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The Abell Report

What we think about, and what we'd like you to think about

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The Market Is Failing Low Wage Baltimoreans

The "poverty premium" is as much as $3,000 a year in cost-of-living-- Everything from groceries, financial transaction, cars, home mortgages.

Recommendations to help restore equality, and availability of goods and services.

ABELL SALUTES: Preservation Maryland: Making history a partner in economic development

"Historic preservation," at least among many business development types, has a bad name -- building-huggers lying in front of bulldozers, blocking progress. Preservation Maryland is doing a lot to change that perception. While the agency is in the business of saving buildings, it is also in the business of making those same buildings important factors in fostering community wealth; for starters, working to save the historic fabric of the West Side of downtown as an unprecedented $1 billion has been invested within it—making history a partner in economic development.

Long known as a caretaker of historic properties, the 75-year-old Preservation Maryland (PM) is today engaged in broad-based strategies of grassroots advocacy, outreach and funding. In 1997 PM spearheaded the creation of the Maryland Heritage Structure Rehabilitation Tax Credits, which, according to PM, is the city's single most effective economic incentive for preserving and rehabilitating historic structures. Over $260 million in heritage tax credits has been received, leveraging over $1 billion in investment.

To help neighborhoods enjoy access

continued on page 8

A Report by the Job Opportunities Task Force

After decades of decline, Baltimore has taken a number of positive steps in recent years, as officials and residents have pursued the shared vision of a city that features strong neighborhoods and a diverse, growing economy, where families can thrive and the path to upward mobility is well-marked and heavily traveled. But city leaders have yet to address a major obstacle blocking that path: low-wage individuals tend to pay more than their wealthier neighbors for a wide range of goods and services, from groceries and financial transactions to cars and home mortgages.

Over the course of a year, The Job Opportunities Task Force estimates that low-wage Baltimoreans can pay as much as $3,000 more than their wealthier neighbors for equivalent goods and services. This "poverty premium" can consume over 10 percent of a low-wage family's total income. And every dollar that goes toward the poverty premium is a dollar that cannot be saved or invested in education, home ownership, or retirement.

The magnitude and specifics of these added costs vary from one low-income family to another, depending on whether the family owns or rents their home, owns a car or relies upon public transit, or shops for food at a neighborhood corner store rather than a supermarket. But a number of systemic factors—neighborhoods with limited consumption choices, predatory business practices, and under-informed consumers—all but assure that they're paying more overall.

These factors combine to keep families on a seemingly endless treadmill in which costs "snowball" as one extra expense begets another. The inability to pay a utility bill one day might necessitate paying a fee to quickly cash a check the next, or to pay an extra hundred dollars to secure a loan in advance of a tax refund that might not come for another month. A family that can't afford to buy and maintain a car must rely on public transit; this makes conducting transactions too far from home time-consuming and burdensome, and might lead the family to utilize higher-priced but more convenient neighborhood options.

Consider the cost differential for a range of goods and services purchased by two families over the course of a year. The first lives in a neighborhood where median household income is less than $30,000 per year, uses a check-casher, purchases a Refund Anticipation Loan (RAL), and buys groceries at a small store nearby. The other lives in a neighborhood where median household income is over $100,000, has a checking account at the bank with a monthly charge, does not buy a RAL, and purchases the same groceries at a supermarket. Both are homeowners and car owners, paying back loans for each. Using approximations and the best and

continued on page 2

continued from page 1

most recent data available, the table below details how much more the low-wage Baltimorean might pay over the course of a year.

The Added Costs of Poverty in Baltimore

Expense	Annual Added Cost
Check Cashing	$328
Refund Anticipation Loan	$100
Mortgage Payment	$817
Home Insurance	$136
Energy	$222
Auto Loan	$83
Car Insurance	$424
Groceries	$704
TOTAL POVERTY PREMIUM	**$2,815**

**Details on how these estimates were calculated can be found in the Appendix of the full JOTF report.*

What could this extra $2,800 a year buy? A more reliable car, a year of tuition at Baltimore City Community College, an interest-generating investment in retirement, or part of a down payment on a home. Having to spend these dollars on necessities that are available to wealthier individuals for less represents a powerful barrier to economic advancement.

This Abell Report sets out the particulars of the poverty premium in Baltimore, focusing on four main categories: financial services, home-related expenses, automobile-related expenses, and groceries. We show how much more low-wage Baltimore residents are paying in each of these areas, and explain the mix of factors that contribute to the higher prices for these items. Finally, we offer an action agenda to make the market work for all of Baltimore's communities.

Financial Services

National data from the Survey of Consumer Finances suggests that individuals in the lowest quintile of the income distribution are considerably less likely to have bank accounts of any kind (75.5 percent) than the population as a whole (91.3 percent). In informal focus groups we conducted for this report, most participants had bank accounts, but complaints and misunderstandings about banking services were common. Thus, a sizable portion even of those who do have nominal relationships with mainstream financial institutions may be closer in attitude and comprehension of banking services to the "unbanked" than to wealthier individuals who hold bank accounts and avail themselves of other services banks offer.

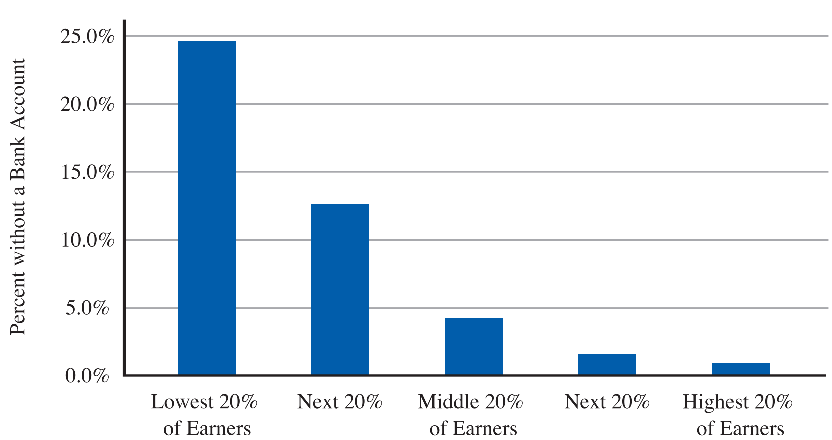
According to the 2006 Brookings Institution report "From Poverty, Opportunity," one reason why so many low-wage Baltimore residents pay more than their wealthier neighbors for financial transactions is that the cheaper mainstream options, such as banks and credit unions, are simply absent from more than two-thirds of low-income neighborhoods in the Baltimore metro area. In general, mainstream financial institutions are much less concentrated in the poorest neighborhoods of the Baltimore metro area than in middle-income communities. Their absence has left a void that check-cashers and other higher-priced providers of financial services have moved in to fill.

In addition, banks have failed to offer tailored products and services that would make it worthwhile for banks and their potential clients to do business with each other. In the financial services industry, low-wage consumers are known as the "fee-driven" market. As this name implies, many banks seek to make this segment of the market profitable through reliance on fees that can be difficult for a consumer without a steady income to avoid.

This approach might strengthen the bank's bottom line in the short term, but it neither builds a sustainable clientele nor serves those who face snowballing of costs in trying to recover from steep charges for overdrawn accounts, bounced checks, and other financial missteps. The experience of San Francisco, a city which makes a conscious effort to connect its "unbanked" residents to mainstream financial institutions through the *Bank on San Francisco*

Americans without a Bank Account, by Income, USA

Low-Income Americans are Far More Likely to be 'Unbanked'



Source: Survey of Consumer Finances, 2004

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continued from page 2

initiative, shows that when banks tailor their products to the different needs and expectations of this market, consumers respond with greater demand.

Alternative Providers

The volume of business done by check cashers and pawnshops is unknown, but the concentration of these stores in Baltimore's low-income neighborhoods suggests that they serve a sizable segment of the local market. These alternative providers charge more—often considerably more—for the same services, but offer greater convenience, easier access, and often a much more comfortable environment for customers who might not feel at home in banks.

Maryland, like most states, sets limits on what check cashers can charge for their services: the maximum allowable rates are 3 percent of the face value of government checks, 5 percent of payroll checks, and 10 percent of personal checks. This means that an individual in Baltimore who takes home $30,000 per year and chooses to cash payroll checks at a check casher could pay as much as $1,500 over the course of a year—5 percent of that total—to do so.

Maryland has taken several important steps to protect low-wage earners through regulation of the alternate financial services market. For-profit credit counseling is illegal in the state, as are auto title loans. The state also effectively outlawed "payday lending" by setting a maximum rate of 33 percent on small loans, significantly lower than the triple-digit APRs payday lenders typically charge. There are ways around this, however: some lenders charge excessive fees to make up for what they can't charge in rates, and out-of-state businesses often ignore state interest rate caps and make illegal loans to Maryland consumers online. Furthermore, the state has not set any limits on pawnshop loans.

Those who use these alternative financial services are faced with payments that are commonly far higher than even the most costly credit cards. Unfortunately, low-wage consumers often have few alternatives. At some point, almost every family needs access to short-term credit, whether to cover unexpected medical expenses, make ends meet during a spell of unemployment, or pay for a car repair. While Maryland has taken positive steps to protect consumers from the most usurious practices, few local businesses have stepped forward with competitively priced products to serve the low-wage market.

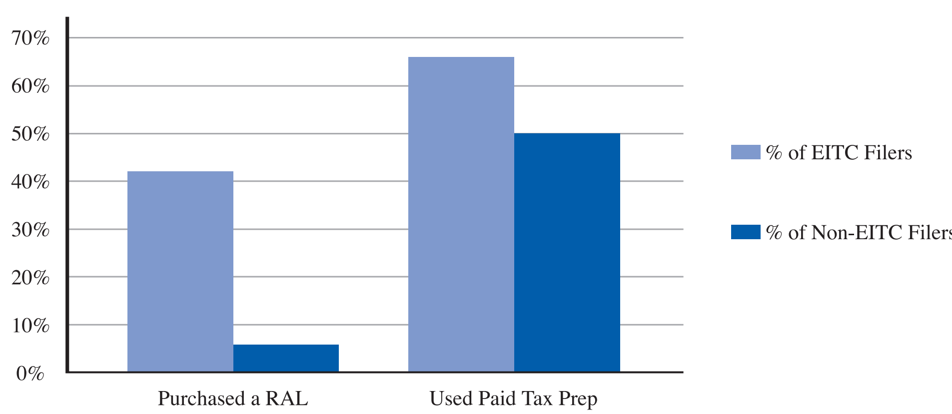
Tax Preparation and Refund Anticipation Loans

The Earned Income Tax Credit (EITC) is perhaps the most broadly popular anti-poverty initiative of the past 40 years, enjoying support from both conservatives and liberals. In 2003, nearly 167,000 Baltimore metro area residents filed for the EITC—typically a payment of several thousand dollars that a family can put toward home repair, a reliable car, or savings. Unfortunately, many EITC filers received less than they could have because they paid for tax preparation, purchased a Refund Anticipation Loan (RAL), or both. In fact, those who file for the EITC pay for tax preparation and purchase RALs at significantly higher rates than do others.

Low-wage taxpayers are less likely to prepare their own tax returns, particularly as additional forms are required to file for the EITC. Most low-wage taxpayers, though, qualify for free tax preparation services; in 2007, the Baltimore CASH (Creating Assets, Savings and Hope) Campaign prepared more than 7,200 returns free of charge at 15 sites around the city. One priority for local and state policymakers in addressing the higher costs poorer Baltimoreans pay for financial services should be to broaden awareness of free tax preparation services available for low-wage residents.

Refund Anticipation Loans are a tempting option for consumers who cannot or do not want to wait for the IRS to send their refunds—a process that typically takes less than two weeks for those who file electronically, or six to eight weeks for paper filers. With a RAL, they get the money in advance from the tax preparer, which then keeps the IRS refund in addition to a charge for facilitating the loan. A RAL for $3,000 might cost the borrower an additional $100. Since the tax preparer is quickly re-paid when the refund arrives, the effective APR for a RAL can range from 40 percent to as much as 500 percent. Nearly 42 percent of local EITC filers purchased a RAL in 2003, compared to less than 6 percent of non-EITC filers.

Tax Preparation and RAL Purchase by EITC Status, Baltimore MSA



Source: Brookings Tax Return Data Interactive Website, Zip Code Tax Return Data, 2003

continued from page 3

Home-Related Costs

The cost of purchasing a home has spiked over the past few years. With the gap between home prices and wages growing by the year, more buyers are agreeing to unconventional, often high-interest mortgages. These higher rates can add up to hundreds of extra dollars each year, and tens of thousands over the life of the loan.

Home Mortgage Disclosure Act data suggests an inverse relationship between mortgage purchasers' income levels and their likelihood of obtaining a "high-cost" mortgage loan. Among borrowers earning less than half the median income for the Baltimore area, almost 40 percent of home loans were "high cost," compared to less than 20 percent of loans to households earning at least 120 percent of the area median.

Multiple factors contribute to the greater incidence of high-cost loans among poorer Baltimoreans. Not surprisingly, lower income homeowners have higher rates of bankruptcy and missed payments than do wealthier borrowers. Another factor here is the common practice among lenders of relying "credit scoring." Creditors compile information about potential borrowers such as their bill-paying history, the types of financial accounts they hold, and their debt.

The "score" that results offers a statistical measure of a borrower's creditworthiness. Unfortunately, low-wage consumers are systemically disadvantaged at every step of this process: they are less likely to have relationships with mainstream financial institutions, and what track record they do have is less likely to tell a positive story. Thus, they frequently must pay higher rates—often much higher.

Predatory mortgage loan practices make an already difficult environment even tougher. An October 2006 report by the Maryland Consumer Rights Coalition (MCRC) identified some of the most common problems in this area, including brokers pushing homeowners into refinancing low-cost mortgages with much more expensive loans; high-cost loans with rates just below what is allowed by state and federal law; and misrepresentation of loan terms. These legal but exploitative practices have helped drive a rash of foreclosures in the city and put thousands more families at risk of losing their hard-won homes.

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Home Insurance

Low-wage homeowners tend to pay higher premiums for home insurance. As neighborhood incomes rise, average rates go down. Based on a sample reported by the Brookings Institution, a homeowner in one of Baltimore's poorest neighborhoods will pay on average $136 more per year to insure a comparable home than her counterpart in a neighborhood where the median income is at least three times higher.

The explanation for these higher home insurance premiums includes higher crime rates in those neighborhoods and the likelihood of older housing stock. The data, however, is limited: a number of companies won't make quotes available online, and it is difficult to determine which factors most directly contribute to higher premiums.

Renting Risk

Baltimore's renters have the misfortune of living in a city with one of the highest eviction rates in the country. In 2000, the city's eviction rate was a stunning 5.81 per every 100 renters, nearly five times as high as New York City (1.26) and more than twice as high as Philadelphia (2.74). Since landlords can file an eviction claim against a tenant each time a rent payment is late, on an annual basis, there are actually more filings with the rent court than there are renters in Baltimore. According to the Sherriff's office, this unhappy trend has continued, with an average of 614 evictions per month in 2006.

As The Abell Foundation detailed in a 2003 report, the city's high eviction rate means great strain and cost not just for renters, but for the court system and the various city agencies, from the sheriff to the Department of Public Works, that are involved in each eviction. Advocates argue that the city's eviction process treats the court as "the collection agency of first resort." It is easier and cheaper to initiate eviction proceedings in Baltimore than in comparable cities—$13 to file in Baltimore City, compared to $50 in New York and $92 in Los Angeles at the time of the Abell report.

Even when eviction is averted, the proceedings can deepen the financial hole a family might find itself in. Baltimore offers a "right of redemption" that allows the renter to stay on the premises if s/he can pay the rent and court costs up until the moment of eviction, and many families ultimately avoid eviction through this contingency. But a family on a limited income with no access to affordable short-term credit will incur other high costs to come up with that money within a short time frame. These costs often snowball to the point where families face an ever-steeper climb to build wealth and economic security.

Utilities

Energy is a major cost for low-income families. The Fuel Fund of

continued from page 4

Average Per-Square-Foot Energy Expenditure, by Poverty Status, USA

		Energy Expenditure per Square Foot
Poverty Status	Less than 100% Poverty	$0.93
	100-150% Poverty	$0.89
	Over 150% Poverty	$0.73

Source: Energy Information Administration, Office of Energy Markets and End Use, Forms EIA-457 A-G of the 2001 Residential Energy Consumption Survey

Maryland, a non-profit that provides assistance for poor households in Baltimore and surrounding communities, estimates that low-income families pay a quarter of their yearly income for energy; for middle class families, the rate is 4 percent. On a per square foot basis, lower-income families pay considerably more for energy than do their wealthier neighbors.

The housing stock in lower-income neighborhoods is generally older and less likely to be winterized and energy-efficient. According to the U.S. Department of Energy, only 20 percent of homes built before 1980 are well insulated. Census data shows that houses in Baltimore's poorest neighborhoods are almost ten times more likely to have been built before 1950 than those in higher income neighborhoods, and nearly eight times less likely to have been built after 1980. While both the city and state participate in the federal Weatherization Assistance Program, resources are meager: for Fiscal Year 2006, Baltimore City's total allocation was less than $1 million, enough to weatherize just 169 units.

Transportation-Related Expenses

Given the limitations of public transit in the Baltimore region, local workers are even more dependent than most Americans on reliable cars. But data indicates that lower-wage individuals tend to pay more for all manner of auto-related costs.

Auto Prices and Auto Loans

Research strongly suggests that low-wage car buyers tend to pay more for the same car than do wealthier buyers. In a 2001 study, economists Fiona Scott Morton, Florian Zettelmeyer and Jorge Silva-Risso concluded that a number of factors correlated with income—including home ownership, education, and race—serve as proxies to create a premium of approximately $500 more for the same car when sold to a lower-wage buyer than a wealthier buyer.

Low-wage individuals are also likely to pay more for a loan to buy their car. National data in the Brookings Institution's 2006 report found a strong inverse linear relationship between household income and interest rates for auto loans. Low-income car buyers pay an average APR of 9.2 percent; high-income buyers pay an average APR of 5.5 percent.

Not only do lower income auto loan purchasers pay on average a higher interest rate, they are far more likely to pay the very highest rates. Brookings found that in 2004, almost 40 percent of households with an annual income below $30,000 had loans with an APR in the top quarter of all rates. This held true for 30 percent of households with income between $30,000 and $60,000, down to just 6 percent of households with annual income over $120,000. In many cases, consumers with the highest rates are borrowing through sub-prime finance companies. A 2002 analysis conducted by the Progressive Policy Institute found that companies specializing in sub-prime loans charge average APRs ranging from 15.49 to 20.41 percent.

Auto Insurance

Low-wage drivers face another set of challenges and expenses relating to car insurance. The insurance industry practice of "territorial rating"—setting premiums based on the statistical likelihood of accidents and claims by residents of a given area—means that Baltimore drivers pay considerably more for car insurance than do other Maryland residents. The poorest Baltimoreans tend to face the highest rates of all—largely regardless of their personal driving histories—because some insurers also use credit scores as a factor in setting rates.

A 2003 Maryland Insurance Administration comparison of premiums offered by the state's ten largest insurance companies found that Baltimore City residents paid up to 60 percent more than those in Baltimore County, and nearly twice as much as drivers in Carroll County. Looking at a sample from the entire metro area, Brookings identified the same trend. While the average quote for someone living in a high-income neighborhood is $520, the average quote for a demographically similar resident of a low-income neighborhood is $944.

In the face of these prices, many city drivers illegally go without insurance and take their chances of getting caught. In a 2005 report, The Abell Foundation found that "nearly one in four drivers in Baltimore is uninsured." The high frequency of uninsured drivers increases rates for those who do have insurance. The state does offer "insurance of last resort" through the Maryland Auto Insurance Fund (MAIF), an independent state agency that provides coverage to eligible Maryland residents who have been turned down by two private insurers—whether because of a poor credit score, bad driving history, age, or lack of experience—or canceled by one. Under current law, MAIF requires applicants to pay the full amount of the premium

continued from page 5

upfront; installment payments are not accepted. MAIF reports that 96 percent of its current policies are paid for with financing from lenders who charge up to 30 percent per year.

Groceries and Food Costs

The cost and quality of what's eaten in low-income neighborhoods should be major issues for any policymaker who is serious about addressing the causes and consequences of poverty. Because full-service, high-quality supermarkets are fewer and father between in poor neighborhoods, residents are far less likely to have easy access to fresh, nutritious food. And because other options aren't present, they often pay more for the unhealthy foods that are available. Shoppers must either settle for more expensive and less nutritious food nearby, or spend time and effort getting to a supermarket farther away.

Baltimore is no exception to this national trend. Low-income neighborhoods have small grocery and convenience stores, while supermarkets are fewer and farther between. In his research at the Johns Hopkins Bloomberg School of Public Health, doctoral candidate Manuel Franco, MD compares food-selling establishments in Baltimore City and County. Surveying 226 food stores in 106 local neighborhoods, he found that in low-income areas, 89 percent were either grocery, convenience, or behind-the-glass stores with a limited range of products (no fresh fruits or vegetables, no skim milk), and just 11 percent were supermarkets. In higher-income neighborhoods, by contrast, 42 percent of the establishments were supermarkets.

Per capita, there are about three times as many supermarkets in the wealthier neighborhoods of the county. The distinction is doubly important because research consistently has shown that larger stores generally charge lower prices and offer a wider variety of products, including healthy options.

Per capita, there are about three times as many supermarkets in the wealthier neighborhoods of the county. The distinction is doubly important because research consistently has shown that larger stores generally charge lower prices and offer a wider variety of products, including healthy options.

In other words, size matters here. The Brookings Institution's 2006 report "From Poverty, Opportunity" found that nationwide, the average grocery store in a low-income neighborhood is less than half the size of the average grocery store in a wealthier neighborhood. Looking at 132 food products sold at over 3,000 grocery stores across the country, Brookings found that two-thirds cost more in smaller stores, including a dozen eggs at an average of 14 cents more and a six-ounce can of tuna at 78 cents more.

While these price differences for specific items might sound small, they can add up fast. A conservative USDA estimate finds that small stores of the type far more common in low-income neighborhoods charge on average 10 percent more than supermarkets. At that rate, if a family pays $500 a month for groceries at a supermarket, the same goods purchased at a convenience store would cost $50 more. Over the course of a year, the family would spend $600 more for the exact same items.

Based on our research and the data collected by Dr. Franco, the higher prices seen nationwide hold true for Baltimore. For example, in two Baltimore area stores—one a grocery store in severely low-income West Baltimore, the other a supermarket in relatively affluent Pikesville—Franco found that a box of cereal cost fully $1.30 more in the poorer neighborhood, and a half-gallon of milk cost $0.81 more. This is fairly typical of a small Baltimore City store—as is the far more limited variety available. Franco's research finds that typical convenience or grocery stores in the city generally will sell a few staples and a variety of junk food, but few healthy options—no fresh fruit or vegetables, and no whole-wheat, low-fat, low-sugar, or low-sodium options. When healthy items are available they are often of lower quality.

One reason supermarkets are less common in lower income communities is the perception that these neighborhoods cannot support large-volume food sellers. But Social Compact, a national coalition of business leaders who advocate for business investment in lower income communities, argues that traditional methods of measuring demand fail to capture the true level of purchasing power in those communities. The group is now advising Baltimore Development Corporation officials to help the city refine its pitch to retailers who might underestimate the purchasing power of inner-city communities.

Health Costs and Consequences

In recent years, public health advocates have documented the higher incidence of obesity and related health problems in communities that lack easy access to nutritious foods. The Food Trust, a nonprofit that advocates for universal access to affordable and nutritious food, explored this relationship among poor neighborhoods in Philadelphia. They found that approximately one in four adults in Philadelphia who reported fair or poor health had trouble obtaining fresh fruits and vegetables in their neighborhoods; this was true of only 9 percent of adults who described their health as excellent or good. In Chicago, researcher Mari Gallagher

continued from page 6

found that residents in "food deserts"—communities where fast food and convenience stores are plentiful, but healthy food options are nearly nonexistent—were much more likely to die early and suffer from diabetes, obesity, and high blood pressure.

Here again, families suffer a cumulative effect: without easy access to less expensive and more nutritious food, consumers pay more and eat worse. Poor diets often lead to serious health consequences, creating a new category of medical expenses and damaging prospects of advancing to a better job. Public officials and advocates need to work with community-based and faith-based organizations to broaden public knowledge of the health consequences of poor diets, and to find better alternatives for those stuck in Baltimore's "food deserts."

Actions to Reduce the Poverty Premium in Baltimore

Making the market work better for low-wage consumers will not be easy, but improvement is possible. Policymakers can take some of the following steps almost immediately, through legislation or executive order; others will require more systemic changes that ultimately help consumers make better informed, more cost-effective decisions.

- **Enforce the state lending laws to limit interest rates on Refund Anticipation Loans, and strengthen the predatory mortgage loan law.** Local consumers often avail themselves of high cost but unnecessary services such as Refund Anticipation Loans (RALs), and unwittingly enter into exploitative mortgages that place them at high risk of foreclosure. Enforcing the state's existing laws and strengthening the predatory lending law to prohibit some of the more egregious practices would provide consumers with much-needed protection.

- **Enact a "Security in the Home" measure to slow down the eviction process for renters and give more tools to homeowners at risk of foreclosure.** To reduce the eviction rate, the Baltimore City Council should require landlords to present delinquent renters a formal "pay or quit" notice advising them of the amount due and final date for payment, before eviction proceedings begin. Measures to address the high incidence of foreclosure should include counseling, refinancing options, an emergency zero-interest loan pool, and redress for those facing foreclosure as a result of exploitative mortgage terms.

- **Make auto insurance universal in Maryland.** Legislators should consider working with private insurers to offer an affordable product—as California has done through its Low-Cost Automobile Insurance Program—and giving Maryland Auto Insurance Fund purchasers a wider range of payment options by changing the current requirement that they pay their premiums upfront.

- **Work with financial institutions to reach out to low-wage customers, and develop banking products that meet the needs of those consumers.** Low-wage Baltimoreans are far less likely to have savings or checking accounts or use other banking products than their wealthier neighbors. Fortunately, models exist for closing this gap, most prominently *Bank on San Francisco*. Political and business leaders should make a similar commitment to reach out to Baltimore's "unbanked," matched by banks offering no- or minimal-balance accounts, reasonably priced short-term loans, and other products that address the most common needs of the low-wage market.

- **Raise the level of financial literacy in Baltimore.** Financial literacy can be incorporated into the secondary school curriculum in Baltimore's public schools, and should be a component of all workforce development and social service programming. Financial institutions, mainstream and not, should also join the effort to link people to local financial literacy resources.

- **Help connect residents of low-income neighborhoods to lower cost, healthier food.** Through the Baltimore Supermarket Initiative, the city already has taken an important step toward increasing access to lower cost, healthier food. The next step should be to work with smaller stores interested in selling produce and fresh products, through technical assistance and small subsidies.

For Baltimore to retain its historical identity as a place where working-class and middle-class families can prosper, city leaders must contend with the poverty premium and take action to restore equity in prices and availability of goods and services. We believe that by taking these steps, Baltimore will be well on its way to doing just that.

About the Report

This full report of "The Market Is Failing Low Wage Baltimoreans" will be released by the Job Opportunities Task Force in Fall 2007. It will be available at www.jotf.org. The mission of JOTF is to develop and advocate policies and programs to increase the skills, job opportunities, and incomes of low-skill, low income workers and job seekers. Andrea Payne was the primary researcher for the report, which was written by David Jason Fischer.

continued on page 8

continued from page 7

Promising Practices for Reducing the Poverty Premium

In researching this report, we identified promising practices in Baltimore and around the country to reduce prices and provide alternatives for low-wage consumers. Among the best models are:

- Bank on San Francisco
- Alternatives Federal Credit Union
- Salary Advance Loan Program
- Foreclosure Assistance: "Every Minute Counts" Hotline & Baltimore HELP
- Neighborhood Housing Services Refinance Loan
- Vehicles for Change
- California Low-Cost Automobile Insurance Program
- Baltimore Supermarket Initiative
- The Food Trust's Healthy Corner Store Initiative

Details on the goals and impact of these programs can be found in the full JOTF report.

"The Market Is Failing Low Wage Baltimoreans" is available on The Abell Foundation's website at www.abell.org or: write to The Abell Foundation, 111 S. Calvert Street, 23rd Floor, Baltimore, MD 21202

ABELL SALUTES

Continued from page 1

to this program, PM and Maryland Historical Trust with a seed grant of $25,000 from The Abell Foundation, created the Historic Communities Investment Fund (HCIF). HCIF provided funding to help communities nominate districts to the National Register of Historic Places. Once these districts are successfully registered, the houses and structures within the districts are eligible for the state tax credits, local property tax relief and in some cases federal historic tax credits—drawing revitalization funding.

The results are dramatic. Real estate values for the Reservoir Hill neighborhood, for example, have nearly doubled since 2002. Over its five-year span from 2000 to 2005, HCIF funded nominations of seventeen historic districts in Baltimore City. Baltimore City now has over 46,000 houses and commercial buildings that are eligible to access the benefits of the Heritage Tax Credit program, in neighborhoods including Reservoir Hill, Patterson Park, and Hampden.

Despite the documented success of historic preservation as a revitalization and economic development tool, historic treasures continue to be threatened. Baltimore, so rich in historic buildings, nearly faced an unprecedented loss: the 1998 West Side Master Plan slated the demolition of 150 historic buildings. The plan threatened not only cherished structures but also local businesses and the community itself. PM partnered with Baltimore Heritage, campaigning successfully to use preservation-based revitalization instead of demolition.

Using a combination consisting of an alternate proposal highlighting the benefits of federal and state tax credits, grass roots advocacy, lobbying, a documentary short, and a National Register for Historic Places nomination, Preservation Maryland successfully challenged the demolition plan. A Memorandum of Understanding between the city and PM identified buildings of historic significance that were required to be preserved and encouraged protection of other buildings affected by the plan.

Directly across the street from the Hippodrome Theater, the neighborhood's crown jewel, is the mixed-use Centerpoint project developed by Bank of America. The redevelopment project boasts 370 apartments and 60,000 square feet of retail space including a locally owned restaurant, Maggie Moore's, and a Starbucks. The majority of the 17 buildings that comprise Centerpoint are historic buildings that were originally slated for demolition under the West Side Master Plan. As a result of preservation-based strategies, historic buildings have new life, the community is growing, and Baltimore serves as a national model.

These Baltimore success stories are the result of partnerships. One of Preservation Maryland's key strengths is its ability to build coalitions which bring a variety of perspectives, needs, and leverage to any given issue. These partnerships were called on this year to help save the state Heritage Tax Credit, which was due to expire in 2008 and to eliminate a legislative cap on commercial tax credit awards to any single jurisdiction. In 2006, this limitation had prevented 30 Baltimore City commercial projects from receiving the remaining $10 million after tax credits were equitably distributed around the state. These lost opportunities for Baltimore also ultimately meant lost revenue for the state. As a result of advocacy from PM and many partners, the Heritage Tax Credit has been extended for two years to 2010 and the cap was eased to allow Baltimore commercial projects to receive up to 75 percent of the tax credits available statewide.

The Abell Foundation salutes Preservation Maryland and its executive director, Tyler Gearhart, for their role in making history a vital part of economic development.