



BALTIMORE
HOUSING

Building A Better Tomorrow, Today.

From Vacants to Value

Creating Value by Rehabbing Vacant Homes and
Reclaiming Blighted Blocks



Baltimore City's Vacancy Problem

- Fifty years of population and job loss has devastated the housing market in many of the City's lowest income neighborhoods.
- Baltimore City is plagued by decades of property abandonment resulting in 16,000 vacant and boarded buildings.
- The majority of Baltimore's boarded structures - approximately 11,000 - are highly concentrated in severely distressed areas. Unfortunately, there is insufficient development demand in those areas to support wholesale rehabilitation in the foreseeable future.
 - A limited number of emerging markets can be identified within distressed areas. With resource intensive assistance from code enforcement, these emerging markets can support the rehabilitation of 700 vacant properties.
- The remainder of the abandoned properties - approximately 5,000 - are scattered throughout mostly transitional neighborhoods. These areas have otherwise healthy housing markets that could support the rehabilitation of these vacants.





BALTIMORE HOUSING

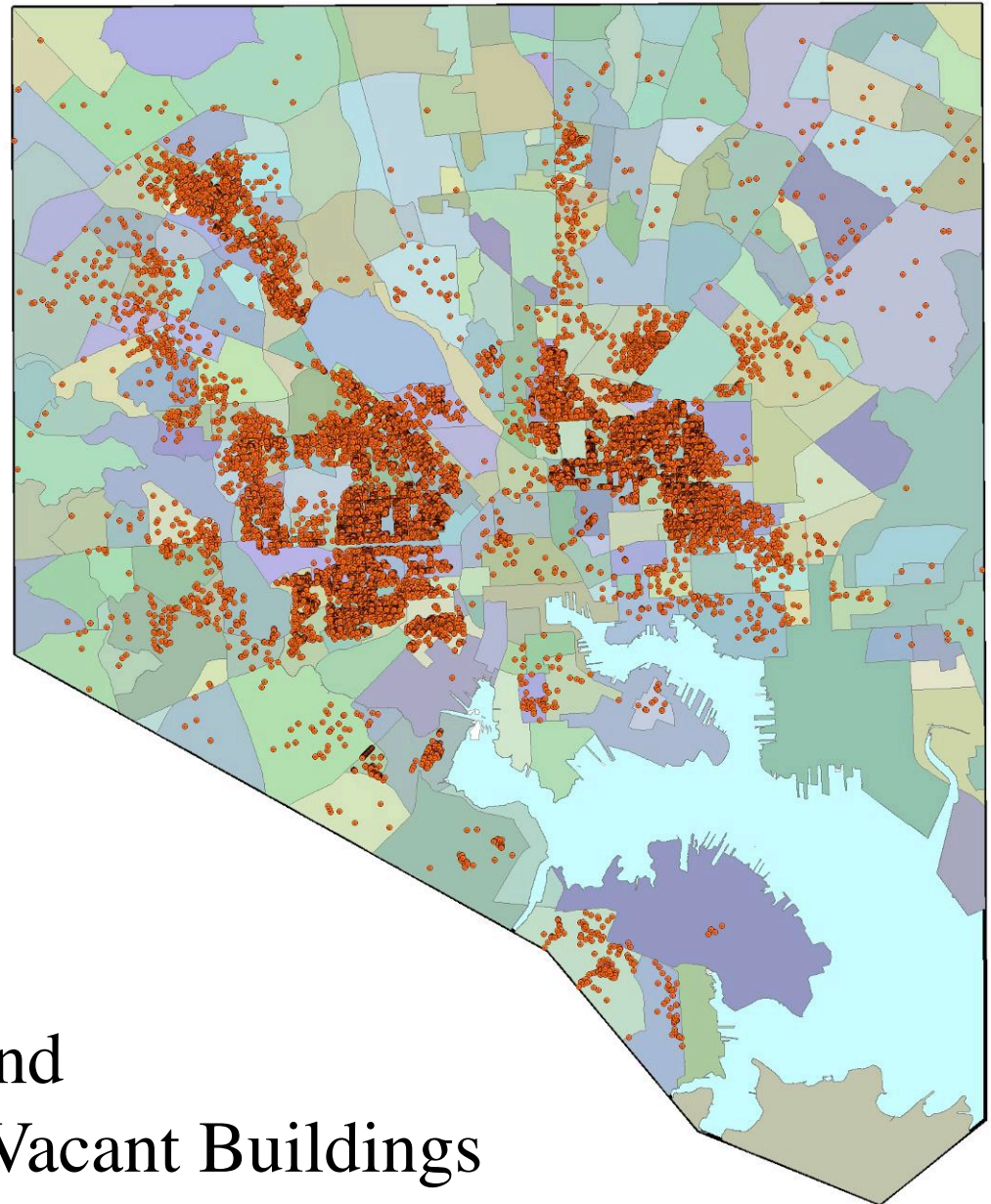
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Breakdown of the City's
16,000 Vacants by Area Type

65%
(10,000+ Vacants)
Located in Areas Without
Development Demand

31%
(5,000 Vacants)
Located in Areas With
Development Demand

4%
(700+ Vacants)
Located in Emerging Markets



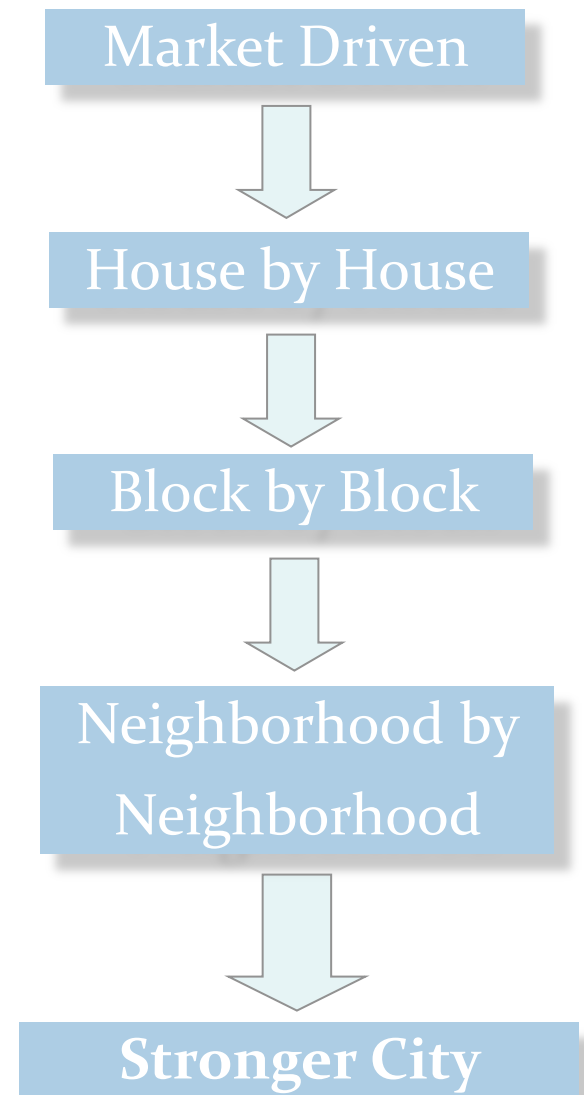
The Distribution and Concentration Of Vacant Buildings in Baltimore City



The New Vacants to Value Approach

Vacants to Value is a new initiative which utilizes the private market to maximize the repair and rehabilitation of blighted properties. *Vacants to Value* uses different strategies on different blocks depending on the housing market:

- **STRATEGY 1: STREAMLINE THE DISPOSITION PROCESS**
Current processes for selling city owned properties are cumbersome, antiquated, and time consuming. Many potential buyers lose financing and others give up in frustration. Strategy 5 will reorganize HCD's Land Resources Division to consolidate all acquisition, asset management, and disposition activities. Other changes include increasing marketing efforts and policy reforms that will streamline internal processes as well as sales.
- **STRATEGY 2: STREAMLINE CODE ENFORCEMENT ON TRANSITIONAL BLOCKS**
On transitional blocks *Vacants to Value* is a new streamlined approach to code enforcement that does not rely on litigation. Up until now, litigation was required in every instance where a vacant building owner was non-compliant. Code enforcement officers can now issue \$900 citations (like parking tickets) which will promote outcomes on a scale previously unattainable.





The New Vacants to Value Approach

- **STRATEGY 3: FACILITATE INVESTMENT IN EMERGING MARKETS NEAR AREAS OF STRENGTH**

On distressed blocks, *Vacants to Value* is a new public-private partnership that facilitates the rehabilitation of entire blocks without the costs and long timelines associated with conventional approaches. Going forward, strategically deployed code enforcement attorneys will work with committed, capitalized developers to effectively leverage whole block solutions in targeted areas.

Vacants to Value's Strategies 2 and 3 will trigger the rehabilitation of more vacant, boarded properties than any program to date – with only minimal public subsidies and limited costs.

- **STRATEGY 4: TARGETED INCENTIVES**

Baltimore City offers a variety of incentive programs for potential homebuyers. Each program has specific qualifications, managed by different city departments or nonprofits

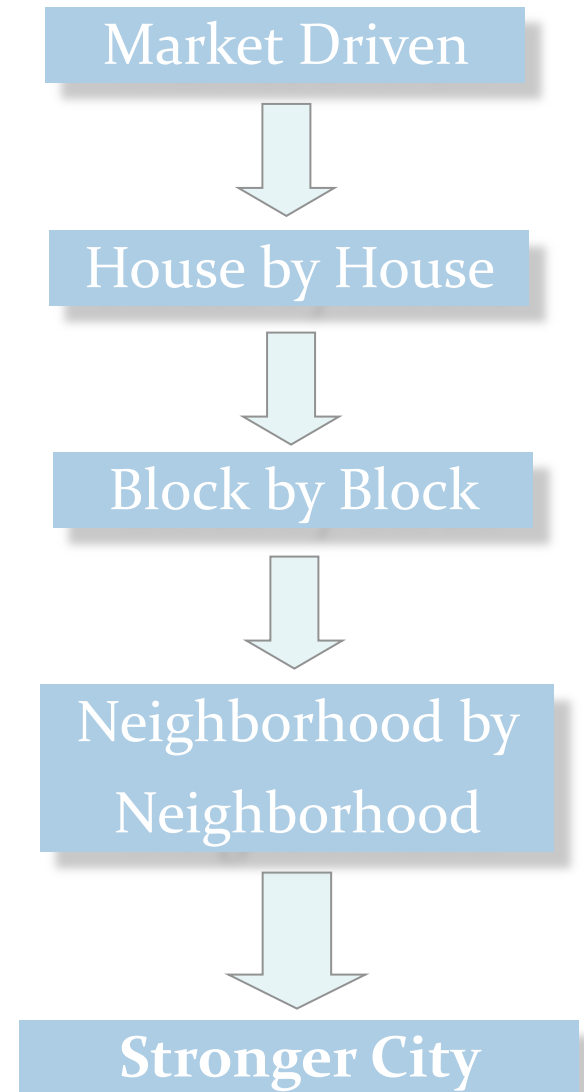
- **STRATEGY 5: SUPPORT LARGE-SCALE DEVELOPMENT IN DISTRESSED AREAS**

Many distressed areas with concentrated abandonment do not have private development potential and so large-scale redevelopment initiatives are needed. The City will continue to support the following redevelopment projects: Uplands, O'Donnell Heights, EBDI, Central Park Heights, Poppleton, and Orchard Ridge.

- **STRATEGY 6: MAINTAIN, CLEAR, HOLD AND IDENTIFY NON-HOUSING USES**

Unfortunately, there is a limit to the scope of Strategies 3 and 5. The scale of the blight in distressed areas exceeds the development demand for housing uses of any kind well into the foreseeable future.

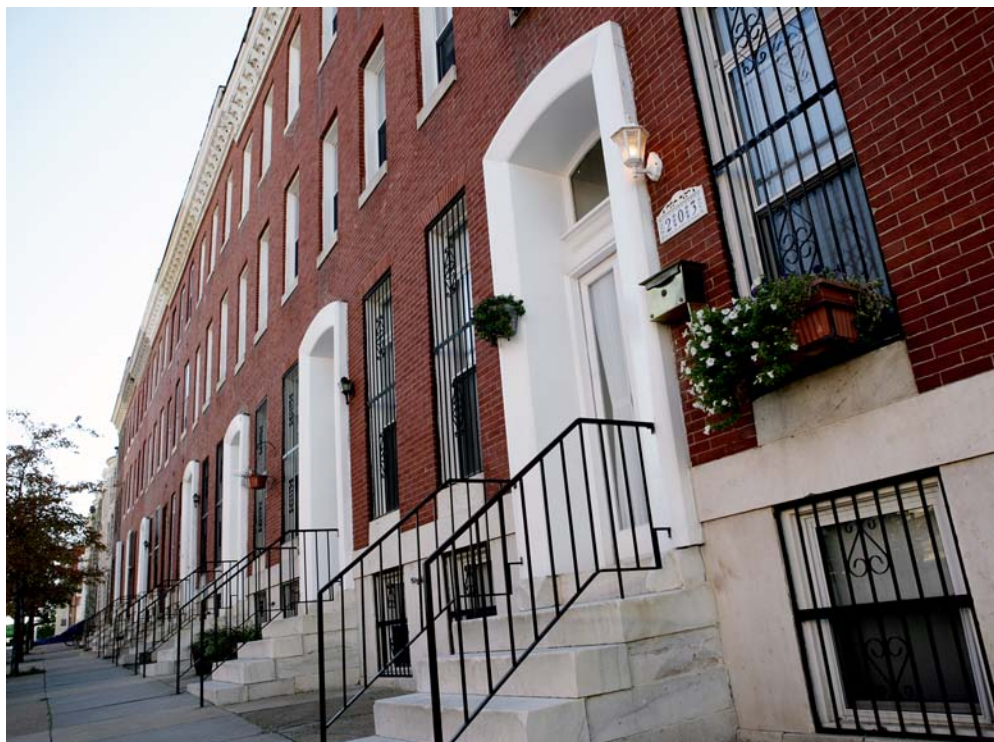
Demolition, land banking, regular cleaning and securing of the inventory, as well as the active promotion of creative non-housing uses are essential to create value in the long-term.





Streamlining the Disposition Process

Current processes for selling city owned properties are cumbersome, antiquated, and time consuming. Some potential buyers lose financing and others give up in frustration. Strategy 1 will reorganize HCD's Land Resources Division to consolidate all acquisition, asset management, and disposition activities. Other changes include increasing marketing efforts and policy reforms that will streamline internal processes as well as sales.





Selling City-Owned Vacants

To strengthen our blight elimination efforts we must make it easier for developers to buy vacant buildings and lots from the City's inventory.

There are three components to our reform efforts

1. Reorganize HCD's Land Resources Division to consolidate acquisition, asset management and disposition
2. Increase marketing efforts
3. Change policies that impact both internal processes as well as developer transactions



Land Resources Division Reorganization

- Merger of Acquisition and Disposition staff into one division of HCD
- Director of Marketing and Community Outreach position created to emphasize proactive marketing
 - Team of Community Marketing Agents to work in and for communities, matching plans and ideas with inventory
- Director of Land Transactions
 - Team of Real Estate Officers to negotiate and complete deals
- Managing Attorney
 - Team of attorneys to strategically acquire properties and to enforce land disposition agreements



Buying City-Owned Properties Should be:

Clear

- Searchable inventory
- User friendly on-line application

Predictable

- Set pricing with reserve bid
- Reduced transaction time reduces financial risk

Transparent

- Web-based marketing tool
- Public notice of properties for which offers are received



Lien Abatement

The Problem:

- Lien abatement currently take as long as three weeks, requiring no fewer than six signatures with document couriered between agencies by a real estate officer

The Solution:

- Implement abatement document with electronic signatures
- Institute policy that would enable administrative abatement of liens on properties acquired by MCC
- Establish policy that would prevent new liens accruing on MCC properties
- Add language to lien sheets that would advise prospective buyers of City's acquisition activity



Vacants to Value STRATEGY 1

Streamlining the Disposition Process

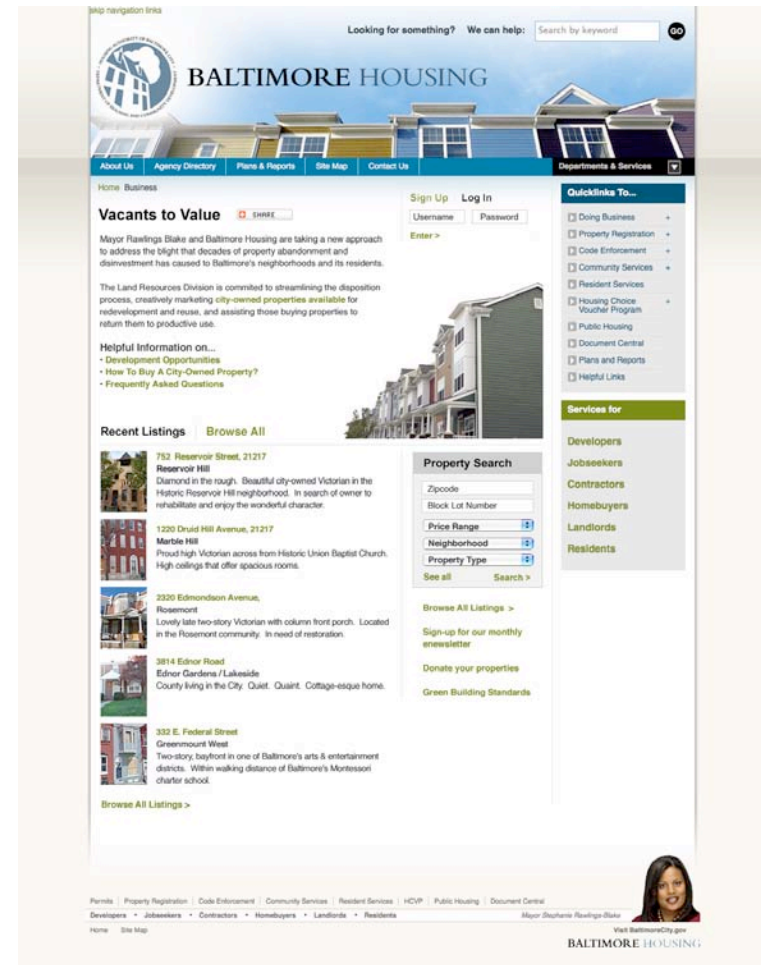
Inventory Marketing

The Problem:

- Only a small fraction of the City's salable inventory is available to the public.

The Solution:

- Make property listings continuously available on the web.
- No more rolling bid program
- Online applications
- Just a click away: photos, rehab cost estimates, neighborhood data, incentive programs, mapping





Pricing Policy Amendment



The Problem:

- The City is required to appraise all properties assessed above \$5,000. If the appraisal is higher than the winning bid, the city must renegotiate or seek a special exception. This creates bad faith and lost sales.

The Solution:

- Valuation waiver for all acquisitions and sales priced less than \$20,000
- True minimum price will be advertised
- Time and cost of transactions will be reduced
- Eliminates risk of bad will when a good faith offer made in a competitive process is denied based on appraisal



Auctions

- Sell City owned properties at auction
- Pre-qualify bidders to assure financial capacity and rehab ability
- Reserve bid set by valuation method
- Schedule in conjunction with Code Enforcement Receivership actions





Follow Up to Assure Positive Outcomes

- Staff will monitor and strictly enforce deadlines for rehab of properties
- Integrate functionality of CoBLAM (City of Baltimore Land Asset Management data system) and CHIP (Computerized Housing Inspection Program) to track compliance due dates and permit/inspection activity
- Strengthen and Enforce language in disposition agreements to allow the City to reclaim properties that are not rehabbed timely by purchasers



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Vacants to Value STRATEGY 2

Transitional Blocks with Scattered Vacants

Transitional blocks are predominantly occupied but are challenged by a small number of vacant, boarded buildings.

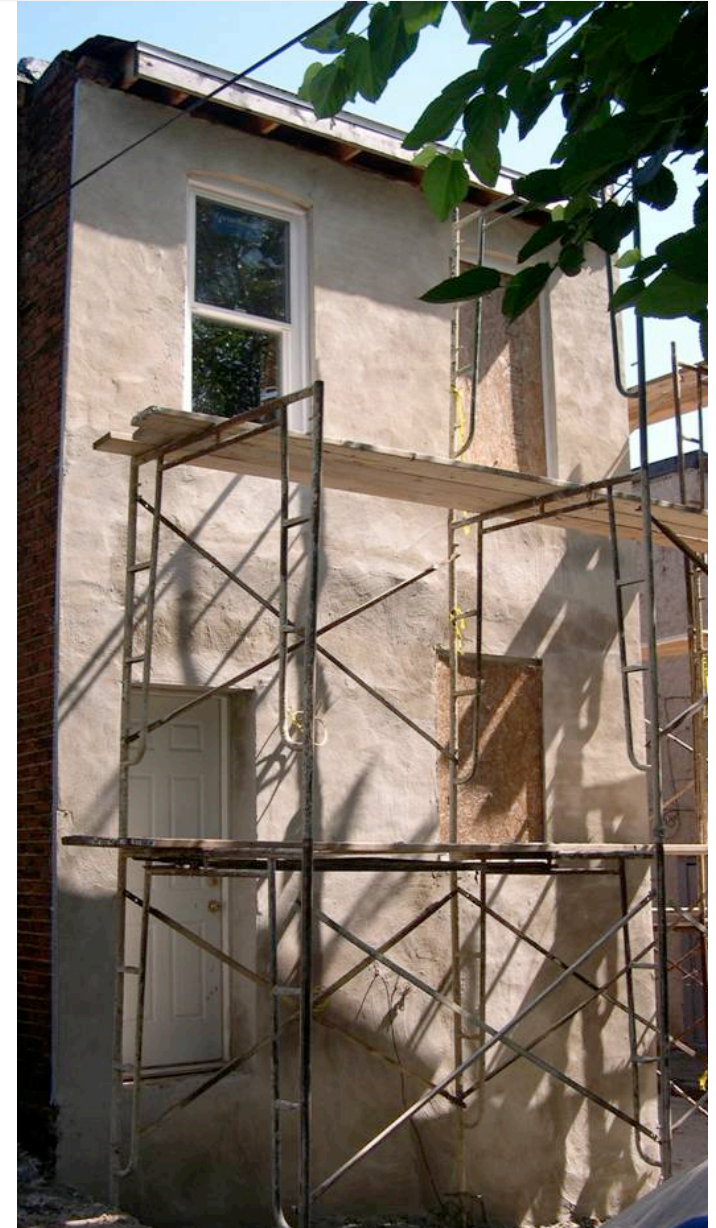
The private housing market is generally healthy enough to support the rehabilitation of vacant property. Typically, only minimal code enforcement efforts are required to prompt rehabs.






Targeting Scattered Abandonment

- On transitional blocks where housing markets are otherwise healthy, boarded structures are limited to only a few per block. In these areas, effective code enforcement can successfully leverage rehabilitation.
- While Baltimore City is generally recognized for its sophisticated code enforcement infrastructure, the sheer volume of vacant properties on transitional blocks has to date exceeded the capacity of existing code enforcement resources.
- By repositioning code enforcement as a prompt administrative process our enforcement capacity will increase leading to significantly greater outcomes.
- Over the course of the coming year, code enforcement will use new, streamlined processes to target 1,000 vacant buildings on transitional blocks ultimately triggering their rehabilitation and the overall strengthening of these neighborhoods.





New Enforcement Tools

 **WARNING** STEPHANIE RAWLINGS-BLASE
MAYOR
BY AUTHORITY OF MAYOR AND CITY COUNCIL OF BALTIMORE PAUL T. GRAZIANO
COMMISSIONER
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Page 1 of 1

John Smith
123 Arlington Ave
Baltimore, MD 21202


Location of Violation:
Address: **4242 Main St.**
Block: **1111** Lot: **111**

Dear Owner/Occupant,


There is an outstanding Code Violation Notice and Order issued for the above referenced property. Recent inspections of the property revealed that the violations have not been corrected. As a result, the case is being reviewed for additional enforcement action. This action may include: citations that if not paid will become a lien against the property, civil injunctions, criminal prosecution in the Maryland District Court for Baltimore City, or any combination of the actions listed.

You have ten (10) days from the date of this letter to contact me and demonstrate why we should not proceed with further enforcement action.

Baltimore Housing follows the Building, Fire and Related Codes of Baltimore City (BFRBC), which can be found at: <http://cityservices.baltimorecity.gov/charterandcodes>. Thank you for your cooperation in this matter. I can be reached by phone at 410-396-4170 or by email at stan.janczak@baltimorecity.gov.

Sincerely,

Eric Booker
Assistant Commissioner, Code Enforcement Inspections

417 East Fayette Street Suite 202 Baltimore, MD 21202
Baltimore Housing enforces the combined efforts of the Housing Authority of Baltimore City and the Baltimore City Department of Housing and Community Development.

 **ENVIRONMENTAL CITATION(S) AND ORDER**

MAYOR AND CITY COUNCIL OF BALTIMORE, PETITIONER VS.:

John Smith
123 ARLINGTON AVE
BALTIMORE, MD 21217-0000

Location of Violation:
Address: **4242 Main Street**
Block: **1111** Lot: **111**

VIOLATION

Respondent is charged with violation(s) of the following law(s) or regulation(s):

1. Citation#: S1594950 Amount of Fine: **\$900.00** Lien: Yes
Article: BFRBC Section: **123.8.1**
Violation: **Failed to abate Unsafe Structure Notice and Order**
Location: **4242 Main Street** a residential-single family.
Date of Offense: August 23, 2010 08:28 AM Abatement Date: **September 04, 2010**
Details of Violation: **Vacant Building Notice 123456A remains unabated.**

FINE(S) DUE DATE

Respondent must pay the fine(s) as stated above by **Due Date of: September 24, 2010** or request a hearing by following instructions on this citation, or be subject to a default penalty which triples the fine amount.

ABATEMENT ORDER

Ongoing violation must be corrected by **Abatement Date** to avoid additional citations and enforcement actions authorized by law.

I solemnly affirm under penalty of perjury that the contents of this citation are true to the best of my knowledge, information and belief.
Officer: GARY KR AUSE_ID#:128 Baltimore Housing Inspector.

WARNING

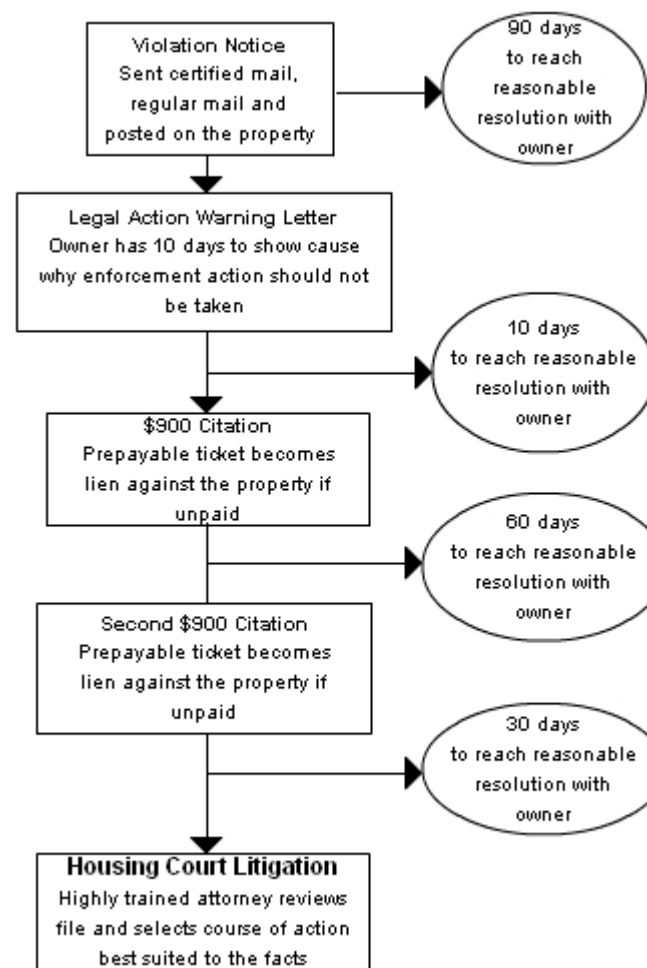
Respondent will be held in default if the Respondent: (1) neither pays the fine on or before the Due Date, nor requests a hearing pursuant to the instructions on this citation; or (2) having requested a hearing, fails to appear on the Date of Appearance. Default fines will be triple the fine amount up to \$1,000.

On transitional blocks where the housing market is generally healthy and true abandonment is minimal, new enforcement processes including the Citation Warning Letter and the Vacant Property Citation, will be sufficient to trigger rehabilitation.



The Code Enforcement Timeline

- New tools and business processes have been programmed into code enforcement's automated business systems.
- Within the first 12 months of launch, code enforcement will likely issue more than 1,000 vacant building citations - effectively doubling enforcement capacity while at the same time reducing the wait time for results by more than 50%.





Emerging Markets

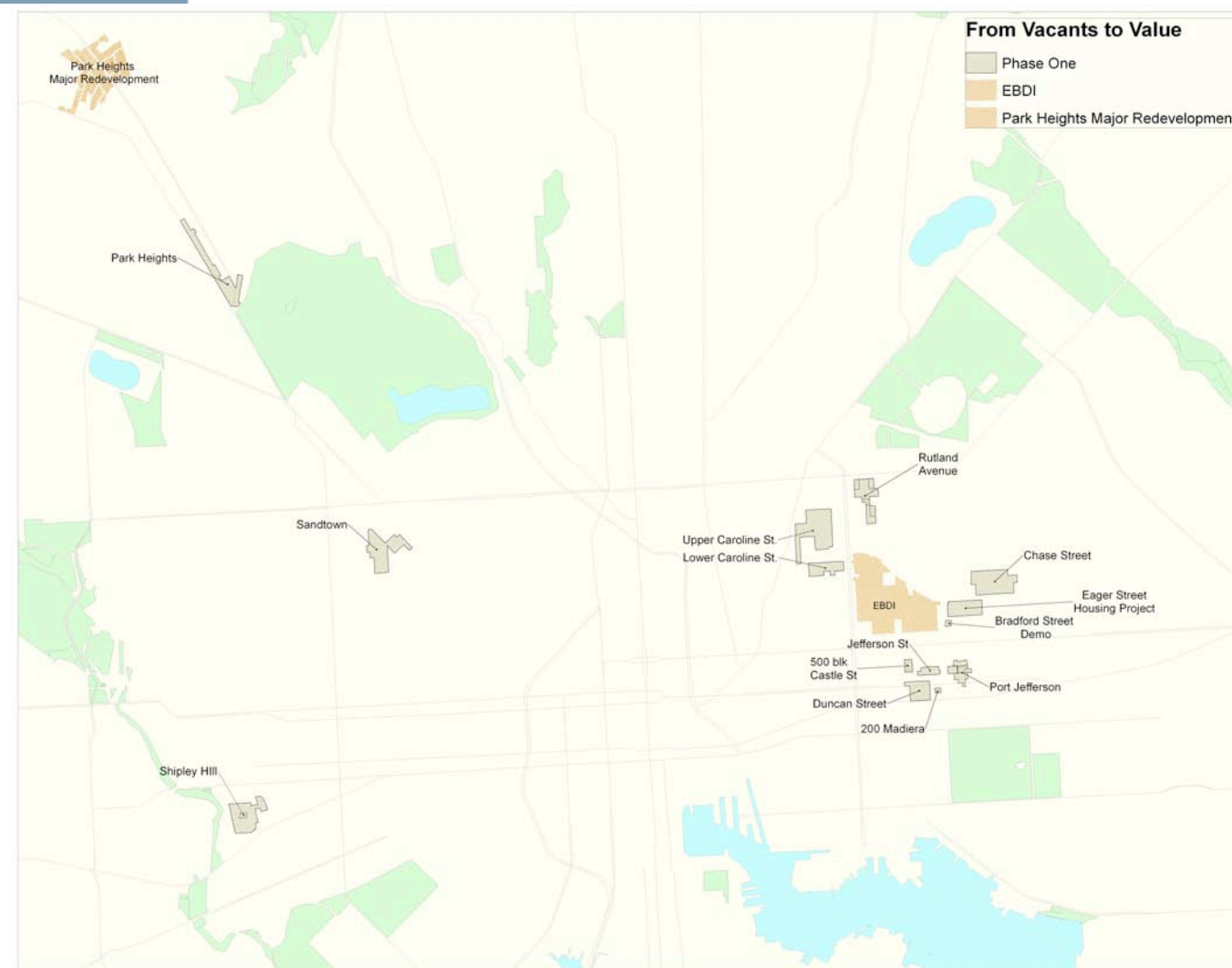
Large scale redevelopments, such as EBDI, have created potential housing markets in nearby distressed areas. These areas are characterized by high concentrations of abandoned properties, many of which are owned by the City or are in tax arrears.

Because of their potential, private developers are interested in rehabilitating some of these blocks but require the City's assistance to ensure that their efforts are not undermined by other vacant properties.





Strategic Targeting of Emerging Markets



13 emerging areas have been strategically targeted in Year One.

These areas constitute 182 blighted blocks and 746 vacant properties.

Code enforcement will partner with more than 20 developers to effect these rehabs.



Strategic Targeting of Emerging Markets

Breakout of the 746 Vacants Targeted in New Public-Private Partnership

Phase One Focus Areas	Total Properties in Focus Area	Total Vacants by Focus Area	Publicly Owned Vacants
200 Madiera	20	11	6
500 blk Castle St	48	16	0
Bradford Street Demo Only	27	17	3
Upper Caroline	452	124	19
Chase Street	347	23	1
Eager Street Housing Project	232	96	34
Jefferson St	134	41	6
Park Heights	196	53	4
Port Jefferson	143	42	2
Rutland Avenue	298	105	13
Sandtown	383	52	19
Shipley Hill	243	83	6
Lower Caroline	153	42	16
Duncan	165	41	14
	2841	746	143



Public-Private Partnerships

- While major demolition efforts remain critical to any comprehensive solution in distressed areas, some of these blocks are near enough to emerging areas of strength to generate developer interest. Significantly better outcomes can be achieved through new public-private partnerships with interested developers.
- By partnering with committed, privately capitalized developers on targeted blocks, code enforcement attorneys can facilitate whole-block rehabilitation even in distressed areas.
- Where developers have the means to rehabilitate every vacant house on a strategically selected block, they can effectively restart a housing market. Using their expansive toolkit, Code Enforcement attorneys can require every owner of vacant property on a block to either rehabilitate or sell to someone who can. When necessary, attorneys can force the auction of vacant properties that cannot be rehabilitated or sold because they are truly abandoned or “upside down.” As long as there is at least one capitalized developer, the block will be rehabilitated.
- Strategy 2 does not rely on tax-payer subsidies to create value nor in general does it rely on costly and time consuming municipal acquisition and disposition strategies as a precursor to rehabilitation.



Need for Coordinated City Investment and Services



Ensure adequate street lighting and facilitate the paving of streets, repair of sidewalks and the attraction of new commercial amenities on reclaimed blocks

Allocate additional capital dollars for demolition to eliminate those vacants that impede additional investments

Assign resources from City agencies

- Police
- Streetscaping/Lighting
- Planning

Schedule dates for walk-throughs with applicable agencies



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Vacants to Value STRATEGY 4 TARGETED INCENTIVES

Homebuyers

Good Neighbors Program-\$500,000
\$5,000 five-year forgivable loans
for teachers, firefighters, and police officers
Assisting 100 Vacants to Value Homebuyers

CDBG Homeownership Program-\$300,000
\$5,000 five-year forgivable loans
Assisting 60 Vacants to Value Homebuyers

Settlement Expense Grants-\$250,000
\$5,000 loans assisting 50 Vacants to Value Homebuyers

Buying Into Baltimore Program-\$200,000
\$5,000 grants to qualified trolley tour participants
For Vacants to Value Homebuyers
(An increase of \$2,000 over standard program)

Live Near Your Work Program-\$200,000
\$6,000 maximum for Vacants to Value Homebuyers
(\$3,000 City and \$3,000 Employer match)

Developers

Revolving Loan Fund-\$1,000,000
Construction funds for small developers
and contractors

* Tax incentives are also available



Large Scale Redevelopment

Many distressed areas with concentrated abandonment do not have private development potential and so large-scale redevelopment initiatives are needed. The City will continue to support the following redevelopment projects: Uplands, O'Donnell Heights, EBDI, Central Park Heights, Poppleton, and Orchard Ridge.





Supporting Large Scale Redevelopment



Large scale redevelopment remains a critical tool in areas where the degree of disinvestment and vacancy prohibit market solutions. These circumstances require transformative interventions.

The City will continue to support the following large scale redevelopment projects:

- Uplands,
- O'Donnell Heights
- EBDI
- Central Park Heights
- Poppleton
- Orchard Ridge





Maintenance, Clearance, Land Banking and Non-Housing Uses

Unfortunately, there is a limit to the scope of Strategies 2 and 3. The scale of the blight in distressed areas exceeds the development demand for housing uses of any kind well into the foreseeable future.

Demolition, land banking, regular cleaning and securing of the inventory, as well as the active promotion of creative non-housing uses are essential to creating value in the long-term.





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Vacants to Value STRATEGY 6 MAINTENANCE & CLEARANCE

Maintenance, Clearance, Land Banking and Non-Housing Uses



1900 Perlman Place -Recently demolished by Mayor Rawlings-Blake.

Blighted blocks in distressed areas are characterized by high concentrations of vacant properties, many city-owned through default, truly abandoned, or in tax arrears. Generally, the housing market will not support the rehabilitation of these vacant properties and many of these blocks will ultimately need to be demolished. Much of the land needs to be banked and open-space and non-housing uses promoted at least temporarily. Inventory still standing needs to regularly cleaned and secured.



STRATEGY 1

- Increase number of properties marketed and available for purchase to 1,500
- Reduce transaction time from offer to settlement by 50%
- Increase number of properties sold by 50% in FY 11

STRATEGIES 2 - 3

- 1500 vacant buildings will be rehabilitated as a result of first year activities (500 in distressed neighborhoods and 1000 in the otherwise healthy markets). Of those, 500 rehabs will be completed in the first year.
- \$4,000,000 in new revenue after ramp-up (\$1,625,000 projected in the first year)
 - \$1,500,000 in new revenue from citations issued in the first year. (\$750,000 projected collections in the first year)
 - \$500,000 in new permit revenue in the first year.
 - \$2,000,000 in new property and income taxes for rehabs completed or begun in the first year, after accounting for Rehab Tax Credit (\$375,000 projected collections in the first year)
- \$70,000,000 of leveraged private investment in the housing stock for rehabs completed or begun in the first year (\$35,000,000 projected investment in the first year)

STRATEGY 5

- Completion of on-going major redevelopment projects will result in a total investment exceeding 2.87 billion dollars.

STRATEGY 6

- Demolish 500 properties in Year One (City and partners) and clean and board city wide.



Program Metrics

CODE ENFORCEMENT	Year One	Year One	Year One	Year One	Year One	Year One
STRATEGY AREAS	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual	Total Goal	Actual
Strategy Area One						
Leveraged Sales						
Citations Issued						
Cases Filed						
Permits Pulled						
Permit Revenue						
VB Notices Abated						
Private Dollars Leveraged						
New Property Taxes						
Total VB increase/decrease						
Strategy Area Two						
Leveraged Sales						
Citations Issued						
Cases Filed						
Permits Pulled						
Permit Revenue						
VB Notices Abated						
Private Dollars Leveraged						
New Property Taxes						
Total VB increase/decrease						
Strategy 1 and 2 Totals						

Results will be carefully tracked in Year One and regularly reviewed in biweekly meetings. It is expected that Year Two target areas and goals can be established at the outset of the fourth quarter.



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Baltimore Housing reflects the combined efforts of the Housing Authority of Baltimore city and the Baltimore City Department of Housing & Community Development.