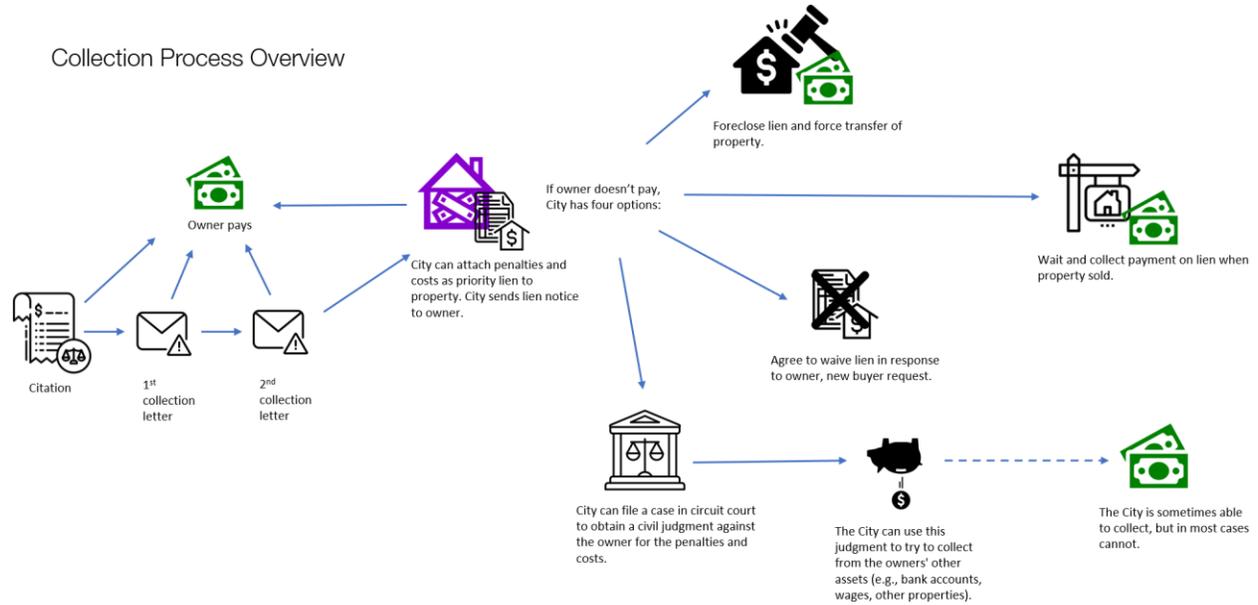
After OMB has attached the lien, it has several options:

1. It can wait for the property to be sold to collect the lien.
2. It can foreclose on the lien and force a transfer of the property. LMG conducts these foreclosures using a judicial *in rem* process, which results in marketable and insurable title. It has the capacity to foreclose on only about 200 properties a year and relies on a small group called Vacant and Abandoned Property Statistics (VAPStats) to identify and prioritize properties for foreclosure. The properties are offered to bidders at the Commissioner's Sale. Staff report that most properties do not receive bids and are transferred to the land bank.
3. It can waive the lien under its code lien waiver program. LMG staff report that this option is primarily used by title companies and attorneys, though staff will inform owner occupants of the option if they call.

²² LMC § 119.

²³ LMC §§ 32.288; 156.999(E).

4. It can pursue a civil judgment in state court against property owners.²⁴ A civil judgment gives OMB the ability to try to collect LMG's fines and costs from the property owner's other assets. OMB staff decide when to use this option and report that this tool is primarily used against rental property owners with high lien amounts and multiple assets.



²⁴ LMC § 32.288(D).