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# The Abell Report

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## Overcoming Barriers to Homeownership in Baltimore City

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### Preface

This report addresses the decline of homeownership rates since 2010 and how deep-rooted racism disadvantages Black households in Baltimore. We undertook the research and wrote up our findings before the COVID-19 pandemic struck, causing over 120,000 deaths in the United States in less than four months, a dramatic slowdown in economic growth, and an unprecedented spike in the number of unemployed Americans. Sadly, given our city's and our nation's history, it is no surprise that COVID-19 is hitting Black communities hardest.

A June 2020 report from the Urban Institute makes clear that the "pandemic is exposing blatant systemic racial inequalities that have long plagued the nation. Black families face

a higher risk of contracting and dying from the virus. At the same time, Black workers have had consistently higher unemployment and debt and lower wealth, income and homeownership rates since the Great Recession, all of which will likely make their recovery slower than that for all other racial and ethnic groups."<sup>1</sup> (For a complete list of works cited, see Appendix A.)

The COVID-19 crisis adds great urgency to the racial income, wealth and homeownership gaps discussed in this report, and we urge local, state and national policymakers to respond with policies that address the current emergency as well as long-term economic and homeownership opportunities for Black Americans.

## Executive Summary

This report began with a troubling trend, and a question. The troubling trend is that from 2007 to 2017, the homeownership rate in Baltimore City fell from 51% to 47%, and the Black homeownership rate sank from 45% in 2007 to 42% in 2017. This trend is part of a national crisis – even as other racial groups across the country have largely recovered from the wave of foreclosures during the Great Recession, Black homeownership continues to decline. The question is whether more extensive first-time homebuyer incentives, and more flexibly underwritten home loans, could reverse declining rates of homeownership.

The report analyzes recent homeownership trends in Baltimore by neighborhood and race, reviews the current system for promoting homeownership, and identifies significant barriers to homeownership. We find that new incentives and more flexible loans alone would have an insufficient impact on homeownership rates in Baltimore, because they do not address the systemic racism and inequities that disadvantage Black households.

We undertook the research and wrote up our findings before the COVID-19 pandemic struck, causing unprecedented spikes in death, illness, business shutdowns, and unemployment, and hitting Black households and communities particularly hard. The COVID-19 crisis adds great urgency to the racial income, wealth, and homeownership gaps discussed in this report. Emergency measures are essential to addressing a potential wave of pandemic-caused evictions, as well as tax sale and mortgage foreclosures.

In Baltimore and across America, to address falling homeownership rates, we have to recognize and reverse underlying racial inequities. The report outlines needed systemic solutions:

1. Create a citywide affordable housing policy that outlines a comprehensive strategy around affordable housing, homeownership, and economic inclusion.
2. Support effective housing education and counseling and make incentives programs for homebuyers easier to navigate. To do this create a more holistic system around homeownership, including shared measures of success.
3. Support financial coaching and innovative forms of outreach to reach people who aren't ready to buy yet.
4. Connect homeownership and community development through resident engagement and community building.
5. Work with existing homeowners, especially the elderly, to preserve existing homeownership.
6. Advocate for national housing policy changes that address racial disparities in homeownership. Baltimore and other cities need policies that address the inadequate supply of affordable homes and the demand constrained by damaged credit and insufficient income.

## Introduction

From 2007 to 2017, the homeownership rate in Baltimore City fell from 51% to 47%,<sup>2</sup> a lower rate and a greater drop than the national decline in homeownership over that same period, from 67% to 64%.<sup>3</sup> Also during the same time period, the Black homeownership rate in Baltimore sank from 45% in 2007 to 42% in 2017. This is slightly lower than the national Black homeownership rate of 43%, which represents a significant decline from a national peak of 50% in 2004.<sup>4</sup> Fewer low- and moderate-income Baltimoreans, especially Black Baltimoreans, are benefitting from the financial stability and opportunity that homeownership can offer. This is a serious problem for Baltimore City households, and it deserves more effective, sustained, and collaborative efforts to turn the tide.

The problem in Baltimore is part of a national crisis. While homeownership rates for other racial groups across the country have largely recovered from the wave of foreclosures during the Great Recession, Black homeownership continues to decline. Homeownership is a significant driver of wealth for American households, which means that an ongoing decline in Black homeownership worsens the long-standing wealth divide between Black and white families. The 2017 Survey of Consumer Finances by the Federal Reserve reports that the average homeowner's net worth (\$231,400) is a remarkable 44 times that of a renter (\$5,200).<sup>5</sup> The median wealth of nonretired Black households 25 years and older is less than one-tenth that of similarly situated white households.<sup>6</sup>

In a compelling essay on expanding homeownership throughout the United States, Ben Hecht, the CEO of Living Cities, a national coalition of large foundations and financial institutions, expressed the conviction that homeownership is possible for at least 3 million Americans who have sufficient income,

but do not think they can buy a home. That is roughly 1% of all Americans. Hecht argues that the key to helping them become homeowners is expanding the availability of flexibly underwritten home loans, and offering more extensive local first-time homebuyer incentives.<sup>7</sup>

Are Hecht's estimate and solutions realistic for Baltimore? More specifically, could a sizable pool of Baltimore renters become sustainable homeowners, if they had access to the right loans and incentives? Are specific neighborhoods promising places for helping renters become homeowners? Or, could *different* policies and programs create increases in homeownership among Baltimore residents who currently do not see it as an option?

We have tried to answer these questions through both quantitative and qualitative research. The Baltimore Neighborhood Indicators Alliance (BNIA), comparing data from just after the end of the Great Recession (2010) and the current period of economic expansion and enduring inequality (2017), has captured the factors associated with changes in homeownership in Baltimore. BNIA's data provide both citywide and neighborhood-specific insights into homeownership trends in Baltimore. In addition, BNIA has analyzed Home Mortgage Disclosure Act (HMDA) data for Baltimore, which outline both geographic and racial trends in lending.

Interviews with local housing counseling organizations, lenders, realtors, and affordable homeownership developers put the BNIA data into context. To test Hecht's theory, that greater access to flexible loan products and homeownership incentives is the key to generating more homeowners, we gathered data on the work being done by nonprofit housing counseling organizations and the City of Baltimore to help renters become homeowners. This included interviews with nonprofit development organizations that

are providing affordable homes through the rehabilitation of existing properties or the construction of new homes.

To sum up, this report will analyze the following:

1. Recent homeownership trends in Baltimore, and how they vary by geography and race;
2. The current system for promoting homeownership, which includes education, counseling, flexible loans, and financial incentives;
3. The most significant barriers to homeownership for low- and moderate-income residents of Baltimore; and
4. Potentially effective ways to address those barriers.

## Homeownership Trends

Our analysis will draw on two ways of measuring homeownership and owner-occupancy in Baltimore. One (homeownership) utilizes the American Community Survey (ACS), and the other (owner-occupancy) relies on Maryland Property View. Neither is perfect, but both confirm that citywide homeownership rates in Baltimore took a steep dive during the Great Recession and remain substantially below national averages.<sup>8</sup>

**Map 1** illustrates the drop, with census tracts in red and dark orange having the steepest declines, those in light orange a less steep or no decline, and those in green an actual increase. The biggest drops in owner-occupancy were in neighborhoods along the city's western, southwestern, southern, southeastern, and eastern borders, with additional clusters closer to downtown, and just east of Greenmount Avenue and York Road. Neighborhoods that experienced a below-average decline or an increase in owner-occupancy are areas that either already

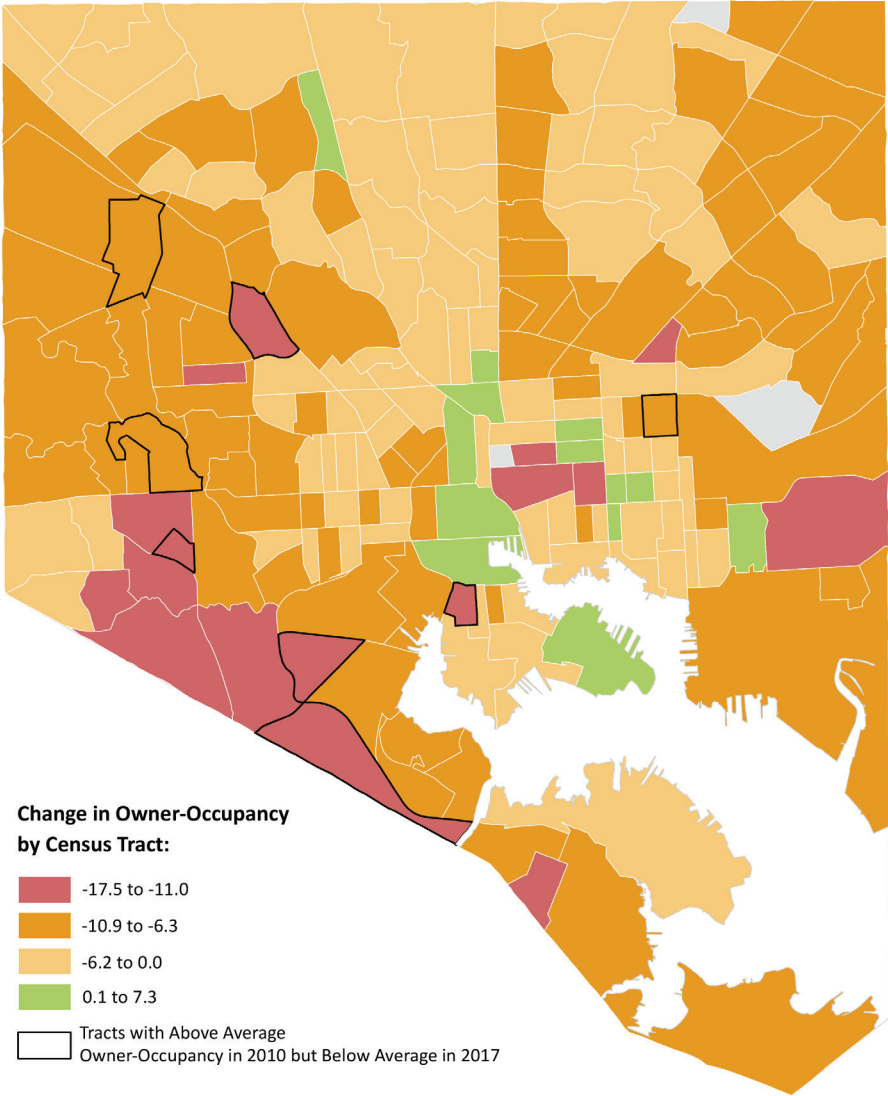
had low rates or strong housing markets. In a few neighborhoods, long-term neighborhood revitalization initiatives may have generated increases in the owner-occupancy rate.

We chose 2010 as our starting point because it marks the end of the Great Recession, which officially ran from December 2007 through June 2009.<sup>9</sup> According to the ACS, homeownership rates in Baltimore dipped to 46% in 2010, and Black homeownership rates fell just under 40%. Foreclosure drove the decline of homeownership during the recession. In Baltimore, the foreclosure crisis hit early and did not abate quickly. From 2005 through 2015, there were 41,934 properties foreclosed, with the peak years being 2008, 2009, and 2013.<sup>10</sup>

Our end point, 2017, marks the most recent period for which complete Baltimore-specific data sets are available, and captures a year during which the post-Recession economic recovery was well underway. By 2017, the rate of properties in foreclosure in Baltimore had fallen to 1.1%, less than half the rate of 2.5% in 2013. The median income of Baltimore residents rose from \$38,346 to \$46,641 (an increase of 22%) from 2010 to 2017, while the median price of homes sold rose from \$115,000 to \$150,000 (an increase of 30%).<sup>11</sup>

However, median income and housing price data mask the racially bifurcated nature of the recovery in Baltimore. For decades, Black households have been at a disadvantage. The city's history of *de jure* and *de facto* racial segregation—redlining of majority-Black neighborhoods, blockbusting, deindustrialization, job loss, and the targeting of Black families for predatory loans in the years leading up to the foreclosure crisis—had a devastating impact on the economic fortunes of Black families.<sup>12</sup> The combination of multiple acts of discrimination over many decades stripped significant wealth from Black households in Baltimore and throughout the United States.

Map 1: Change in Owner-Occupancy, 2010-2017



A 2020 study by Alan Mallach for the Abell Foundation indicates that from 2000 to 2016, Baltimore lost about 30,000 people. Mallach notes that the “only economic segment of the city’s Black population that is growing is the low-income population, while the only segment of Baltimore’s white population that is growing is the upper-income population.”<sup>13</sup> In recent years, from 2010 to 2016, the number of Black residents fell by 9,500, while the white population stabilized, and

the city gained 5,000 Hispanic and 2,000 Asian residents.<sup>14</sup>

As a result of these changes, the percentage of the city’s population that is Black decreased slightly, from 63.7% (2010) to 62.3% (2017), while racial disparities in income increased. In *The Divided City*, an analysis of poverty and prosperity in post-industrial American cities, Mallach notes that “in 2000, the median Black family in Baltimore earned 61% of the income

of the median white family. By 2015, this figure had dropped to 48%.” In other words, the typical white family in Baltimore earns more than twice as much as its Black counterpart.<sup>15</sup> We will explore in greater depth how growing racial disparities are having a negative impact on Black households’ homeownership rates and majority-Black neighborhoods.

Baltimore is not alone. Post-Great Recession, the intersection of rising economic inequality and a deep-rooted racial wealth gap has contributed to a national 30-percentage-point gap between white and Black homeownership rates. The rate of homeownership is lower for Black college graduates than for white high school dropouts. Diminished access to credit contributes significantly to this disparity. Since the Great Recession, “a tighter credit box has had significant ramifications for households of color who were disproportionately affected by foreclosures and lost their homes or found themselves paying mortgages on homes valued significantly below their purchase price. Many also have predatory subprime loans originated during the peak of the bubble, leaving them with sizable and unaffordable debt and a low home value. These factors stripped billions of dollars of equity and wealth from Black and Hispanic communities, causing severe damage and exacerbating disparities.”<sup>16</sup>

Baltimore homeownership data sheds light on the ways in which the racial homeownership gap plays out in a major American city and how it widens the divide among the city’s neighborhoods and residents. From 2010 to 2017, 101 census tracts in Baltimore experienced a greater-than-6% decline in owner-occupancy, which is the average rate of decline citywide as measured by Maryland Property View data. Over the same period of time, 96 census tracts in the city experienced a less than 6% decline in owner-occupancy, no change, or an increase. (For more details on data sources used in this report, see <https://abell.org/publications/overcoming-barriers-homeownership-baltimore-city>.)

To drill down, we look closely at the 17 census tracts with a greater than 10% reduction in owner-occupancy from 2010 to 2017 (**see Table 1A**). These are not wealthy census tracts, but most are not deeply impoverished. Two of the 17 (12%) have median incomes in 2017 of less than \$20,000. A clear majority (65%) have median incomes between \$30,000 and \$50,000, while the rest (23%) have incomes between \$50,000 and \$62,000. Most (65%) of the tracts are in West or Southwest Baltimore, while 70% of the tracts have a majority Black population.

These data are deeply worrisome. Nine of the 12 majority Black census tracts had solid

Table 1A: Greatest Changes in Owner-Occupancy Between 2010 and 2017

Average Change in Owner-Occupancy between 2010 and 2017	Change	N	Std. Deviation
Owner-Occupancy Below Average in 2010	-5.1	93	3.96
Owner-Occupancy Above Average in 2010	-6.4	104	3.81
<b>Total</b>	<b>-5.8</b>	<b>197</b>	<b>3.92</b>

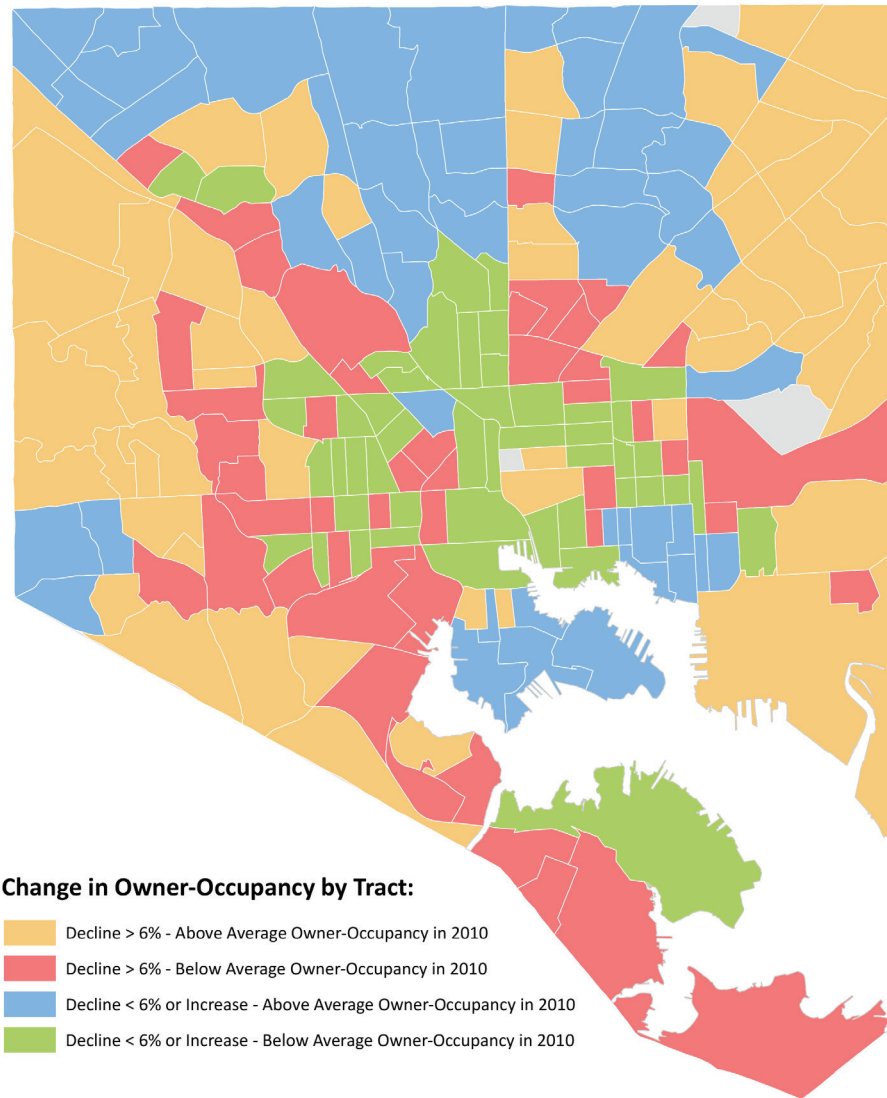
Table 1B: Census Tracts with Greatest Reductions in Owner-Occupancy between 2010 and 2017

Census Tract Number	Census Tract Name	Percent Owner-Occupancy in 2010	Percent Owner-Occupancy in 2017	Change in Owner-Occupancy between 2010 and 2017	Percent Non-Hisp Black Alone Pop 2007-2011	Percent Non-Hisp Black Alone Pop 2013-2017	Percent Hispanic Pop 2007-2011	Percent Hispanic Pop 2013-2017	Median Income 2007-2011	Median Income 2013-2017
2503.03	Saint Paul	69.6	52.0	-17.5	13.7	24.4	12.2	11.2	\$42,817	\$33,833
2008	Irvington	59.6	45.5	-14.1	90.4	87.1	.1	1.4	\$35,718	\$38,750
2502.05	Lakeland	60.8	47.9	-12.9	51.0	54.6	17.1	8.6	\$45,477	\$40,453
604	Dunbar-Broadway	40.5	27.9	-12.6	68.7	64.8	1.0	1.6	\$33,080	\$51,932
2301	Sharp-Leadenhall	65.4	52.9	-12.4	34.6	35.2	.0	4.0	\$58,942	\$61,563
2502.06	Morell Park/ Wilhelm Park	78.3	66.0	-12.3	7.3	7.6	2.8	10.7	\$57,969	\$53,079
1505	Liberty Square	64.3	52.1	-12.2	91.8	96.0	.0	2.9	\$24,300	\$34,583
2501.02	Yale Heights	80.1	67.9	-12.2	93.5	95.8	.0	.6	\$31,366	\$48,950
2007.02	Saint Josephs	62.4	50.3	-12.0	98.7	96.5	.0	.0	\$28,512	\$27,328
2605.01	Bayview/ Greektown/ Eastwood	66.0	54.0	-11.9	7.7	10.4	11.3	31.6	\$43,015	\$53,911
2007.01	Allendale	66.6	54.9	-11.7	96.8	96.9	1.2	2.0	\$35,000	\$37,194
2504.02	Brooklyn (East)	49.1	37.6	-11.5	51.8	50.5	11.0	15.4	\$34,135	\$42,163
801.02	Four By Four	48.9	37.4	-11.5	95.8	97.8	.1	.0	\$39,007	\$34,167
2805	Pleasant View Gardens/Penn- Fallsway	88.7	77.4	-11.3	90.4	88.4	.6	1.0	\$10,476	\$15,000
2501.03	Violetville	83.9	72.8	-11.2	19.3	29.1	3.1	7.5	\$38,233	\$38,109
1507.02	Walbrook	71.4	60.2	-11.1	97.9	95.8	.9	.6	\$50,057	\$40,529
1002	Oldtown	67.3	56.3	-11.0	94.7	96.3	1.2	1.1	\$9,710	\$14,452

owner-occupancy rates of 60% or more in 2010. Each of these areas lost 11% to 14% of owner-occupants in just seven years. For example, the Liberty Heights neighborhood in Greater Mondawmin, just west of Druid Hill Park, saw a 12.2% drop in owner-occupancy from 2010 to 2017. The area transitioned

from nearly two-thirds owner-occupants, to just over half owner-occupants. As the Great Recession wound down, incomes rose from \$24,300 to \$34,583, and the Black percentage of the population increased from 91.8% to 96%. Residents of Liberty Heights were earning more, but fewer of them were

Map 2: Type of Change in Owner-Occupancy, 2010-2017



maintaining or achieving homeownership. A substantial portion of the declining Black homeownership rate is not a straightforward result of diminished income. Of the 17 census tracts in **Table 1B**, 11 tracts (65% of total) experienced increases in median income, while six (35% of total) saw declines.

Looking at the data from a geographic perspective, eight adjacent census tracts running along the southwest border of

Baltimore and up to Edmondson Avenue, make up almost half of the 17 with the greatest declines in owner-occupancy in the city. These include three tracts, in the Lakeland, Saint Paul, and Saint Joseph's neighborhoods, that had above-average owner-occupancy in 2010, but were below average in 2017. This cluster represents a mix of majority-white and majority-Black modest-income neighborhoods, several with a Hispanic population greater than



Table 2: Type of Change in Owner-Occupancy by Percent of Black/Hispanic Population

Type of Change in Owner-Occupancy	Percent Non-Hisp Black Alone Pop 2007-2011	Percent Non-Hisp Black Alone Pop 2013-2017	Percent Hispanic Pop 2007-2011	Percent Hispanic Pop 2013-2017
Decline > 6%--Above Average Owner-Occupancy in 2010	72.5	73.2	2.6	3.6
Decline > 6%--Below Average Owner-Occupancy in 2010	77.6	76.4	4.2	5.6
Decline < 6% or Increase--Above Average Owner-Occupancy in 2010	33.8	33.9	4.4	4.1
Decline < 6% or Increase--Below Average Owner-Occupancy in 2010	68.6	65.5	4.4	6.1
<b>Citywide Average</b>	<b>63.3</b>	<b>62.5</b>	<b>3.9</b>	<b>4.8</b>

Table 3: Type of Change in Owner-Occupancy by Median Income

Type of Change in Owner-Occupancy	Median Income 2007-2011	Median Income 2013-2017
Decline > 6%--Above Average Owner-Occupancy in 2010	\$42,669.38	\$46,588.14
Decline > 6%--Below Average Owner-Occupancy in 2010	\$30,256.98	\$34,033.51
Decline < 6% or Increase--Above Average Owner-Occupancy in 2010	\$66,936.60	\$78,560.81
Decline < 6% or Increase--Below Average Owner-Occupancy in 2010	\$32,746.53	\$38,877.68
<b>Citywide Average</b>	<b>\$43,383.13</b>	<b>\$49,686.81</b>

Table 4: Type of Change in Owner-Occupancy by Home Sales Characteristics

Type of Change in Owner-Occupancy	Median Sales Price 2010	Median Sales Price 2017	Percent Cash Based 2010	Percent Cash Based 2017	Number of Homes Sold 2010	Number of Homes Sold 2017
Decline > 6%--Above Average Owner-Occupancy in 2010	\$98,612	\$112,946	42.8	44.2	1,502	3,996
Decline > 6%--Below Average Owner-Occupancy in 2010	\$84,115	\$70,267	65.1	69.7	1,022	1,544
Decline < 6% or Increase--Above Average Owner-Occupancy in 2010	\$213,820	\$234,505	27.7	27.3	1,640	3,739
Decline < 6% or Increase--Below Average Owner-Occupancy in 2010	\$109,454	\$160,532	59.1	55.0	1,230	2,108
<b>Citywide Average</b>	<b>\$126,512</b>	<b>\$144,328</b>	<b>48.1</b>	<b>48.3</b>	<b>5,394</b>	<b>11,387</b>

the city average of 5%. Five census tracts in the cluster experienced declines in median income, with a tract in the St. Paul neighborhood falling precipitously from \$42,817 to \$33,833, a decline of 21% at a time when incomes citywide rose 22%. The data indicate that steep homeownership declines in low- and moderate-income neighborhoods in Southwest Baltimore are more closely correlated with decreases in median income than is the case elsewhere in the city.

A second way of exploring these data is to create four categories of census tracts, based on:

- a. an above- or below-average owner-occupancy rate in 2010, and
- b. a decline in owner-occupancy greater or lesser than the city average of 6% from 2010 to 2017. **Map 2** and related charts in this report explore owner-occupancy using these four categories.

**Tables 2 to 4** provide several insights that go beyond the data previously discussed. Change in owner-occupancy data enable us to look closely at the 56 census tracts that had above-average owner-occupancy rates in 2010, but experienced a greater-than-6% decline in owner-occupancy from 2010 to 2017.

In these areas of once-solid homeownership, the Black population was higher than the citywide rate, and grew slightly, from 72.5% to 73.2%. During the same time frame, median income in these census tracts rose by just under \$4,000, to \$46,588 (less than the Baltimore City average), while the median sales price for homes increased by \$14,000 to a still fairly modest price of almost \$113,000. One could view the increase in median sales price, to a price still theoretically affordable to many working-class households, as a sign of a healthy real estate market. Instead it appears to reflect a market steadily converting homeownership into rental housing. **Table 5** shows that cash sales, a proxy for investors

buying homes, fell from 32.4% of total sales (2010) to 27.8% (2017) in neighborhoods where incomes were above the citywide average. However, in neighborhoods where incomes were below the citywide average, cash sales were 63.2% of total sales in 2010, and remained high at 63.4% in 2017. For the most part, the growth in housing values increasingly enriched landlords, not the families living in those areas.

Also of concern are the 45 census tracts that had below-average owner-occupancy rates in 2010 and experienced a greater-than-6% decline in owner-occupancy from 2010 to 2017. Similar to the bedrock homeownership tracts described above, these census tracts retained a strong majority Black population (from 77.6% to 76.4%), and median incomes rose by slightly less than \$4,000, to just over \$34,000. However, median sales prices for homes fell substantially, from \$84,115 to \$70,267, a drop of 16%. A median sales price of \$70,267 puts many homes in these tracts outside of the mainstream mortgage market. Banks find it very difficult, though not impossible, to make loans on homes that sell for less than \$75,000, because a small loan tends not to generate enough income to offset the costs. This makes a continued decline in homeownership in these areas

highly likely, as investors convert remaining homeownership homes to rentals, absent a large-scale, sustained effort to change the market dynamics.

Finally, in the context of falling homeownership rates citywide, it is useful to explore exceptions to the rule: 10 census tracts with the greatest gains in owner-occupancy from 2010 to 2017 (see **Table 6**). Not surprisingly, given the data already cited, a strong majority of these tracts have diminishing Black populations, and higher-than-average incomes. More specifically, in 70% of the tracts, the Black population was falling, while in 60% of the tracts, median income was greater than \$50,000 (citywide median income in 2017 was \$46,641). In virtually all of the census tracts that go against the grain—in that they show an increase in owner-occupancy, a stable or increasing Black population, and median incomes less than \$50,000—there have been long-term, multi-sector initiatives, including East Baltimore Development Inc. (Middle East) and the Telesis Baltimore Corporation (Barclay). While it is beyond the scope of this report to evaluate the impacts of these initiatives, each one merits detailed exploration of its long-term impact on low- and moderate-income Black homeowners.

Table 5: Type of Change in Median Income by Home Sales Characteristics

Median Income Type	Median Sales Price 2010	Percent Cash Based 2010	Number of Homes Sold 2010	Median Sales Price 2017	Percent Cash Based 2017	Number of Homes Sold 2017
Median Income Below Average	\$77,372	63.2	1,990	\$94,181	63.4	4,485
Median Income Above Average	\$178,164	32.4	3,403	\$214,045	27.8	6,902
<b>Citywide Average</b>	<b>\$126,463</b>	<b>48.3</b>	<b>5,393</b>	<b>\$144,328</b>	<b>48.6</b>	<b>11,387</b>

Table 6: Census Tracts with Greatest Increases in Owner-Occupancy between 2010 and 2017

Census Tract Number	Census Tract Name	Percent Owner-Occupancy in 2010	Percent Owner-Occupancy in 2017	Change in Owner-Occupancy between 2010 and 2017	Percent Non-Hisp Black Alone Pop 2007-2011	Percent Non-Hisp Black Alone Pop 2013-2017	Percent Hispanic Pop 2007-2011	Percent Hispanic Pop 2013-2017	Median Income 2007-2011	Median Income 2013-2017
808	Middle East (Northwest)	24.2	31.5	7.3	89.6	91.3	.0	3.7	\$25,781	\$33,750
2401	Locust Point	67.5	74.0	6.5	2.0	3.0	3.1	3.3	\$86,974	\$119,353
1204	Barclay	28.0	33.4	5.4	75.2	72.1	7.7	3.0	\$41,354	\$38,194
1205	Greenmount West	26.8	31.1	4.3	61.2	57.1	1.2	4.6	\$35,286	\$52,596
603	CARE	38.4	40.4	2.0	54.7	43.7	5.9	12.2	\$51,429	\$57,679
704	Middle East (Southwest)	33.5	35.4	1.9	81.9	85.7	.0	1.5	\$16,520	\$19,034
2607	Greektown	50.9	52.6	1.8	4.3	2.2	44.6	43.1	\$31,897	\$56,818
1102	Mount Vernon (West)	26.7	28.2	1.5	24.8	21.8	5.3	6.3	\$35,877	\$42,167
401	Downtown	40.9	41.9	1.0	15.8	13.6	5.0	6.9	\$49,578	\$61,754
105	Butcher's Hill	62.0	62.5	.5	9.0	4.3	15.3	6.1	\$103,063	\$92,000
2201	Otterbein/Ridgely's Delight	59.0	59.4	0.4	12.1	14.8	2.1	6.3	\$60,113	\$69,245
2715.03	Cross Keys	67.0	67.3	0.3	2.6	4.1	1.3	2.2	\$87,955	\$71,848

As we will discuss in the next section, Baltimore City and allied nonprofit organizations want to increase the number of homeowners living in the city. The data on homeownership trends illustrate the need for, and the challenges inherent in, this work. During the Great Recession, homeownership rates in Baltimore City fell substantially, and have not recovered. Many low- and moderate-income families lost their homes to foreclosure, and their credit was damaged. From 2010 to 2017, a 30% increase in the median price of homes sold outstripped a 21% increase in median income, and Black homeownership rates fell to rates last seen in the mid-1990s. The city lost members of the

Black middle class, and consequently, modest-income, majority-Black census tracts showed the greatest reductions in homeownership.

### A System to Promote Homeownership

Baltimore has an array of nonprofit organizations and public agencies designed to catalyze homeownership in the city. Private-sector real estate agents and lending entities partner with these organizations, to reach low- and moderate-income people in search of a home. In addition, nonprofit developers use public subsidies and private donations to rehabilitate or construct affordable

homeownership units, and then reach out to attract buyers for those units. The overall result is a multilayered system that benefits a substantial number of aspiring homebuyers, but struggles to convert others from rental to homeownership.

Before analyzing Baltimore's homeownership system, it is useful to understand, in broad brush, its component parts and scale of operations. Baltimore nonprofit housing counseling organizations and public agencies are providing extensive housing education and counseling services and homebuyer incentives. From October 2017 through September 2018, six of the leading housing counseling organizations serving Baltimore City reported providing one-on-one housing counseling to 3,280 individuals. This was in addition to the homebuyer classes each organization offered. A clear majority (63%) of the people receiving education or counseling from the six agencies made less than 80% of the Area Median Income (\$50,350 in 2018).<sup>17</sup>

Homebuyer education classes, but not one-on-one counseling, are required for many types of loans and incentives, including those provided by the State of Maryland. The City of Baltimore requires one-on-one counseling to access the incentives provided by the Baltimore Homeownership Incentive Program (BHIP). The key difference between education and counseling is that during counseling sessions, a housing counselor conducts a thorough and confidential review of a client's budget, which does not happen in homebuyer education classes. With this information, the counselor helps a would-be homebuyer understand the financial obligations involved in buying and maintaining a home; find a loan appropriate to their situation; and access homebuyer incentives available through Baltimore City, the State of Maryland, local employers, and nonprofit organizations.

At the national level, Herbert et al. of the Harvard Joint Center for Housing Studies

argue that, while there is not yet convincing evidence that pre-purchase Housing Education and Counseling (HEC) increases homeownership rates, there is a compelling case that HEC can address lack of information and knowledge about the homebuying process. These information deficits constitute a potentially important barrier to homeownership for racial and ethnic minorities, and low- and moderate-income households. Increased investments in technology, delivery systems, outreach, and service provision would strengthen the impact of HEC. In addition, Herbert et al. make the case for better targeting, and potentially expanding, funding for down payment assistance.<sup>18</sup>

In addition to housing education and counseling organizations, the Baltimore City Department of Housing and Community Development (DHCD), Live Baltimore, and Healthy Neighborhoods, Inc. market homeownership in the city and provide access to a range of homebuying incentives. Through its constantly updated website, and in-person sessions, Live Baltimore provides the most complete and accurate guide to financial incentives for homebuyers: <https://livebaltimore.com/financial-incentives/>.

The site includes most of the incentives available to homebuyers—from the city, state, and federal governments; nonprofits; and employers—organized into the following categories: loans, down payment and closing costs, taxes and credits, renovation, and other financial incentives. The only incentives that the site does not include are very time-limited ones, like City Lift (provided by Wells Fargo Bank through Neighborhood Housing Services of Baltimore) or special offers from banks and mortgage lenders.

DHCD's Office of Homeownership, which contracts with Live Baltimore to promote its incentive programs, succeeded in providing \$3,296,500 in incentives in fiscal year 2019,

to 599 individuals of different incomes buying a home in Baltimore.<sup>19</sup> The City of Baltimore, as well as local foundations, also supports Healthy Neighborhoods, Inc. (HNI), a citywide nonprofit organization that offers access to below-market-rate loans with no private mortgage insurance required, to finance the purchase and renovation of homes in specific neighborhoods throughout the city. From 2004 to 2014, HNI worked with 14 neighborhood groups to improve 41 neighborhoods and sparked private and public capital exceeding \$150 million in investments in those neighborhoods.<sup>20</sup> To attract a range of buyers, HNI did not attach income limits to its core products. HNI represents a neighborhood-specific approach and has helped generate improved physical and market conditions in certain target neighborhoods. The homeownership rate trends in HNI neighborhoods have not, to our knowledge, been documented publicly.

The current system of homeownership incentives helps hundreds of homebuyers purchase properties in Baltimore City. The incentives are targeted either by the characteristics of the homebuyer (for example, low- to moderate-income households, first-time buyers, veterans) or where the home is located (such as Live Near Your Work, Healthy Neighborhoods, other neighborhood-specific criteria). The Maryland Mortgage Program, created by the state, offers 11 different mortgage products to attract buyers of varied financial capacity, disability status, and student loan obligations. Although the number of options—loan, down payment, closing cost, tax credit, renovation, and others—provide important support for a set of buyers, they also make the system complex and difficult to navigate, especially for buyers who are experiencing homebuying for the first time and have financial challenges to overcome.

When buyers click on the [“Affording a Home”](#) section of the Live Baltimore website, they will find 13 different loan products, 22 down payment options, 14 tax credits, and seven

renovation programs and incentives. In total, there are 56 different options for buyers to consider, though on closer inspection, they will learn that they do not qualify for some of them, or the funding for a particular incentive has run out. A Live Baltimore staff person or experienced housing counselor can provide skilled one-on-one assistance, if the buyer can qualify for a loan. If not, they have to commit to a longer-term process of working with a housing counselor or financial coach to reorganize their finances and repair their credit. As we discuss in more detail below, the complex array of incentives does not address the deeper problems, interwoven with structural racism and rampant inequality, of potential homebuyers lacking income, holding too much debt in relationship to income, or having damaged credit.

In response to the dire impact of racial disparities on Baltimore’s Black residents, and drawing on the undervalued strengths of their communities, Black social entrepreneurs are developing new approaches to assisting homeowners in Baltimore. One example is City Dibs, an umbrella entity for community building, mentorship, entrepreneurship, fresh food access, creative expression, training for Black leaders, and more. City Dibs is rooted and active in the Reservoir Hill neighborhood, and the founders support Black-owned, locally controlled organizations and businesses. In three years, they report working with 360 prospective Black homebuyers, 70 of whom have purchased homes in a 24-month period. As they advise and assist individual homebuyers, City Dibs invests in their community’s economic and cultural fabric.<sup>21</sup>

Closely connected to the provision of housing education and counseling, nonprofit developers provide affordable homeownership through the rehabilitation of existing homes, or construction of new ones. They conduct outreach to attract qualified buyers for those homes, and provide education and counseling for renters who want to become homeowners. We spoke with representatives

of three of the most active organizations creating affordable homeownership units in Baltimore.<sup>22</sup> The numbers of people becoming homeowners each year through these organizations (50 to 100 per year, depending on the financing available) can have an impact on the neighborhoods where the work is targeted. However, the numbers are small given the scope of Baltimore's declining rates of homeownership.

The fundamental challenge for any organization constructing affordable housing is the financial gap between what it costs to rehabilitate an old home, or construct a new one, and what a low- and moderate-income person can afford. To fill the gap, the developer requires subsidy, and the amount of subsidy available for affordable homeownership is far less than that for affordable rental. Each organization cobbles together different sources of capital. Below is a list of sources that potentially support affordable housing construction in Baltimore.

### Federal

- Asset Control Area Properties, a HUD program offering foreclosed properties in specific areas to participating government agencies and nonprofit organizations. Only utilized by St. Ambrose Housing Assistance and partners at this time.
- Anyone can buy a HUD house that is **not** located in an Asset Control Area directly from HUD. Nonprofits receive a 10% discount, but cannot further negotiate the price, and are restricted on profit and what constitutes a cost. This makes it extremely difficult for a nonprofit to rehabilitate a house and earn operating income for the organization.
- The National Community Stabilization Trust (NCST), an aggregator of conventional foreclosures, sells

properties to approved nonprofit and for-profit developers at a modest discount. We did not find any developer of affordable homeownership in Baltimore that recently had acquired a substantial number of properties from NCST. Fannie Mae has developed its own First Look program for property acquisition and pulled out of the NCST.

### State

- Baltimore Regional Neighborhood Initiative (BRNI), Maryland Department of Housing and Community Development (DHCD). Broad mix of eligible activities, including down payment assistance for buyers, as well as acquisition and rehabilitation of vacant or blighted properties.
- Community Legacy, Maryland DHCD. Six eligible activities, including increasing homeownership and home rehabilitation.
- Creating Opportunities for Renewal and Enterprise (CORE), Maryland DHCD. Majority of funds (\$14.5 million awarded in Baltimore in 2018) supported demolition, affordable rental housing, and neighborhood amenities. CORE funds can be used for acquisition and stabilization of units for development into homeownership, which has been done on a limited basis.
- Maryland State Lead Grants, available only for projects serving owner-occupant families with children under age 7.

### City

- Affordable Housing Trust Fund, intended to generate \$20 million per year for affordable rental and ownership housing and services. Through increased excise taxes on certain real

estate transactions, the city plans to raise about \$13 million a year. City officials agreed to make up the \$7 million difference per year by committing a growing amount (starting at \$2 million and growing to \$7 million) over several years. Currently, allocation criteria and mechanisms are being established. The spending plan supports affordable ownership primarily through Community Land Trusts, a model that an alliance of community organizers, advocates, nonprofit developers, and for-profit developers are launching in different neighborhoods throughout Baltimore.<sup>23</sup>

- City bond funds and other creative financing mechanisms are utilized on a case-by-case basis for specific projects.
- Community Catalyst Capital Grants, a new Baltimore City Department of Housing and Community Development (DHCD) program offering \$3 million in capital funding per year for a broad mix of potential uses.
- Community Development Block Grants, a shrinking source of pass-through federal funds divided among many different eligible uses, including support for the city's own programs and expenses.

### *Foundations and Individuals*

- Corporate and private foundation grants, loans, and loan guaranties for affordable homeownership (important source but not tracked citywide).
- National Fair Housing Alliance (limited grants specific to St. Ambrose).
- Volunteer labor and sweat equity (specific to Habitat for Humanity).

The number of sources, while extensive, does not reflect the challenges of acquiring funding, especially for affordable

homeownership projects that are large enough to respond to the need. Affordable homeownership is not the focus of most of these sources of funding. The result is that, as one nonprofit developer described the process, each home sale is a “custom soufflé” requiring a careful assemblage of subsidies and incentives, to make the numbers work for both the developer and the buyer. The same developer noted that in the current economy, “homeownership doesn’t work by itself” for buyers of limited means. The organization needs to work over several years with the buyer “to set up a path to homeownership.”

For nonprofit developers who concentrate on revitalizing a particular geographic area, there is an inherent tension between strengthening the housing market, to the point where it attracts buyers whether or not they need a subsidy, and helping low- and moderate-income residents become homebuyers. For the private market to work without subsidy, houses have to sell at a price that makes it worthwhile for developers to acquire homes, rehabilitate them, and sell them to homeowners. However, that price may be difficult for existing residents to afford. One solution developed by ReBuild Metro in the Oliver neighborhood of East Baltimore is to rehabilitate homes, sell the ones they can, and rent the others, while working with the renters to repair their credit and increase their savings. In this way, they are helping about 10 renters a year become homeowners, while dramatically lowering the number of vacant properties in the area. This is a long-term strategy, designed to provide high-quality homes for working people making \$40,000 to \$60,000 a year, in a revitalizing neighborhood.

Over the course of our interviews, we heard multiple times that there is a shortage of good-quality affordable homes, in improving or stable neighborhoods, at a price low- and moderate-income people can afford. The provision of low-interest loans, or down-payment and closing-cost incentives, may not attract homeowners to neighborhoods



with homes they can afford, if those areas are perceived to have poor transit connections, high levels of crime, or low-quality schools. Higher property taxes in Baltimore City as compared to Baltimore County may also be a factor when low- and moderate-income buyers are deciding where to purchase a home. Helping more Baltimore residents become homeowners depends on creating access to housing options, via nonprofit as well as market mechanisms, in socially and economically healthy places to live.

### Barriers to Homeownership

Earlier in this paper we described a theory, put forward by Living Cities CEO Ben Hecht, that there is a pool of about 3 million people, or 1% of the population across the country, who could become homeowners, if they were made aware of the opportunity, and had access to flexible loan products and greater financial

incentives. This may be true for parts of the United States, but in Baltimore the picture is more complex. While flexible loan products and financial incentives are important tools for assisting some people to become homeowners, others face significant upstream barriers to homeownership.

Data on housing affordability provide several insights. Since 2010, fewer people were owner-occupants in Baltimore, but a higher percentage of them could afford their mortgages. **Table 7** shows that in each of the four census tract categories under discussion, the percentage of people paying more than 30% of their income on their mortgages and housing-related expenses declined. However, in most neighborhoods, the percentage of renters increased since 2010, and the data also indicate the percentage of people who paid more than 30% of their income for rental housing

Table 7: Type of Change in Owner-Occupancy by Housing Affordability

Type of Change in Owner-Occupancy	Percent of Households Spending More than 30 Percent of Income on:			
	Mortgage 2010	Mortgage 2017	Rent 2010	Rent 2017
Decline > 6%--Above Average Owner-Occupancy in 2010	44.0	38.4	53.8	52.5
Decline > 6%--Below Average Owner-Occupancy in 2010	42.9	40.1	56.3	52.7
Decline < 6% or Increase--Above Average Owner-Occupancy in 2010	35.7	29.9	49.2	41.8
Decline < 6% or Increase--Below Average Owner-Occupancy in 2010	43.4	35.9	55.3	53.0
<b>Citywide Average</b>	<b>41.6</b>	<b>36.1</b>	<b>53.6</b>	<b>50.0</b>

Table 8: Percent of Mortgage Applications Denied by Race of Applicants

Type of Change in Owner-Occupancy	% Black Applicants Denied 2010	% Black Applicants Denied 2017	% White Applicants Denied 2010	% White Applicants Denied 2017
Decline > 6%--Above Average Owner-Occupancy in 2010	41.7	38.9	42.7	29.9
Decline > 6%--Below Average Owner-Occupancy in 2010	49.2	47.8	46.1	37.3
Decline < 6% or Increase--Above Average Owner-Occupancy in 2010	35.0	26.3	20.8	15.4
Decline < 6% or Increase--Below Average Owner-Occupancy in 2010	48.1	37.0	33.6	20.0
<b>Citywide Average</b>	<b>43.5</b>	<b>37.4</b>	<b>35.8</b>	<b>25.0</b>

Table 9: Percent of Loans Originated by Race of Applicants

Type of Change in Owner-Occupancy	% Loans Originated for Black Applicants 2010	% Loans Originated for Black Applicants 2017	% Loans Originated for White Applicants 2010	% Loans Originated for White Applicants 2017
Decline > 6%--Above Average Owner-Occupancy in 2010	58.3	61.1	57.3	70.1
Decline > 6%--Below Average Owner-Occupancy in 2010	50.8	52.2	53.9	62.7
Decline < 6% or Increase--Above Average Owner-Occupancy in 2010	65.0	73.7	79.2	84.6
Decline < 6% or Increase--Below Average Owner-Occupancy in 2010	51.9	63.0	66.4	80.0
<b>Citywide Average</b>	<b>56.5</b>	<b>62.6</b>	<b>64.2</b>	<b>75.0</b>

remained high—exactly 50% in 2017. It was lower (42%) in the more affluent census tracts<sup>24</sup> and higher (53%) in the three remaining categories. More Baltimoreans were renters, and rental housing remained unaffordable for half of all renters. Presumably, that unaffordability made the transition to homeownership harder to achieve.

As we noted earlier, on average, the economic recovery has been less robust for Black Baltimoreans than for white Baltimoreans. There are a few exceptions to this generalization, as in Southwest Baltimore, where three majority-white neighborhoods experienced declining incomes and homeownership.

The Home Mortgage Disclosure Act (HMDA) in **Tables 8 and 9** shows that, in all but the most affluent tracts, Black applicants' denial rates dropped while approval rates increased, but at a much slower pace than white applicants. For example, in the two categories of census tracts where owner-occupancy declined by more than 6%, Black applicants' approvals rose only 1%-3%. In those same census tracts, white applicants' approvals rose 9%-13%. Overall in 2017, white applicants' approval rates ranged from 63% to 85%, while Black applicants' approval rates ranged from 52% to 74%.

What is holding applicants back? The HMDA "reason for denial" data in **Table 10**

Table 10: Denied Applicants by Race and Reason for Denial, HMDA

Reason for Denial	Race of Applicant				Total
	Black or African American	Not Provided or Unknown	Other	White	
% of All Denied Applicants	33.7%	35.2%	13.5%	19.2%	<b>28.9%</b>
Collateral	15.4%	15.5%	18.8%	25.0%	<b>18.5%</b>
Credit application incomplete	5.6%	7.3%	14.6%	12.3%	<b>8.2%</b>
Credit history	24.9%	19.3%	24.0%	14.8%	<b>20.7%</b>
Debt-to-income ratio	10.4%	10.4%	11.5%	13.5%	<b>11.4%</b>
Employment history	0.4%	1.0%	2.1%	0.8%	<b>0.7%</b>
Insufficient cash (down payment, closing costs)	1.6%	3.1%	3.1%	1.2%	<b>1.8%</b>
Mortgage insurance denied	0.1%			0.3%	<b>0.2%</b>
Other	6.1%	6.0%	9.4%	9.8%	<b>7.3%</b>
Unverifiable information	1.8%	2.3%	3.1%	3.1%	<b>2.3%</b>

is incomplete, but what jumps out are “credit history” and “debt-to-income ratio.” These two factors account for the majority of denials (with a named reason) for Black and “other” candidates. Collateral is the single biggest known reason for denial for white and “unknown” applicants.

The picture that emerges from the interviews and data is that Baltimore has not one, but *two* pools of aspiring homebuyers. The first pool consists of people who are mortgage-ready, or close to mortgage-ready, and for whom eight hours of group homebuyer education, possibly supplemented by a limited number of housing counseling sessions, and available financial incentives are effective in promoting homeownership. The current homeownership system is serving these people effectively, consistently drawing down the available private and public incentives and helping potential homebuyers with resolvable credit issues achieve their goal.

The second pool consists of people who want to buy a home but are not ready. One affordable housing developer reported that of 100 applicants to their program, only one ends up owning a home. Presumably, the rest continue as renters, in a market that is unaffordable for half of the people who rent. Housing counselors and affordable housing developers recognize the challenges these aspiring homebuyers face and have altered their programs to let more people in the door. The systemic challenges remain significant. As one interviewee pointed out, the deeply unequal, post-recession economy functions poorly for low- and moderate-income people, which makes it essential to work with the buyer over the long term to create a path to homeownership.

We would contend that in a city with a long history of structural racism now experiencing simultaneous growth and disinvestment, there are two major barriers to increasing the number of homeowners in Baltimore:

1. Insufficient income as well as credit problems among a significant percentage of people who want to buy a home, stemming from long-term income and wealth inequalities, and exacerbated by the Great Recession and high rental costs; and
2. Lack of good-quality homes in stable or improving neighborhoods that are affordable to first-time buyers. In less-expensive neighborhoods, it is difficult for homebuyers to compete with investors who buy homes for cash. Homes in neighborhoods where the mortgage market functions often are too expensive.

## Recommendations

NOTE: We wrote the recommendations that follow prior to the COVID-19 crisis. We recognize that emergency measures will be necessary to address potential pandemic-caused spikes in evictions from rental housing as well as tax sale and mortgage foreclosures. We will need systemic solutions as well, several of which we outline below. With the right set of conditions, homeownership may be a remedy towards housing security and should be seen as part of the solution. Given that COVID-19 has laid bare long-term inequities in our city and nation, we hope that there will be a renewed commitment to addressing the persistent gaps in income, wealth and homeownership that afflict Black households and communities.

Our first recommendation is straightforward: Baltimore should create a comprehensive affordable housing plan that addresses both rental and homeownership housing. Subsequent recommendations include improving the current system; supporting financial coaching and innovative outreach; better connecting homeownership and community development in ways that address the racial equity gap; and preserving existing

homeownership. We include a brief discussion of promising national policies and programs because the federal government has played, and must continue to play, a central role in homeownership creation and preservation.

**1) Create a citywide affordable housing policy.** Baltimore City released "[A New Era of Neighborhood Investment](#)," a citywide community development framework, in early 2019, and that framework is guiding its capital and operating funding decisions moving forward. While the framework mentions its support for affordable housing, homeownership, and economic inclusion, it does not create a road map for achieving more affordable rental and homeownership housing. The extensive discussions surrounding the creation and implementation of the Affordable Housing Trust Fund, while a significant achievement, also do not provide a comprehensive set of affordable housing policies. For example, the Trust Fund discussions have not resulted in reforming the city's ineffective Inclusionary Zoning statute or addressing the huge backlog of residents seeking affordable rental housing. While this paper focuses on affordable homeownership, the high costs of rental housing relative to income both limits Baltimore residents' access to basic shelter and makes it harder for renters to move into homeownership over time.

There are national initiatives that could help, such as the [Local Housing Solutions](#) (LHS) Institute, designed to help cities and counties refine and strengthen their housing strategies to meet affordability and other housing challenges. Atlanta, Minneapolis, Philadelphia, and San Antonio are in the first cohort of cities to work with the LHS Institute. When Baltimore's elected officials and agency staff decide to tackle the creation of a comprehensive affordable housing policy, they should not stay inside the housing silo. They should utilize local experience and [national models to involve the city's health care institutions](#), and

create stronger connections among affordable housing, neighborhood revitalization, and residents' health.

A critical piece of the puzzle will be addressing the high number of vacant and abandoned properties in Baltimore, which cost city agencies an estimated \$88 million a year, and exacerbate the health problems, especially asthma, anxiety, and depression, of residents living near vacant lots and properties.<sup>25</sup> City leaders need to:

1. reform inefficient city systems that prevent community-responsive developers from being able to purchase and rehabilitate vacant properties; and
2. invest up front in helping responsible nonprofit and small developers access properties and scale up their redevelopment work. Over time this approach will result in significant financial gains for Baltimore City, and these funds can be reinvested in affordable homeownership opportunities for city residents. A comprehensive anti-vacancy policy should involve a marketing campaign to connect low- and moderate-income sellers of homes with responsible developers, as an alternative to the investors who buy houses for cash and invest little in the properties they buy.

**2) Evaluate and support effective housing education and counseling programs, and make incentive programs easier for potential homebuyers to track and navigate.** Housing education and counseling programs based in Baltimore are reaching well over 3,000 individuals a year, and helping a subset resolve credit and savings problems, and access flexible loan products and incentives offered by nonprofit organizations, government agencies, private lenders, and employers. Nonprofit developers and lenders

also recruit and assist potential homeowners. Live Baltimore provides a digital portal to help homebuyers navigate the changing array of financial incentives offered by or through the City of Baltimore. This system works best for those who are mortgage-ready, or close to mortgage-ready, but remains overly complex and difficult to navigate.

Baltimore real estate expert Jody Landers was commissioned by Baltimore City DHCD to write a report on Baltimore Homeownership Incentive Programs (B-HIP) in 2015, which included a number of recommendations, several of which have been implemented or are in process.<sup>26</sup> The recommendations are in italics below, followed by responses provided in 2019 from the Baltimore City Department of Housing and Community Development (DHCD), and additional comments.

***Continue to reduce the amount of time it takes to process applications and issue checks to five working days. If the process time cannot be reduced within the city, DHCD could contract with a community development corporation or counseling agency to manage the entire B-HIP program, including the disbursement of funds.***

**DHCD's response:** The "process has been streamlined and changed and there is no longer a delay in issuing checks. Processing time is 10 business days. We are looking for additional ways to reduce this time."<sup>27</sup> Interviews with housing counseling organizations indicated that the actual processing time is 15 business days, or three weeks. We recognize that the disbursement of funds depends on lenders as well as the city. A lender that pays attention and gets the paperwork in can get a check for the buyer very quickly. Lenders who do not follow instructions cause problems for their buyers. Live Baltimore advises buyers to work with a skilled real estate team because that makes a huge difference in accessing the incentives.

***Develop a set of criteria for evaluating the performance of counseling agencies on an annual basis.***

**DHCD's response:** "in process." To attract additional resources, housing counseling agencies will need to demonstrate their impact using shared metrics. The process for developing criteria should engage the counseling agencies, Baltimore City DHCD, and other public and private funders of housing counseling.

***Provide counseling agencies and other partners with quarterly updates on B-HIP activity.***

**DHCD's response:** "in process." At times the information is up to date, but the system is not yet providing real-time information on the extent to which city incentives remain available. Given that the incentives are awarded on a first-come, first-served basis, this is potentially confusing or frustrating for homebuyers.

In addition to Landers' report and Baltimore City's responses, we recommend reorganizing homeownership creation and preservation in Baltimore as a system, with linked components and goals, to connect what are now often competing or disconnected programs and incentives. A model to explore is *Take Root Milwaukee*, a consortium of over 40 community organizations, neighborhood groups, housing counseling agencies, real estate agents, and lenders working together to promote sustainable homeownership. Under one virtual roof, current or potential residents of Milwaukee can access free or low-cost services to buy, keep, or fix a home.<sup>28</sup>

***3) Support financial coaching and innovative forms of outreach.*** On the housing education and counseling front, providers recognize that the people who access their services most easily, whether in person or online, are in the first, more mortgage-ready pool. They are not the low- and moderate-income people in the

second pool who need their services the most. To their credit, multiple organizations have created, or are creating, new ways to reach out to and engage less-affluent clients.

For example, Neighborhood Housing Services (NHS) Baltimore is providing long-term financial coaching for close to 100 people who have lower credit scores and lack sufficient savings. NHS also is starting to organize homeowner clubs whose members can support each other through the process of qualifying for a loan and finding a new home. Southeast CDC is reaching out through community schools to connect with parents who may want to make the transition from renter to homeowner, but who are unfamiliar with or distrusting of the process. *These and related initiatives—if they can demonstrate success in helping a significant percentage of clients move, over the long term, from renting to achieving homeownership—are grant-funded programs that merit increased financial support.*

**4) Better connect homeownership and community development. Lead with resident engagement and community building.** Given the dramatic declines in homeownership, especially in Black neighborhoods, Baltimore should generate community development strategies that address the racial equity gap. Our city needs more neighborhoods that have affordable as well as market-rate rental and homeownership options, and provide access to transportation, good schools, and public safety. The nonprofit, public, and private sectors can work together to support places where low- and moderate-income people both want to live and can afford to live. Building community organizing and marketing capacity in the Southwest Baltimore neighborhoods where homeownership rates are dropping rapidly is critical to the future of those and adjacent areas.

Revitalizing neighborhoods sustainably and equitably requires a long-term commitment to specific geographies and the people who

live there. Baltimore City government, as the one entity that represents, and is accountable to, the residents of Baltimore, is the logical leader of efforts to connect homeownership and community development, and has started to take stronger steps in this direction. As mentioned above, in 2019, Baltimore City DHCD released a framework for community development that advocates for a mix of housing opportunities in “impact investment areas”—Park Heights and Southwest, West, and East Baltimore—as well as strengthening stressed middle-market neighborhoods.<sup>29</sup> As we have seen, homeownership rates are dropping quickly in middle-market neighborhoods along the edges of Baltimore City and in certain “impact investment areas.” Expanding homeownership in Baltimore, beyond the current set of programs and incentives, will require targeted efforts to support these neighborhoods and their residents.

Fortunately, Baltimore has multiple nonprofit organizations working with partners on equitable community development initiatives that include access to homeownership for low- and moderate-income residents.<sup>30</sup> Such initiatives include BUILD and ReBuild Metro in the Oliver and Johnston Square neighborhoods; Telesis, Central Baltimore Partnership, and Jubilee Baltimore in the middle of the city, and; City Dibs and others in the Reservoir Hill neighborhood. Each started with community building and outreach, which roots the initiative in the interests, goals, and perspectives of neighborhood residents. Baltimore City DHCD’s designation of impact investment areas has the potential to create inclusive neighborhoods of choice. Baltimore City can build on the work of Healthy Neighborhoods and affiliated community-based organizations to develop policies and programs that benefit additional middle-market neighborhoods.

Much depends on the vision, capacity, trust, and stamina of the partnerships that evolve

in those areas. Philanthropic and business entities have a critical role to play in providing more strategic and coordinated operating support for targeted community development efforts. Creating more homeowners in Baltimore requires more nonprofit, public, and private partnerships committed to working together to generate neighborhoods of choice that include affordable rental and homeownership units.

**5) Work with existing homeowners to preserve homeownership. Ensure that older Baltimore residents have access to estate-planning services.**

The maps and data in this report make it clear that many neighborhoods where homeownership rates were once above average are losing homeowners at a rapid clip. The homeowners who are left are often older adults, some of whom have trouble maintaining their homes. Lack of maintenance also affects younger family members living in their relatives' homes. In addition to attracting new homeowners to these neighborhoods, it is essential to work with existing homeowners, to help them maintain their properties and arrange for an orderly transfer of ownership when the time comes.

A promising program is the [Healthy Rowhouse Project in Philadelphia](#), which links the preservation of existing affordable housing to improving the health of Philadelphians. A pilot project in 2013-2014 that removed asthma triggers from homes, at an average cost of \$3,500 apiece, found that hospitalizations for residents dropped 70% within six months. The project has since grown to include policy, design, construction, and financing tools to assist low- and moderate-income rowhouse occupants improve their housing quality. Its goal is to reach 5,000 houses in Philadelphia and measure the impact that improvements to the properties have on residents' health and well-being.

We have successful models in Baltimore that can be scaled up. Housing Upgrades to

Benefit Seniors, or HUBS, connects multiple funders and nonprofit organizations, to coordinate housing and services for older adults, while improving their health and safety. The CAPABLE -- Community Aging In Place Advancing Better Living for Elders -- program run by the Johns Hopkins School of Nursing successfully helps low-income seniors age safely in their own homes, and has produced significant health cost savings. Maryland Volunteer Lawyers Service has launched a "My Home, My Deed, My Legacy" campaign to educate Baltimore residents about the importance of estate planning. Baltimore has the opportunity to build on success, by engaging existing as well as new partners, including hospitals and other health institutions,<sup>31</sup> in expanding initiatives that assist existing homeowners in maintaining and improving their homes.

**6) Support proposed national policy changes that would benefit Baltimore.**

Cities can only do so much, given national trends in racial disparities, economic inequalities, and shortages of affordable housing. Without delving deeply, we will mention several federal policy changes that would particularly help Baltimore.

- Given the credit problems faced by many would-be Baltimore homebuyers, including rent and utility payments in credit scores would be a major step forward. [VantageScore](#), a model developed by the big three credit bureaus, estimates that mortgage lending to Black and Latino Americans could increase by 16% to 32% if all credit scores included information on rent and utility payments.<sup>32</sup>
- The [Neighborhood Homes Investment Act](#) would create a federal housing tax credit to fill the financial gap between the cost of purchasing and repairing a deteriorating house and its market value. Over the next 10 years, it would



stimulate investment in an estimated 500,000 homes in distressed urban, suburban, and rural neighborhoods.<sup>33</sup> This legislation would benefit the swath of Baltimore neighborhoods that have been losing owner-occupants at a higher than average rate.

- The [National League of Cities](#) calls for a long-term, stand-alone federal housing bill that authorizes 10 years of new funding for programs that advance housing for all. This bill would address rental as well as homeownership housing. The acute shortage of affordable rental housing makes it harder for low- and moderate-income households to avoid credit problems, save money, and move up the housing ladder.<sup>34</sup> Comprehensive federal housing legislation could help address persistent economic inequality, and the growing homeownership gap between white and Black Americans.
- Comprehensive federal housing legislation must address the central role that secondary market requirements play in limiting access to capital for minority and low-income borrowers. To reverse the negative impact that secondary markets have on borrowers who are outside the traditional lending box, Government Sponsored Entities (GSEs) should be required to affirmatively further fair housing, as advocated by the [Center for Responsible Lending](#).

## Conclusion

The recent decline in Baltimore City homeownership rates parallels national declines, but the 2010 starting point and 2017 ending point are lower, especially for Black residents. In addition to having deeply disinvested neighborhoods where owner-occupancy rates were below average

and continued to fall, Baltimore has neighborhoods where owner-occupancy was above average and declined rapidly. Housing education and counseling services, and the array of homebuying incentives, assist homebuyers who are mortgage-ready or who have resolvable credit and budget issues. However, the current system remains less efficient, less coordinated, and more complex than it should be. We offer recommendations to address specific shortfalls.

There is a larger pool of people who want to buy a home but have much tougher credit and budget issues to address. Housing counseling agencies, nonprofit developers, and social entrepreneurs are rolling out new ways to find and serve these potential homebuyers, through community engagement, long-term financial coaching, and the provision of affordable rental housing for those who are working toward being able to buy. If we truly want current city residents to stay and buy homes in Baltimore, then it will be essential to support more inclusive neighborhoods of choice where low- and moderate-income residents can afford to rent or buy a home. Older homeowners, some of whom care for younger family members, are a critical piece of the puzzle, and need support to maintain their homes and plan for an orderly transfer of their estate.

Finally, Baltimore and other mixed-market cities will struggle to raise their homeownership rates without national policies that address both the supply of homes, and the demand, hampered by damaged credit and insufficient income. Low homeownership rates are bolstered by unjust racial disparities and economic inequalities, which require far-reaching policy reforms.

## About the Author(s)

As Director of Programs in Community Leadership at UMBC, Sally Scott, PhD, leads an interdisciplinary initiative that draws on the academic strengths of UMBC, and works with students from diverse backgrounds to build collaborative leadership skills as well as strong connections to Baltimore-area nonprofits. Previously, as a foundation program officer and a nonprofit executive director, she led collaborative, multi-sector initiatives to bolster neighborhood revitalization and affordable housing.

Seema D. Iyer, PhD, is Associate Director of the Jacob France Institute where she oversees the Baltimore Neighborhood Indicators Alliance-Jacob France Institute (BNIA-JFI) at the University of Baltimore. This award-winning project annually prepares the *Vital Signs* report and open data compendium for all of Baltimore's neighborhoods, and uses these data for research and evaluation of urban policies and trends. BNIA-JFI is part of the Urban Institute's National Neighborhood Indicators Partnership of sites that provide longitudinal, community-based data.

With assistance from Cheryl Knott and Logan Shertz, Baltimore Neighborhood Indicators Alliance-Jacob France Institute.

## Endnotes

- 1 Urban Institute, June 2020.
- 2 American Community Survey, 2010 and 2017.
- 3 "Homeownership Rate for the United States," 2019.
- 4 Acolin, Lin, and Wachter, 2019.
- 5 Bricker, et al., 2017.
- 6 Hanks, Solomon, and Weller, 2018.
- 7 Hecht, 2018.
- 8 The two main sources of data used in this report to measure homeownership are the American Community Survey (ACS) and Maryland Property View. The data for tenure obtained from the 2017 ACS is a survey administered to a sample of households. Occupied housing units are classified as either owner-occupied or renter-occupied (see ACS 2017 Subject Definitions [https://www2.census.gov/programs-surveys/acs/tech\\_docs/subject\\_definitions/2017\\_ACSSubjectDefinitions.pdf](https://www2.census.gov/programs-surveys/acs/tech_docs/subject_definitions/2017_ACSSubjectDefinitions.pdf)). A housing unit is owner-occupied if the owner or co-owner lives in the unit, even if it is mortgaged or not fully paid for, which provides a proximate measure of home ownership. Using the ACS measure for owner-occupancy (or homeownership) allows for comparisons nationally and among other cities. However, because it is based on a sample, its accuracy at small-scale geographies (such as a census tract) becomes highly questionable. Therefore, at smaller scales, Maryland Property View provides a more accurate account of property information for all parcels in Baltimore City. The records include ownership and tax status information, which assumes that if a property is claiming the Maryland Homestead Property Tax, available to primary residences, then the property is owner-occupied (see MD Property View <https://planning.maryland.gov/Pages/OurProducts/PropertyMapProducts/MDPropertyViewProducts.aspx>.)
- 9 The authors recognize, as a reviewer of this paper pointed out, that 2011 was the bottom of the housing market in Baltimore.
- 10 BNIA calculations using Baltimore foreclosure data.

- 11 "Vital Signs 10" 2012 and "Vital Signs 17" 2019.
- 12 The Black Butterfly," 2019.
- 13 Mallach, 2020.
- 14 Pipik, 2017.
- 15 Mallach, 2018.
- 16 Urban Institute, 2020.
- 17 Authors' calculations based on Housing and Urban Development (HUD) 9902 forms provided by Belair-Edison Neighborhoods Inc., Druid Heights Community Development Corporation, GO Northwest Housing Resource Center, Inc., Neighborhood Housing Services Baltimore, St. Ambrose Housing Aid Center, and Southeast Community Development Corporation.
- 18 Herbert, Rieger, and Spader, 2017.
- 19 Report for fiscal year 2019, provided to the author by the Baltimore City Department of Housing and Community Development, Office of Homeownership.
- 20 Sissman and Russell, 2016.
- 21 City Dibs: A New Model for Intentional Community, 2019.
- 22 Chesapeake Habitat for Humanity, ReBuild Metro, and the development arm of St. Ambrose Housing Aid Center. Other organizations constructing affordable housing in Baltimore include City Life – Community Builders, Comprehensive Housing Assistance, Inc. (CHAI), Coppin Heights CDC, Druid Heights CDC, Historic East Baltimore Community Action Coalition (HEBCAC), Neighborhood Housing Services Baltimore, and Southwest Baltimore Partnership.
- 23 Community Land Trusts (CLTs) are nonprofit organizations that engage in community planning and development, including rental and homeownership housing, greenspace, and commercial. They commit to owning and stewarding the land on which properties sit for at least 99 years, creating permanent affordability. The homeowner owns the home, while the CLT owns the land. A ground lease ties the land and property together and sets the price for the home. Nationally, CLTs are stewarding around 36,000 rental units, 30,600 co-op units, and 19,000 homeownership units. In Baltimore, a partnership between United Workers, the Baltimore Housing Roundtable, and Share Baltimore, Inc. has successfully advocated for funding from the city's Affordable Housing Trust Fund to establish CLTs in six neighborhoods, with an established community developer providing assistance to the neighborhood-based organizations. The first CLT homes recently sold in Northeast Baltimore. It will take sustained organizing and investment to achieve the partnership's goal of providing hundreds of permanently affordable homes to residents making less than 50% of Area Median Income.
- 24 Earlier in the paper, we saw that the census tracts in the category "Decline <6% or Increase – Above Average Owner-Occupancy in 2010" have significantly higher median income and median home sales price than census tracts in the other categories.
- 25 Community Development Network of Maryland, 2020.
- 26 Landers, 2015.
- 27 Email received by author from Baltimore City DHCD in August 2019.
- 28 Interview with Bethany Sanchez, a founder and leader of Take Root Milwaukee, <https://takerootmilwaukee.com>.
- 29 Baltimore City Department of Housing and Community Development, 2019.
- 30 Larger, multi-neighborhood examples include Southeast CDC, South Baltimore Gateway Partnership, Southwest Baltimore Partnership, Central Baltimore Partnership, Northwest Baltimore Partnership, and North East Housing Initiative. Neighborhood-specific groups include Belair-Edison Neighborhoods Inc., Upton Planning Committee, Druid Heights CDC, Coppin Heights CDC, GO-Northwest Housing Resource Center, WBC CDC, and more.
- 31 Nationally, a growing number of health institutions invest in affordable rental and homeownership housing. For guides to connecting health institutions and community development, see Allison Moore, 2018 and Kathryn Reynolds, et al., 2019.
- 32 Shelterforce Staff, 2019.
- 33 Brophy and Shea, 2019. See also Neighborhood Homes Investment Act, 2019.
- 34 National League of Cities, 2019.

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in Baltimore City**

by **Sally J. Scott, Director of Community Leadership Programs,  
University of Maryland Baltimore County; and Seema Iyer,  
Associate Director of the Jacob France Institute,  
University of Baltimore**

### About the Abell Foundation

The Abell Foundation is dedicated to the enhancement of the quality of life in Maryland, with a particular focus on Baltimore. The Foundation places a strong emphasis on opening the doors of opportunity to the disenfranchised, believing that no community can thrive if those who live on the margins of it are not included.

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