

**Vacant Properties in Baltimore:
Strategies for Reuse**

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Executive Summary

One of the main problems facing older, formerly industrial U.S. cities is the steady loss of residents and jobs over the last half century. The suburbanization of work and people has led to large amounts of vacant, abandoned, and under-utilized property—both residential and commercial—in cities such as Baltimore, St. Louis, Detroit and Philadelphia. With a population of 651,154 in 2000, Baltimore City now houses two-thirds of the residents it did in 1950. Between 1950 and 1990, Baltimore City lost 75,016 manufacturing jobs or two-thirds of its total employment in manufacturing (Cohen 2001). This loss of population and jobs has inevitably led to vacant and under-utilized properties across the city.

Baltimore City currently has about 14,000 abandoned houses and more than 12,000 vacant lots, and nearly one-third of its industrial land is under-utilized (Hager 2002). A recent nationwide survey found that Baltimore City has one of the highest vacancy to population ratios: 22.22 abandoned structures per 1000 residents compared to an average of 2.63 per 1000 across all of the cities surveyed (Pagano and Bowman 2000). Baltimore City's main problem seems to be the high number and widespread nature of its vacant structures and former industrial sites resulting from its loss of residents and businesses. Vacant property is both a symptom of the job and population losses and a problem in itself, as widespread blight depresses property values, tarnishes neighborhood images, and encourages crime and grime.

These vacant structures and abandoned properties are potential assets for the city, especially if scattered vacant sites can be assembled into larger parcels for redevelopment. Lacking a dedicated source of funding to redevelop vacant properties, however, Baltimore City has been forced to take a piecemeal approach to a problem that demands direct investment,

coordinated action, and a unified vision. Baltimore City's various approaches to the vacancy problem, include: (1) demolition and rehabilitation; (2) brownfields initiatives; (3) historic preservation and smart growth tax incentives; and (4) infill development and adaptive reuse. Scattered rehabilitation and demolition without plans for reuse are short-term fixes that fail to acknowledge current urban conditions. Likewise, remediating brownfields or designating certain areas as historic districts are just initial steps in dealing with abandonment. A more comprehensive approach to the vacancy problem combines strategic land acquisition with smart growth strategies, assembling and marketing sites to attract economic development back into the city. The strategy of infill development and adaptive reuse is potentially a comprehensive approach that could incorporate many of the above anti-blight strategies.

A successful redevelopment strategy must build upon the locational advantages and natural assets that Baltimore still possesses. City officials should treat vacant or under-utilized land as a valuable resource—one that still offers certain comparative advantages that remain attractive to investors (Brophy and Vey 2002). Abandoned properties may be desirable locations for businesses or residences for the following reasons:

- proximity to natural amenities such as the harbor or one of the city's parks;
- access to major transportation hubs;
- historic or unique character of the properties; and
- proximity to jobs and other businesses.

Redevelopment of larger, assembled parcels of urban land should address Baltimore City's dual imbalance, namely, the oversupply of housing in a depopulated city and the undersupply of low-skill jobs in a changing economy. Current revitalization projects—such as HUD's Hope VI redevelopment of public housing sites and the proposed biotech park project in

East Baltimore—include redesigned city blocks with lower density housing and more green space, addressing both the population loss and the market demand for bigger houses with yards. The biotech park proposal also stresses the creation of entry-level jobs in bioscience and support services that could be filled by city residents. A comprehensive plan for infill development should include an economic development initiative that sparks physical and social investments around the site. By addressing both the causes and the symptoms of vacancy in the city, this linked strategy is the best long-term solution to the area's abandonment problem.

A comprehensive, long-term approach that addresses the symptoms as well as the causes of the vacancy problem should include:

- Large-scale, market-based redevelopment, building upon local assets and comparative advantages;
- Rehabilitated or newly built housing at lower density to address the city's population loss;
- Job creation and people-based components such as job training and counseling services to address one of the underlying causes of vacancy;
- Adaptive reuse of historic or unique buildings to preserve the character of Baltimore City; and
- Utilization of all applicable funding streams for brownfields remediation, historic preservation, low income housing, and community development.

The recently announced East Baltimore Biotech Park revitalization project is the best illustration of the current trend in Baltimore City's anti-blight strategy. The city has decided to take a comprehensive housing and economic development approach to widespread vacancy and abandonment in the neighborhoods east of downtown and just north of Johns Hopkins Hospital. The proposed biotech park will attract companies wishing to capitalize upon the wealth of

research and talent at the adjacent hospital. The \$200 million, market-based infill development plan involves:

- rehabilitation of housing;
- construction of new, low-density housing;
- demolition of entire blocks and relocation of residents;
- site assembly, preparation, and construction of office space; and
- economic development that includes marketing, job training, and community reinvestment provisions.

The East Baltimore Biotech Park project indicates that city officials are moving away from the market-blind, complaint-driven demolition and rehabilitation schemes of the past. The city's vacant property policy must be more proactive, reclaiming land as an asset and maximizing its potential for reuse. By balancing this place-based strategy with services that boost human capital, the causes of vacancy will be addressed as well as the symptoms. Only a comprehensive approach with people- and place-based components can address the decades of disinvestment and deterioration in Baltimore City.

Introduction

One of the main problems facing older, formerly industrial U.S. cities is the steady loss of residents and jobs over the last half century. The suburbanization of work and people has led to large amounts of vacant, abandoned, and under-utilized property—both residential and commercial—in cities such as Baltimore, St. Louis, Detroit and Philadelphia. According to the most recent nationwide survey of vacant land and structures, an average of about 15 percent of

the land area in U.S. cities is vacant or under-utilized (Pagano and Bowman 2000). While many mayors have identified blight and brownfields as pressing urban issues, they seem to lack a comprehensive strategy for the reuse of vacant land (Hughes 2002). In the meantime, piecemeal demolition and rehabilitation efforts are not keeping pace with new vacancies, nor do they address the causes of abandonment and offer the hope of sustainable revitalization.

Successful redevelopment of abandoned urban properties will acknowledge the realities of the population loss and changing economic role of cities. The notion of “right-sizing” cities can work in tandem with smart growth initiatives that direct business development back into the city. Citywide redevelopment plans can assemble substantial parcels of city land for infill development, ideally in areas already suffering from the highest vacancy rates. Project planners should build upon local assets and may also seek the adaptive reuse of commercial buildings or landmark sites that have historic value to the community. Comprehensive projects will ideally provide low- to mid-skill jobs and new or reconfigured low-density housing, thus addressing the two urban imbalances of the undersupply of jobs and the oversupply of housing.

The following analysis will first describe the population and job loss in Baltimore since 1950 and the extent of the city’s vacancy problem. Next it will present the city’s various approaches to abandoned properties—including demolition and rehabilitation, brownfield initiatives, historic preservation and smart growth, and infill development and adaptive reuse—summarizing each strategy’s motivations, funding streams, obstacles, and implementation. Infill development and adaptive reuse will be explored more fully as a potentially comprehensive strategy that could best target the core problems of decaying neighborhoods, namely, their oversupply of housing and their undersupply of low-skill jobs. After presenting Baltimore’s best

current example of a comprehensive redevelopment project, the paper will conclude with a few policy proposals.

Defining the Problem

Population loss

	1950	1960	1970	1980	1990	2000
Baltimore City's population	949,708	939,024	905,787	786,775	736,014	651,154

Source: U.S. Census 1950-2000 data from <http://www.op.state.md.us/MSDC/Census2k/cen-game.htm>.

After reaching its peak population of 949,708 in 1950, Baltimore City experienced a steady loss of people and jobs due to the nationwide trends of suburbanization and declining household sizes during the last half century. Baltimore continues to lose population at a rapid rate—11.5 percent during the 1990s. With a population of 651,154 in 2000, Baltimore City now houses two-thirds of the residents it did in 1950.

Job loss

The flight of people to the suburbs was followed by a migration of jobs out of Baltimore City. This decentralization of the economy was both a reaction to people's locational decisions and the result of a changing economy that is now less dependent upon the traditional comparative advantages of the city, namely, its port and its industries. Between 1950 and 1990, Baltimore City lost 75,016 manufacturing jobs or two-thirds of its total employment in manufacturing (Cohen 2001). The decline of one of Baltimore City's largest past employers, Bethlehem Steel, illustrates and accounts for much of the loss in manufacturing jobs. At its peak production level during World War II, Bethlehem Steel employed 45,000 workers, including 30,000 in the company-owned shipyards along Baltimore's waterfront. Bethlehem has since

closed its shipyards and let go roughly 34,000 workers (Sentementes 2003). The shift in the economy toward more mobile and knowledge-based service industries has led to a low-skill job gap in the city, which has a higher ratio of low-skilled job seekers to low-skill job openings than the surrounding counties. While the overall employment level remained stable at around 460,000 during the 1970s and 1980s, the city lost about 60,000 jobs during the 1990s (Schachtel 2000).

Vacant Properties

The loss of population and jobs has inevitably led to vacant and under-utilized properties across the city. Assessing the exact amount of vacant property in Baltimore City has been hindered by inadequate data collection and by the lack of a standardized definition for vacant land and abandoned structures. It is only recently with the advent of CitiStat that a property database has been compiled to accurately track vacant or abandoned parcels. Baltimore City currently has about 14,000 abandoned houses and more than 12,000 vacant lots, and nearly one-third of its industrial land is under-utilized (Hager 2002). The number of vacant and abandoned housing units in the city doubled during the 1990s after hovering around 6000 between 1975 and 1990 (*PlanBaltimore!* 1999).

A recent nationwide survey found that Baltimore City has one of the highest vacancy to population ratios: 22.22 abandoned structures per 1000 residents compared to an average of 2.63 per 1000 across all of the cities surveyed (Pagano and Bowman 2000). According to the same survey, a relatively low percentage of Baltimore City's total land area is vacant—1.9 percent compared to the average of 15.4 percent—which is consistent with the findings for many more densely developed Northeastern cities whose boundaries have not increased over time.

Baltimore City's main problem seems to be the high number and widespread nature of its vacant structures and former industrial sites resulting from its loss of residents and businesses. These vacant structures and abandoned properties are potential assets for the city, however, especially if scattered vacant sites can be assembled into larger parcels for redevelopment. Neighborhoods that already suffer from high vacancy rates may be the ones most easily targeted for site assembly and redevelopment (Quigley 1994). In order for a development in a previously distressed neighborhood to succeed, it must achieve "critical mass" or be large enough to establish its own identity, thus transforming the area's image and investment climate (ULI 2002). City officials need to pave the way for this sort of investment and be proactive in assembling sites that are substantial enough to create a market for business or residential developments (Brophy and Vey 2002). In the meantime, however, vacant property is both a symptom of the job and population losses and a problem in itself, as widespread blight depresses property values, tarnishes neighborhood images, and encourages crime and grime.

Various Approaches to Vacant Property

Unlike the 1950s and 1960s when there was federal, state and local governmental support for "urban renewal," today there is no dedicated source of funding for the redevelopment of vacant properties. The most common source of funding for urban reclamation projects is the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG). This unrestricted grant gives localities the flexibility they need to fund different approaches to vacant property or the multiple components of large revitalization projects. Unfortunately, the broad scope of this federal funding also means that a number of city agencies and projects may be competing for scarce funds.

Other funding sources are more targeted on specific aspects or uses of the vacant properties in cities. For example, there are federal and state funds available for brownfield remediation, or the decontamination of former industrial sites. Also, historic preservation tax credits encourage the restoration of nationally-recognized landmarks, and low-income housing tax credits provide incentives for the rehabilitation of underused structures into affordable or mixed-income developments. Too often, though, these specific funding programs hinder a comprehensive understanding and approach to scattered and heterogeneous vacant properties.

A Framework for Evaluating the Various Approaches

Widespread blight in Baltimore affects the image of the city as a whole, which can also adversely affect business and the quality of life in the surrounding suburbs. Therefore, a more comprehensive, long-term solution that addresses the symptoms as well as the causes of the vacancy problem is in order. Ideally, a multifaceted approach to vacant property would:

- Build upon local assets and comparative advantages with large-scale, market-based redevelopments;
- Address the city's population loss with rehabilitated or new housing at a lower density;
- Create jobs and include job training and counseling services to address one of the underlying causes of vacancy;
- Utilize all applicable funding streams for brownfields remediation, historic preservation, low income housing, and community development.

This framework for a more comprehensive effort to redevelop vacant property can be used to evaluate the city's past reclamation initiatives. Baltimore City's various approaches to the vacancy problem include: (1) demolition and rehabilitation; (2) brownfields initiatives; (3)

historic preservation and smart growth tax incentives; and (4) infill development and adaptive reuse.

Demolition and Rehabilitation

One of the most basic responses to blight by the city government and community development corporations has been to demolish or rehabilitate vacant structures. These short-term solutions are typically chosen as immediate responses to residents' demands to remove public nuisances and safety hazards from their neighborhoods. While documents such as *PlanBaltimore!*¹ have espoused a strategic approach to demolition and rehabilitation, Baltimore City government has spent about \$5 million annually on scattered demolitions, targeting properties that were deemed to be safety hazards and parcels that have drawn complaints from neighboring residents. More than 4000 rowhouses were demolished between 1996 and 1999 without a plan to reuse or maintain the vacant lots. These demolitions created gaps in rowhouse blocks that led to additional problems, such as increased dumping, crime, rat infestation, and even the collapse of adjacent housing units (Cohen 2001).

A moratorium on demolitions except for emergency cases was declared in 2000, as the city made plans to focus upon areas with high concentrations of vacant and abandoned housing and areas where development investments needed to be protected. Baltimore's Mayor Martin O'Malley announced Project 5000 in early 2002 as a major anti-blight initiative aiming to redevelop 5000 of the city's estimated 14,000 abandoned houses (AP 2002). Under the Project 5000 plan, the properties would either be rehabilitated or demolished in order to assemble larger

¹ *Plan Baltimore! A Vision for Baltimore: A Global City of Neighborhoods* (1999). The Baltimore City Department of Planning.

sites for new economic development (Kromer 2002). At first glance, the acquisition tool of tax sale foreclosure employed by the city for Project 5000 would seem to belie the intended strategic approach, as the city can only target properties in tax arrears. This is not the case, however, as there are apparently enough tax delinquent properties so that the Project 5000 staff could strategically select the ones to be redeveloped. Using advanced computer mapping software, city officials have zeroed in on clusters of vacant structures that will be acquired and assembled into larger lots for redevelopment (Wells 2002).

With Project 5000, Mayor O'Malley was interested in setting concrete, short-term goals—5000 properties acquired within two years—acknowledging the realities of short political cycles and fast turnovers in program staff (Bainum 2002). Project 5000 targets properties in tax arrears because tax sale foreclosure is the least expensive—though not the quickest—way the city can acquire vacant properties. While the project's new director, Mike Bainum, has admitted that Project 5000's planning and strategies for reuse come during and after the acquisition process, many of the properties identified so far are concentrated in the Sandtown-Winchester, Broadway East and Middle East neighborhoods, where comprehensive community development initiatives are already underway.² For assembled parcels that still need reuse plans, the next phase of Project 5000 will make the list of acquired properties available to private developers, investors and nonprofits in order to “spark redevelopment” (Wells 2002).

² In 1988, the poor and dilapidated neighborhood, Sandtown-Winchester, was targeted for comprehensive redevelopment by Baltimore City and local nonprofits such as Baltimoreans United in Leadership Development (BUILD), Habitat for Humanity, New Song Community Church, and the Enterprise Foundation. Funded in part by the federal Nehemiah Housing Opportunity Program, the neighborhood transformation initiative has focused upon rehabilitating housing and strengthening community partnerships (McDougall 1993). The Broadway East and Middle East neighborhoods will be directly affected by the East Baltimore Biotech Park project, which includes rehabilitation and new construction of housing as well as economic development in the area north of Johns Hopkins Hospital.

The demolition and rehabilitation approach has a number of disadvantages. Property acquisition is still a time-consuming and costly process in Baltimore City despite such supportive legislation as the “quick take” state law enacted in 1999. The director of Project 5000 plans to finish identifying the list of target properties by early 2003, and the actual acquisition could take an additional 12 to 24 months (Bainum 2002). Also, the rehabilitation costs for vacant houses often exceed their resale prices in Baltimore City’s weak real estate market. The redevelopment of Sandtown-Winchester, one of the city’s larger “neighborhood transformation” initiatives, extensively employs the rehabilitation strategy. City agencies and partner organizations typically invest between \$83,000 and \$140,000 in homes that are later sold for between \$37,000 and \$60,000 (Cohen 2001). Revitalizing Baltimore’s small and aging rowhouses does not recognize the decline in the market demand for such homes, nor does the strategy consider “right-sizing” the housing supply to match the city’s substantially smaller population.

Finally, the city’s reliance in the past upon community development corporations (CDCs) or other community-based organizations (CBOs) to rehabilitate properties at their own pace and discretion weakened the prospects for larger-scale, more timely, and more appropriate interventions. In 1997, the Historic East Baltimore Community Action Coalition (HEBCAC) was awarded \$34 million of the city’s Section 108 loan fund³ to rehabilitate homes on targeted blocks of East Baltimore, but just 47 scattered renovations were started between 1997 and 2000 (Cohen 2001). HEBCAC has now scrapped this piecemeal approach in favor of coordinating with the city on the proposed biotech park north of Johns Hopkins Hospital. At a recent vacant land policy workshop, representatives of local CBOs also argued against the scattered approach, explaining how their current management and redevelopment plans consider all of the vacant

³ HUD’s Section 108 program allows local governments to borrow at a low interest rate against future CDBG funds.

parcels in their neighborhoods (Holl 2002). HEBCAC, other CBOs, and Project 5000 all seem to be moving toward a more strategic and comprehensive approach to property acquisition and redevelopment.

Brownfields Initiatives

Due to the decline of manufacturing in Baltimore City and the loss of business at its port, a good portion of the city's industrial property is under-utilized or abandoned. These parcels of land, called "brownfields," are often contaminated by hazardous wastes leftover from industrial use in the past. Just the possibility that these properties may require environmental cleanup is enough to deter investment and reuse (Schoenbaum 2002). There are a number of federal and state funding programs for the remediation of these brownfields. Baltimore is participating in a pilot program under the Environmental Protection Agency's (EPA) Brownfield Cleanup Revolving Loan Fund, which, along with Maryland's Brownfields Revitalization Incentive Program (BRIP), provides loans, grants and property tax credits for brownfield cleanups. The state's Voluntary Cleanup Program releases developers of former industrial sites from future liability after they remediate the sites.

There is a concerted effort on the part of the city and federal agencies to redevelop brownfields and under-utilized industrial sites near Baltimore's harbor. The city's successful application for HUD's Empowerment Zone (EZ) program⁴ included a proposal to redevelop a 1,300-acre industrial area in South Baltimore known as Fairfield. Since 1996, the EZ managers have invested more than \$10 million in infrastructure and aesthetic improvements to create the

⁴ HUD's Empowerment Zone program, in part, awards grants and offers business tax incentives to promote economic development in designated communities throughout the U.S. See HUD's Empowerment Zone program website at <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm>.

Fairfield Ecological Business Park, which offers brownfield and smart growth incentives for environmentally conscious businesses to locate in the development. Currently, 60 businesses—including chemical manufacturers, trucking and oil terminals, and waste recyclers—operate in the park, many of whom have demonstrated their commitment to the location with considerable recent investments in their facilities.

The EPA recently gave \$45,000 to the city and the Governor's Office of Smart Growth to identify and market sites for redevelopment as part of Mayor O'Malley's Digital Harbor campaign (*Sun* staff 2002). One of the targeted sites is in the historic, waterfront neighborhood of Fells Point, where the 27-acre Allied Signal brownfield site was decontaminated of its chrome pollution at a cost of more than \$80 million. Also, the recent redevelopment of the old Montgomery Ward & Co. catalog warehouse in south Baltimore, Montgomery Park, was funded in part by a \$2 million loan from the state's BRIP (Cohn 2002).

One shortcoming of the brownfields approach is that funding is only available for commercial and industrial sites and not for residential properties, which sometimes require environmental clean up as well. Many of the older, vacant houses in Baltimore City, for instance, require lead paint abatement.

Historic Preservation and Smart Growth Tax Incentives

Baltimore City has many historic assets—both residential and commercial—around which redevelopments can be built. In addition to preserving the unique character of the city, these projects qualify as smart growth because they redirect investment away from “greenfields,” or previously undeveloped areas, essentially recycling land as a valuable metropolitan resource.

The rehabilitation of historic properties and the adaptive reuse of abandoned structures in historic districts are both supported by state and local tax incentive programs. The Maryland Historic Trust provides state income tax credits of 20 percent of the rehabilitation expenditures for qualified properties, and Baltimore City's Commission for Historical and Architectural Preservation (CHAP) awards ten-year deferrals of property taxes according to the value of the project. Between 1998 and 2001, 66 residential and 28 commercial projects earned the state tax credit, which subsidized \$5.7 million and \$17.8 million of total expenditures, respectively. CHAP has received 350 applications for the ten-year tax deferral, and so far, 140 of these projects have been completed at a total investment of \$80 million (Kromer 2002).

One of the larger, recent examples of preservation-led redevelopment is Baltimore's West Side revitalization plan. The neighborhood near the University of Maryland is marked by Federal-period rowhouses and Art Deco storefronts, which helped it make the National Trust for Historic Preservation's list of "America's Most Endangered Historic Places" in 1999. In 2000, due to the surveying and nomination work done by two preservation organizations, the area was designated a National Register Historic District (Kromer 2002). This national recognition helped alter the revitalization plan from one of demolition and rebuilding to one that will rehabilitate most of the buildings and preserve the unique character of Baltimore's West Side.

Maryland's Smart Growth and Neighborhood Conservation Program is not a funded initiative but an array of incentives aiming to prevent sprawl in a number of identified priority funding areas, including Baltimore City. The program relies upon developers in the priority funding areas who apply for subsidies for such projects as brownfield remediation, historic preservation, community revitalization, open space conservation, job creation, and infill development. Employees may also respond to the incentives of the Live Near Your Work

program. While the smart growth program cannot be targeted on Baltimore City, program officials recognize that the city clearly has the most to gain from the curbing of sprawl and the revitalization of previously developed properties (Freece 2003). Projects in Baltimore City that qualified for smart growth incentives in fiscal 2003 include a \$300,000 housing rehabilitation initiative in Patterson Park, a \$1.2 million revitalization of Belvedere Square, and façade and infrastructure improvements in neighborhoods throughout the city. These smart growth projects are funded by the CDBG, Community Legacy grants,⁵ and the Neighborhood Business Development Loan Program.⁶

Historic preservation and smart growth are not fully-funded strategies for the redevelopment of vacant or under-used properties. The initiatives subsidize private investment and, sometimes, as in the case of the West Side redevelopment, can influence public revitalization projects. Preservation and smart growth subsidies work best in conjunction with other sources of development funding, as tax incentives alone cannot be expected to induce redevelopment in distressed neighborhoods.

Infill Development and Adaptive Reuse

The broadest and often most publicized approach to the vacancy problem is direct public investment in site assembly, preparation, and marketing for large-scale infill development. Baltimore City has become well known for its revitalization of the Inner Harbor, a three-decade initiative that continues today with the residential and commercial development along the waterfront in Canton, Fells Point and Locust Point. The Inner Harbor revitalization has involved

⁵ Maryland's Community Legacy Grants initiative promotes conservation in communities throughout the Chesapeake Bay watershed.

both infill development, utilizing the abandoned shipping piers, and adaptive reuse, converting old buildings such as an unused powerplant into office and retail space. The current Digital Harbor initiative aims to attract high-tech companies to former “old economy” industrial sites with subsidies for brownfield remediation and such infrastructure investments as the installation of fiber-optic cable under the city streets.

Adaptive reuse preserves the historic and unique character of cities as both an aesthetic quality and a marketable asset. One of the more well-known Digital Harbor success stories is the adaptive reuse of The American Can Company. Substantial public funding—including loans and grants through the Voluntary Cleanup Program, historic tax credits, and an economic development grant—induced the Struever Brothers, Eccles and Rouse company to redevelop the five-building complex that had been vacant since 1986 (Kromer 2002). The Can Company now houses retail and office space including the Emerging Technology Center, which is an incubator for IT firms.

While the Struever Brothers, Eccles and Rouse company has become adept at tapping into the various incentives available for vacant property redevelopment, many private developers lack the resources to initiate such large-scale projects and apply for public subsidies (Freece 2003). This is where the city must become proactive in assembling marketable sites and eliminating many of the obstacles to private investment. The remainder of this analysis will focus upon public investment promoting infill development and adaptive reuse, as this strategy is potentially a comprehensive approach that could incorporate many of the above anti-blight strategies. As seen in Project 5000, the ongoing Inner Harbor revitalization, and the proposed biotech park in East Baltimore, the trend in land reuse seems to be toward larger-scale, more

⁶ Maryland’s Department of Housing and Community Development offers loans to small businesses in priority

coordinated revitalization plans that address both the immediate concerns and the underlying causes of vacancy in Baltimore. A detailed discussion of a comprehensive infill and reuse strategy will be followed by an example of a current development project in Baltimore that best illustrates this approach.

Infill Development and Adaptive Reuse: A Comprehensive Approach

Philosophy

Lacking a dedicated source of funding to redevelop vacant properties, Baltimore City has been forced to take a piecemeal approach to a problem that demands direct investment, coordinated action, and a unified vision. Scattered rehabilitation and demolition without plans for reuse are short-term fixes that fail to acknowledge current urban conditions. Likewise, remediating brownfields or designating certain areas as historic districts are just initial steps in dealing with abandonment. A more comprehensive approach to the vacancy problem combines strategic land acquisition with smart growth strategies, assembling and marketing sites to attract economic development back into the city.

A successful redevelopment strategy must build upon the locational advantages and natural assets that Baltimore still possesses. City officials should treat vacant or under-utilized land as a valuable resource—one that still offers certain comparative advantages that remain attractive to investors (Brophy and Vey 2002). Abandoned properties may be desirable locations for businesses or residences for the following reasons:

- proximity to natural amenities such as the harbor or one of the city's parks;
- access to major transportation hubs;

- historic or unique character of the properties; and
- proximity to jobs and other businesses.

Much successful redevelopment in Baltimore has centered around the natural amenity of its harbor, and the West Side revitalization is an example of the preservation and incorporation of historic architecture in the renewal plan. Unfortunately, widespread blight has exacerbated other problems such as crime and grime that, together, tend to outweigh the natural advantages of an urban location. For example, the high rates of abandonment and crime around Johns Hopkins Hospital have long constrained development efforts in the area, which is why the current plan includes housing rehabilitation and infrastructure improvements to make the area more attractive to biotech companies and new residents. Only substantial public investment in a comprehensive approach that addresses some of the root causes of abandonment will reverse the deterioration of the past few decades.

Finally, redevelopment of larger, assembled parcels of urban land should address Baltimore City's dual imbalance, namely, the oversupply of housing in a depopulated city and the undersupply of low-skill jobs in a changing economy. Current revitalization projects, such as HUD's Hope VI redevelopment of public housing sites, the biotech park project, and those pursued by various CBOs, include redesigned city blocks with lower density housing and more green space, addressing both the population loss and the market demand for bigger houses with yards. The biotech park proposal also stresses the creation of entry-level jobs in bioscience and support services that could be filled by city residents. A comprehensive plan for infill development should include an economic development initiative that sparks physical and social investments around the site. By addressing both the causes and the symptoms of vacancy in the city, this linked strategy is the best long-term solution to the area's abandonment problem.

The Comprehensive Redevelopment Process

Data Collection

The first step in any strategy for redeveloping vacant and under-utilized properties is to know where the properties are, what their ownership, tax, and code enforcement status is, and what neighborhoods or areas suffer from the highest levels of abandonment. Baltimore City has recently computerized its real estate records and created a vacant property database linked to GIS mapping software. The Project 5000 staff has used this database to strategically select properties for redevelopment, choosing clusters and entire blocks whenever possible to target the most distressed areas and increase the scale and marketability of the prospective reuse. The CitiStat initiative has also improved the coordination and accessibility of data from multiple city agencies on vacant properties in the city (Bainum 2002).

Citywide Redevelopment Plan

The trend toward larger-scale interventions rather than scattered demolition and rehabilitation strengthens the city's role in defining redevelopment priorities. Recognizing that blight is widespread in Baltimore and that conditions in one neighborhood affect those in others, city planners are justified in developing a citywide plan that builds on assets and takes market forces into consideration (Brophy and Vey 2002). The neighborhood Action Plans recently proposed by Baltimore's Department of Planning may provide information that can be consolidated into the citywide redevelopment plan. Given fiscal constraints, however, city officials will have to choose just a few areas for comprehensive anti-blight initiatives, which may

or may not coincide with locally-determined priorities. Faced with the large increase in vacant buildings over the past decade, city officials must take a top-down approach that will target the most distressed areas, where the assembly of large parcels of land for redevelopment is most feasible. This has been the case in East Baltimore, where the large-scale biotech park proposal has won out over HEBCAC's previous scattered rehabilitation approach (Cohen 2001).

Property Acquisition and Site Assembly

Due to the scattered nature of vacant properties in the city and the high transaction costs of property acquisition, Baltimore City must streamline that process for both private investors and publicly initiated redevelopment projects. The city can acquire the desired parcels through tax sale foreclosure, eminent domain, or by simply buying the properties. These processes are complicated by the difficulty in tracking down absentee owners. However, "quick take" legislation passed by the state in 1999 reduced owner notification requirements and greatly increased the city's powers in acquiring tax delinquent, uninhabitable, abandoned, and even still-occupied properties on a block that is more than 70 percent vacant (Cohen 2001).

While Project 5000 is acquiring properties through tax sale foreclosure, eminent domain continues to be used extensively for reclamation projects in Baltimore City. Most of the properties needed for the biotech park development in East Baltimore were identified in an urban renewal plan, which is a city ordinance that has enabled the city to assemble a large site from formerly vacant and occupied homes (Wells 2002). Large-scale eminent domain acquisitions can be costly, however, due to the legal notification requirements, property assessments, reimbursements to the owners of the properties, and relocation packages required by law for displaced residents. Tax sales are a cheaper method but, as Project 5000 indicates, they take

more time and may not be an option for certain desired properties. For example, while some of the properties needed for the biotech park project were in tax arrears and could be acquired by the city through Project 5000, other required properties must be seized by eminent domain. This involves uprooting families and long-time residents, for whom the relocation packages of up to \$70,000 are not always consolation enough for losing their homes.

Public Financing and Site Preparation

While all large-scale redevelopment projects will eventually require private investment, public funding must first be secured to lay the groundwork and provide the momentum necessary to overcome the initial market failure that led to vacancy and under-utilization in the first place. The city will need to allocate CDBG or other funds for pre-construction investments in local infrastructure, site acquisition, demolition of unusable structures, and remediation of hazardous conditions. Redevelopment projects must draw funding from the most flexible federal sources available, such as CDBG, HOME Investment Partnerships program,⁷ and Section 108 funding. These non-categorical funding programs made up only \$6.4 billion of HUD's expenditures in fiscal 2002 as compared to the department's \$21.9 billion budget for income-restricted public housing programs (Kromer 2002). Federal and state programs fund the remediation of brownfields, which is only useful if the redevelopment area contains a former industrial site. Finally, depending upon the nature of the properties and the plans for redevelopment, reclamation projects may qualify for historic and low-income housing tax credit programs.

⁷ HUD's HOME Investment Partnerships program provides relatively flexible funding for the acquisition and development of vacant property.

Construction and Marketing

Finally, city officials must balance the need to attract private investment with the goals of comprehensive community revitalization. The public investments in site preparation and subsequent construction and investment subsidies justify the inclusion of community investment provisions for private businesses involved in redevelopment projects. These may include contracting set-asides for local firms and minority inclusion agreements for hiring related to the project. Too many such requirements will discourage private investment altogether, so project managers must determine the appropriate level of required community investment. While any investment in Baltimore's more distressed neighborhoods may seem desirable, the more the city can promote linkages to local firms and residents, the more the underlying causes of abandonment will be addressed.

Obstacles to the Comprehensive Approach

Funding

The biggest hindrance to comprehensive infill development and adaptive reuse of vacant properties is the lack of a dedicated source of funding and the scarce general funds for redevelopment. Baltimore City's pool of funds for vacant land reclamation is even smaller because of HUD's Hope VI awards for the redevelopment of six former sites of high-rise public housing. The HOPE VI program requires that HUD funds be leveraged with funding from other sources. With the lack of private investment in Baltimore's weak real estate market, this has meant that the city has been forced to use CDBG funds and Section 108 loans to avoid losing the HOPE VI awards, leaving less money for projects elsewhere in the city (Kromer 2002). The city

currently owes \$73 million to the federal government due to borrowing through the Section 108 program, which means that future CDBG allocations will be diminished for many years to come as some of the funds must be used to service that debt (Cohen 2001).

In addition to the fact that HUD's CDBG and HOME funds are restricted to developments that include affordable housing, the CDBG has a one-for-one replacement provision regarding the demolition or rehabilitation of housing. This requirement and the difficulty in obtaining waivers to this provision work against a right-sizing strategy that addresses the declining city population and the market demand for bigger houses at lower density. State funding sources are less usable for city reclamation projects. The Maryland Housing Rehab Program is available only for occupied properties, and the Low Income Housing Tax Credit (LIHTC) is not a set aside for Baltimore City. Projects in the city must compete for LIHTC funding with those in other counties, and only a few projects in the city receive this funding each year (Kromer 2002).

Political Opposition

While comprehensive strategies and large-scale revitalization plans may be appealing for the publicity they generate, they also encounter considerable political opposition. All city agencies face constant pressure to distribute benefits as evenly as possible among their constituents, and any development project that concentrates funding in one community will invite an outcry from all of the others. Neighborhood organizations tend to resent the amount of funding earmarked for large-scale projects, such as the initiative in Sandtown-Winchester (Cohen 2001). Large-scale interventions are also likely to generate the NIMBY reaction, even in highly distressed neighborhoods such as East Baltimore where citizens have protested the

proposed biotech park. Individual opposition to relocation is another concern when the development project requires the condemnation and acquisition of occupied housing.

Large-scale infill development and adaptive reuse strategies require better cooperation between the different city agencies responsible for data collection, planning, property acquisition, zoning, and permitting. More staff and a more streamlined process are required to reduce backlogs in the property demolition and acquisition pipelines. The process also needs to speed up for the disposition of roughly 2,000 city-owned properties in Baltimore (Kromer 2002). Baltimore City's CitiStat initiative, by collecting and sharing data and using computerized mapping, is addressing these obstacles to a more coordinated anti-blight effort.

Urban Disadvantages

Finally, abandoned properties in Baltimore City present obstacles not encountered with undeveloped land in the surrounding counties. Tracking down absentee owners often delays the property acquisition process; in one northeast Baltimore neighborhood, 49 of 55 vacant or abandoned homes were found to be owned by out-of-state corporations, which used the properties as tax write-offs (Cohen 2001). The ground rent system⁸ in Baltimore also means that the city or private developers must track down the owners of the land, who may not be the same as the owners of the structures built on the parcels. Finally, development is generally more expensive in the city than in the suburbs, with higher costs for site security, site insurance, labor, and taxes. Also, some abandoned city properties may require the remediation of hazardous wastes leftover from past uses.

⁸Established in colonial times, Maryland's system of ground rent requires an annual payment for building or living on another person's land. Today, homeowners in Baltimore City do not necessarily own their plots of land.

A Current Model for Comprehensive Redevelopment

The East Baltimore Biotech Park

The recently announced large-scale effort to revitalize East Baltimore is the best illustration of the current trend in Baltimore City's anti-blight strategy. The city has decided to take a comprehensive housing and economic development approach to widespread vacancy and abandonment in the neighborhoods east of downtown and just north of Johns Hopkins Hospital. These neighborhoods currently suffer from a 50 percent vacancy rate, and the city is moving to acquire up to 3,300 properties to unleash the economic potential of the prime location (Siegal 2002). The proposed biotech park will attract companies wishing to capitalize upon the wealth of research and talent at the adjacent hospital. The multifaceted, market-based infill development plan involves:

- rehabilitation of housing;
- construction of new, low-density housing;
- demolition of entire blocks and relocation of residents;
- site assembly, preparation, and construction of office space; and
- economic development that includes marketing, job training, and community reinvestment provisions.

The project will require roughly \$200 million from a combination of sources, including land sales, state and federal investment, and tax increment bonds.

An integral part of the East Baltimore revitalization is the rehabilitation of the housing surrounding the biotech park, or, in some cases, the rebuilding and redesign of entire residential blocks. The new, lower-density housing will both address the declining population in the area

and possibly attract new, more affluent residents who currently are not drawn to Baltimore's small, deteriorating rowhouses. The extent of the blight and associated problems in the targeted neighborhoods has minimized the usual local resistance to such a massive intervention. The rehabilitation of nearby housing will be completed in the initial phases so that by the time the demolition begins for the biotech park, relocated residents will have desirable homes to which to move. Local foundations have funded relocation counselors for residents who will be forced to move, and the relocation package offered by the city is most generous for those who find new homes in East Baltimore, responding to citizens' desires to remain close to the community.

The proposed biotech park will build upon the area's principal local asset—the \$500 million worth of R&D activity at Johns Hopkins Hospital—and create an estimated 8000 new jobs within the city over the next 10 to 15 years (Urban Design Associates 2002). City consultants estimate that one-third of these jobs—either in biotech or in supplier businesses and support services—will be accessible to low-skilled neighborhood residents. A recent analysis completed by the Baltimore Bioscience Initiative determined that 12 to 15 percent of the jobs in the biotech industry require less than a bachelor's degree (DDI and Snyder 2002).

The same report identified numerous job training and educational programs already in place to prepare city residents for this “new economy” work, including formal academic programs at four-year universities, customized professional courses at specialized organizations, and a biotechnology program within Baltimore City's public schools. One successful program at the BioTechnical Institute of Maryland trains high-risk, unemployed city residents to be research technicians and boasts a 66 percent completion rate, an 81 percent placement for its graduates, and a nearly as high job retention rate (DDI and Snyder 2002). Other training programs have just begun to enroll small numbers of students, reflecting the low demand from the nascent

bioscience industry in Baltimore City. Managers of the East Baltimore biotech park intend to foster relationships between companies and these programs in order to increase their enrollment and the returns to the community (Duong and Snyder 2002).

Unknowns in the Strategy for East Baltimore

The biggest unknown in the revitalization strategy for East Baltimore is the feasibility of attracting biotech companies to East Baltimore. While Johns Hopkins is a major draw, other biotech clusters in the vicinity, such as the I-270 corridor in Maryland and Virginia and the University of Maryland on Baltimore's West Side, will conceivably be competing for the same companies. Economic development is an essential component of the comprehensive strategy in East Baltimore, however, as it will address one of the underlying causes of abandonment: the lack of investment and jobs.

Another unknown is whether or not the place- and market-based strategy will do anything to help the current residents of East Baltimore. Inclusion agreements and community reinvestment provisions for project investments recognize that developments and problems in one area of the city affect other neighborhoods in the city and surrounding counties. The comprehensive approach in East Baltimore, therefore, includes contracting set-asides and such people-based components job training and education, addressing another root cause of abandonment: social disinvestment.

Comparisons to Similar Initiatives

While this mix of people- and place-based strategies may seem similar to that offered within Baltimore's empowerment zones, there are a couple of important differences that promise

more immediate and long-term success in East Baltimore. First, while HUD's EZ program is a federal economic development initiative for which localities attempt to qualify, the biotech park project has been designed locally for the specific needs and assets in East Baltimore. Second, while the EZ program consists of an array of incentives for a broad range of businesses, the biotech park project targets one industry, marketing the comparative advantages offered by the location—namely, the proximity to Johns Hopkins Hospital—to biotech companies. This economic development is the key to revitalizing the distressed area with new jobs, targeted training opportunities, improved infrastructure, and redesigned city blocks with lower density housing. Unlike an EZ program, the East Baltimore revitalization has more thoroughly planned for a specific reuse of vacant and under-utilized property, employing a market-based strategy and partnering with a local anchor institution.

Successful infill developments and adaptive reuses of abandoned properties in other cities demonstrate the feasibility of the neighborhood transformation aimed for in East Baltimore. The Old Town Square infill development in Chicago just a few blocks from the notorious Cabrini-Green public housing projects is an example of a large-scale, housing-led revitalization of a previously struggling Near North Side neighborhood. Built upon the former site of an Oscar Meyer processing plant, the 15-acre redevelopment includes single-family homes, low- and high-rise condominiums, and a shopping center that provides job opportunities for former and current local residents. Public funds helped assemble the site and later ensured that the development included subsidized, replacement units for displaced public housing residents (ULI 2002).

The Post Uptown Square development in Denver combined adaptive reuse and new construction in revitalizing a transitional neighborhood just a few blocks from downtown. The city actively marketed the 10.5-acre site formerly occupied by a hospital, and the scale of the

potential redevelopment proved to be the key factor in attracting the private developer and in the project's subsequent success (ULI 2002). While the real estate market in Baltimore may be weaker than those in other cities, the scale of the housing rehabilitation and strong economic development component of the East Baltimore revitalization plan promise to transform the image of the city neighborhoods near Johns Hopkins Hospital.

Policy Proposals

A comprehensive anti-blight policy, such as the one being implemented in East Baltimore, is the only approach that can hope to address the causes of vacancy and abandonment in cities. The loss of population and jobs in urban cores across the country has led to physical and social disinvestments in areas that still possess many natural assets and locational advantages. If cities are to remain viable in the new economy, economic development must be included in strategies for the reuse of vacant properties. This market-based approach is already being taken both in East Baltimore with the proposed biotech park and along Baltimore's waterfront with the Digital Harbor initiative.

Baltimore's vacant land reuse policies must assert the long-term public interest despite the private and political pressures for short-term fixes. The scattered rehabilitation approach of the past does nothing to address causes of vacancy, failing to recognize changes in the population and the housing market. Likewise, demolitions without plans for reuse waste a valuable urban resource and create new problems such as reduced aesthetics and greater opportunity for crime and grime. While neighborhood-level reclamation activity will be essential in the areas that the city cannot afford to focus upon, a citywide plan must take precedence over—while attempting to address—local concerns. This top-down approach is justified by the inter-jurisdictional nature

of the blight problem, which tarnishes the image of the city as a whole and could adversely affect the surrounding counties as well. Also, city officials are in a better position than local CBOs to recognize and utilize regional market forces in large-scale redevelopment strategies.

The policy proposals arrived at by this analysis boil down to the following:

- Large-scale, market-based redevelopments in the most distressed areas, building upon local assets and comparative advantages;
- Rehabilitated or newly built housing at lower density to address the city's population loss;
- Job creation and people-based components such as job training and counseling services to address one of the underlying causes of vacancy;
- Adaptive reuse of historic or unique buildings to preserve the character of Baltimore City; and
- Utilization of all applicable funding streams for brownfields remediation, historic preservation, low income housing, and community development.

Mayor O'Malley's goal to redevelop 5000 of the city's roughly 14,000 vacant houses makes for good headlines, but the real story lies in the strategic selection of properties and the plan to assemble large parcels of land that are more attractive than scattered sites for redevelopment. Both the early phases of Project 5000 and the East Baltimore Biotech Park project indicate that city officials are moving away from the market-blind, complaint-driven demolition and rehabilitation schemes of the past. The city's vacant property policy must become more proactive, reclaiming land as an asset and maximizing its potential for reuse. Furthermore, by balancing this place-based strategy with services that boost human capital, the causes of vacancy will be addressed as well as the symptoms.

Only a comprehensive approach with people- and place-based components can address the decades of disinvestment and deterioration in Baltimore City. Bold new developments that

attract new businesses to Baltimore will help the city and its workers make the transition from the old economy to the new one. The city still possesses enough assets and locational advantages to make this happen, and large, market-based revitalizations may be enough to spark private investment in the surrounding neighborhoods, as the Inner Harbor redevelopment continues to do today. This seems to be the thinking behind Baltimore's current approach to vacant property, and the next few decades will hopefully see the return of the activity and pride that accompanies physical and social investment in the city.

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