

Baltimore Land Bank Authority Task Force Recommendations

There is a crisis of abandoned vacant properties in the City of Baltimore.

In Baltimore City, there are nearly 30,000 abandoned properties (structures and lots), which comprise of nearly 13% of the total properties in the City. The City currently owns over 9,000 of these properties. Approximately 4,000 City-owned vacant properties are vacant structures. In other words, the City owns nearly twenty five percent (25%) of all vacant residential buildings in Baltimore. These buildings are uninhabitable, and many are either beyond repair or are too costly to repair.

Abandoned properties drain money from nearby innocent homeowners, reduce tax revenue, and reduce the quality of life in affected neighborhoods. According to a study by Temple University of vacant properties in Philadelphia, a single abandoned house on a block can reduce the value of all other properties by an average of \$6,720. Among other things, the reduced value prevents other homeowners from building wealth. More directly, abandoned property severely restricts local government's ability to collect delinquent property taxes, resulting in tens of millions of dollars in lost revenues.

What is a Land Bank Authority?

A Land Bank Authority (LBA) is a public authority created by Baltimore City ordinance pursuant to state enabling legislation with the primary responsibility and authority for acquiring, maintaining, and selling abandoned property in order to solve the challenges created by these blighting properties. The core powers of the land bank would be, but are not limited to: acquiring properties at tax sales for which there is no bid tendered for the minimum bid without a need to pay the minimum bid in cash; efficiently maintaining the properties of the land bank; and conveying properties to third parties.

Importantly, a land bank could pledge its assets to leverage private investment. It could also have the ability to issue bonds.

Additional powers of a land bank would be the capability of providing acquisition, management, and sales services to the city for government owned property as well as the ability to enter into joint ventures, partnerships or other agreements in order to develop property to maximize marketability. However organized, the land bank authority would be required to operate in conformity with the Maryland Open Meetings Act and would be prohibited from exercising either eminent domain or condemnation authority or levying taxes.

Land Bank Authorities throughout the United States

According the National Vacant Properties Campaign, five metropolitan areas have created land banks to focus on a significant and rapidly increasing number of abandoned tax-delinquent properties in inner cities. St. Louis, MO, Cleveland, OH, Louisville, KY, Atlanta, GA and Flint, MI each have addressed a large inventory of privately owned tax-delinquent properties, or properties acquired as a result of tax foreclosures through a

proactive mechanism to facilitate conversion of those properties from neighborhood and community liabilities to long-term assets. The main objective was not so much a desire for long-term metropolitan planning through large-scale land assembly, but simply a response to a crisis in property tax delinquency and abandonment, the same crisis that afflicts Baltimore City.

The earliest major land bank program, the St. Louis Land Reutilization Authority, was created in 1971. Ohio followed suit by adopting state enabling legislation in 1976 that permitted creation of the Cleveland Land Bank. A little more than a decade later, both Louisville (1989) and Atlanta (1991) created land bank authorities with the approval of intergovernmental agreements. After 15 years of economic decline triggered by industrial closings, the City of Flint and Genesee County, Michigan created their own land reutilization council in 2002. In each instance, local governments examined the programs, priorities, structures, and policies of preceding land bank authorities and then designed a program to fit their own community's needs.

Other cities across the United States have created variations of these land banks (such as Macon, Savannah, and Valdosta, Georgia; and Dallas, Texas) or other structures designed to address similar issues (such as Omaha, Nebraska; and Kansas City, Missouri).

Baltimore's Land Bank Authority will be breaking new ground, if for no other reason, due to the vast inventory of vacant properties in the city. It is likely that some mistakes may be made as it becomes operational and its impact realized. The risk, however, is warranted due to the magnitude of the need. It is time to dramatically reform the way we address the problem of abandonment in our city.

Creating a Land Bank Authority for Baltimore City.

In order to "transform our efforts to eradicate blight in our neighborhoods," as declared by Mayor Dixon in her State of the City Address on February 4, 2008, Mayor Dixon's Administration worked with Baltimore City's State Legislative Delegation to obtain passage during the 2008 Session of Maryland General Assembly of Senate Bill 911 (Chapter 468, Acts of 2008). This enabling statute, which became effective on October 1st, gave the City the authority to establish by ordinance a Land Bank Authority. The enabling statute provided that a future land bank should have the responsibility and capability to efficiently acquire, manage, and sell abandoned property for productive use. It specifically prohibited the new Authority from exercising the power of eminent domain or to levy taxes.

In crafting the ordinance to establish a city Land Bank, Mayor Dixon decided that this project could not be the lone initiative of one branch of City government. To address the significant challenge of returning these properties to productive use, Mayor Sheila Dixon, joining with her colleagues in government, Council President Stephanie Rawlings-Blake and Comptroller Joan Pratt, invited interested community, philanthropic, and business leaders to participate on a task force charged with making recommendations for the creation of the Baltimore Land Bank Authority. This unprecedented level of cooperation by the elected officials is testament to the importance of this endeavor.

The Task Force is formed.

The Task Force of more than twenty citizens, city and state officials began its work by gaining an understanding of the impact and order of magnitude of vacant and abandoned property in the City. To begin this process the group met with consultants from the National Vacant Property Campaign, Dan Kildee of Genesee Institute and Frank Alexander from Emory University, shared their expertise and knowledge of other land banks across the country. Their presentations helped the group focus on a narrow set of goals. The resultant goals for the Task Force were determined to be:

- Develop components of local legislation**
- Inform organizational structure of land bank**
- Recommend leadership of land bank**

Building on the momentum created by the meetings with consultants, the task force continued to meet through the summer and early fall. This report presents the recommendations developed by a consensus of the task force over the course of eight meetings. It is important to note that not every member supported each recommendation. The level of engagement was exciting. Discussions were lively and thought provoking. Additionally, several members stated an interest in reconvening to consult with the Executive Director and Board of Directors upon their appointments.

The Task Force grouped its recommendations into several categories:

- Goals of the Land Bank**
- Composition of the Board of Directors**
- Qualifications and Qualities of the Executive Director**
- Means to Assure Transparency**

Goals of the Land Bank

The members of the Task Force received initial guidance on determining goals from the consultants. They were cautioned that it is likely that at times there will exist competing goals, particularly when establishing sales price policies. For instance, initial cost recovery and highest long-term benefit may be mutually exclusive. The recommendation is that preference be given to long-term benefit.

A Land Bank Authority will be better able to manage and maintain vacant properties by consolidating the inventory into a single entity, the responsibility for which is currently spread among agencies. Success could be measured by reducing the time it takes to dispose of property due to increased efficiency and elimination of duplicate functions currently performed by several agencies throughout the City.

After much discussion it was decided that the statement of the goals should be divided between the outcome goals of the land bank itself and how the LBA will help achieve goals of the City.

The overarching goals of the Land Bank Authority should be:

- **Aggregating and responsibly holding properties for future use**
- **Elimination of barriers to returning properties to productive use**
- **Strategic conveyance of property**

The Land Bank Authority will exist to further the achievement of these City goals:

- **Elimination of blight**
- **Enhancing neighborhood viability**
- **Creating opportunities for affordable and mixed income homeownership and rental**
- **Encouraging economic development**
- **Promoting fiscal stability of the City as a whole as well as that of individual neighborhoods**

It will be incumbent on the Board of Directors to adopt policies that will clearly articulate these goals, how they will be achieved, and how success will be measured.

What projects does the LBA handle?

The majority of the Land Bank's transactions will be functionary level conveyances of vacant and abandoned property. The transactions will be consistent with established areas plans and Urban Renewal Ordinances. They will be guided by the policies set by the LBA's Board of Directors.

Redevelopment deals requiring significant site assemblage and major public subsidy will proceed in accordance with the current practice. Baltimore Housing, or Baltimore Development Corp., could issue a Request for Proposal (RFP) and the Board of Estimates will approve the disposition agreement. In a deal of this magnitude, the staff of the LBA will be responsible only for the acquisition of the properties necessary to support the deal.

The LBA could issue an RFP for the disposition of individual or bundled properties that do not require significant site assemblage or major public subsidy. The Land Bank's Board of Directors should adopt policies to clearly articulate the threshold at which a disposition would be subject to an RFP.

Board of Directors

A significant amount of time was spent discussing the size and composition of the Board of Directors. The size is an important factor as it influences the functionality and practicality of convening the board. Too few members lessens representation of different constituencies, too many and it risks being unwieldy. The composition needs to be a good balance between public officials and citizen members. However, if the qualifications of

the citizen members are too narrowly defined it may be difficult to find appropriate nominees. It is important to note that while not all member of the Task Force agree with each of these recommendations, they are representative of the majority opinion.

That said, it is recommended that the Board of Directors consist of eleven members. The Board should include the Mayor, the City Council President, City Comptroller, the Commissioner of Housing and Community Development, the Director of Planning, and the Director of the Finance, or their designees. Importantly, it should also include five citizens approved for nomination to and confirmation by the City Council. These citizens should have appropriate experience in real estate, finance, property management, community planning and development and/or be the representative of a community-based organization.

One dissenting opinion was that the majority of the Board consist of representatives of community based organizations and that the Housing Commissioner, Director of Finance, and Director of Planning serve only in an advisory capacity. However, due to the scope of fiscal responsibility, the majority agreed that the elected and public officials should comprise the majority to assure proper accountability.

The Board of Directors should meet monthly. All meetings should be open to the public and be subject to all applicable open meetings laws. Six members of the Board constitute a quorum. No measure should be allowed to pass without an affirmative vote of at least six members, at least two of whom are citizen members.

One of the first tasks of the Board of Directors should be to hire an executive director who will be responsible for the daily operation of the Land Bank Authority. The qualifications and qualities of the Executive Director should include demonstrated skill at putting operational systems in place, ability to build consensus, development experience, a thorough understanding of “how cities work”, an ability to think beyond the individual deal, transactional and geographic expertise, political savvy, an ability to operate independently, and a sense of impatience to change the City’s approach to eliminating blight.

The Board of Directors will be responsible for adopting policies regarding strategic acquisition and disposition as well as general operation of the Land Bank Authority. These policies will guide the operation of the land bank as well as assure transparency and accountability. These policies will be subject to approval by the Board of Estimates prior to adoption. If at any time, two members of the Board of Estimates want the policies reviewed, the Land Bank Executive Director will be invited to appear and report on the compliance and performance of the Land Bank. Amending a policy will require an affirmative vote by three members.

Means to Assure Transparency

Assuring transparency is crucial to the success of the Land Bank Authority. Creating a LBA will fundamentally change the way city land is conveyed. Transparency and accountability will help instill confidence in the new way of doing business.

The task force spent a significant amount of time addressing the issue of transparency. Particular attention was paid to means for providing notice to the public of pending, or potential, sales and to creating a method of protest.

All transactions of land owned by MCC are currently reviewed by the Board of Estimates. In that MCC owned property would be conveyed and titled to the LBA, that review will no longer be required for every transaction. The LBA must develop procedures for assuring fairness, notice, and compliance with planning, zoning, and other applicable community reviewed land use ordinances.

One of the initial acts of the LBA will be to acquire from MCC an inventory of property. It is recommended that this be accomplished by a mass conveyance approved by the Board of Estimates. The inventory should be published in a widely read newspaper. It should be listed on the appropriate websites, and made readily available in printed version to the general public. The Board of Estimates will hear protests of any of these conveyances.

The Board of Directors will need to adopt policies that assure notice and opportunity to protest future transfer of city owned property into the Land Bank and dispositions. One recommendation would be to publish a listing of the inventory in print twice a year. The inventory will be maintained in real time on the Land Bank's website.

There was a tremendous amount of discussion about how, and whether, to post a property for which a bid has been received. This would give community members clear notice of a potential disposition by the LBA. It could also create a positive branding for the LBA as the posting would indicate sales activity. On the down side, the posting could cause delay in the transaction. It would add costs and could create litter.

Notice should be followed by a short period of review and method for protest. First protest should go to the Executive Director, who would assure compliance with policies and procedures. The next level of review would be performed by the Board of Directors.

There were several suggestions for the procedure and venue for discretionary appeals of Board of Directors' decisions. Suggestions included that the review be heard by the Board of Estimates, the Board of Municipal and Zoning Appeals, and the Circuit Court. Experience has shown that protests of the type contemplated here are quite rare. There was discussion that the administrative review be completed by the Board of Estimates. Members of the Law Department have offered that that would be inappropriate for two reasons. First, the review would be duplicative as the composition of the Land Bank's Board of Directors and the Board of Estimates are virtually the same. Second, it would compromise the separation of the LBA from the operations of the City. In that the

property would be titled to the LBA the Board of Estimates would have no true authority to review the transaction. Allowing it to do so could subject the City to liability for the actions of the LBA. Instead, the review should be administered by the Board of Municipal and Zoning Appeals.

Other measures to assure public access and transparency are recommended. For instance, the Executive Director could hold bi-weekly meetings open to the public. The Board of Directors will hold monthly meetings that will be open to the public. A full report of the LBA's activities, transactions, and finances should be presented to the Mayor and City Council semi-annually. The report should include an accounting of acquisitions and related costs, dispositions and sales proceeds, compliance with land disposition agreements as evidenced by rehab and occupancy, and the number and outcome of protests filed.

As a procedural practice, all conveyances should be certified by a responsible staff member as compliant with all adopted LBA policies as well as master plans, urban renewal ordinances, and zoning. Potential purchasers could be vetted in a manner similar to that used by SCOPE. If the conveyed property is a vacant building, the land disposition agreement should include strict timelines for completion of rehabilitation of the property.

Attention should be paid to adopting policies consistent with the goals of Baltimore's Office of Sustainability. Where practical, the assets of the Land Bank should be made available to support the efforts of Tree Baltimore as well as for community gardens and urban agriculture. Land disposition agreements requiring rehab should, where feasible, require compliance with Green Building standards.

Additionally, the Land Bank Authority must comply with the City's MBE/WBE policies and requirements, the goals of Baltimore City Residents First and open meeting laws.

To be successful the Land Bank Authority must have a targeted and well-defined mission with board adopted sales policies and priorities. With the collaboration of the Task Force, legislation has been drafted incorporating these recommendations.

Fiscal Impact

It is anticipated that the creation and operation of the LBA will be largely budget neutral. The acquisition, asset management and disposition activity currently undertaken by the City through Baltimore Housing's Land Resources and Disposition Division is supported almost entirely by sales proceeds. Budget projections are being prepared by a workgroup lead by the Department of Finance with representatives from Baltimore Housing, the Department of Public Works, and the Department of Transportation. Additionally, as described below, an acquisition pool could be used to support capital needs of the LBA.

Next steps

To begin implementation of these recommendations, the following steps should be taken:

- **Introduce legislation to City Council incorporating recommendations of Task Force**
- **Appoint Board of Directors**
- **Hire Executive Director**
- **Adopt by-laws, policies and procedures consistent with these recommendations**
- **Hire staff and begin operation**
- **Convey properties into Land Bank subject to City Council and Board of Estimates approval**

In addition, the Task Force recommends that opportunities for broader reform be investigated. Those include possible reform of the tax sale process as well as the tax foreclosure process. These measures should be undertaken only after the LBA is fully functioning with a demonstrated capacity for assuming the operations related to tax sale and only upon clear determination that these reforms would have no negative impact on the City of Baltimore's fiscal strength.

An opportunity on the short horizon is the creation of an acquisition fund. This pool would be seeded with public money, with the assets of the LBA portfolio used as collateral, and leverages with private and philanthropic capital.

In closing, the Task Force commends Mayor Dixon for initiating this bold and aspirational course of action. As well, the Task Force commends Council President Rawlings-Blake and Comptroller Pratt for their efforts and support. The time is now to radically change the way we respond to the crisis of abandoned vacant properties in the City of Baltimore. Creating a Land Bank Authority will help us do just that.