
Vacants to Value: Baltimore's bold blight-elimination effort is making modest progress despite limited renovation funds and questionable accounting.

By Joan Jacobson

Executive Summary

Baltimore's Vacants to Value program, targeting thousands of vacant houses for renovation and transfer to new owners, is the city's most ambitious blight-elimination effort in 40 years. Vacants to Value began in 2010 and utilizes a range of strategies to expedite the sale of city-owned properties, compel private owners to renovate their properties, and, when necessary, place houses in the hands of a court-appointed receiver to sell them to prequalified buyers to make renovations. The program targets vacant buildings in Baltimore's middle-market neighborhoods, but it does not address vacant properties in the city's most distressed communities.

This report, built on a 10-month study, finds that Vacants to Value is a dependable system for identifying and cracking down on owners of derelict houses in scarred neighborhoods with plummeting property values. The program is showing signs of success in rejuvenating neighborhoods that were long neglected, like Oliver, McElderry Park, and Greenmount West. In a city that has lost more than 30 percent of its population over the past 40 years, the program has seen hundreds of properties restored for occupancy. It is making a difference in select city neighborhoods at a time when the housing market is recovering from one of the worst recessions since the Depression. Overall, the city

has reported that 1,585 vacant properties were renovated and that another 1,800 vacant and abandoned properties have been razed or slated for demolition during the program's first four years.

However, this study found that the city has overstated the reach of Vacants to Value and that the program was not the catalyst for the redevelopment of hundreds of buildings included in the city's list of 1,585 properties. In more than 200 cases, owners had no building permits for renovation to prove when or if repairs were actually made, while hundreds more with building permits began years before Vacants to Value started. In addition, nearly 300 houses purported to be part of Vacants to Value's success were purchased by investors on the private market and had no involvement with the program.

The discrepancy is due to broad — and questionable — accounting the city uses to track the progress of vacant properties. While this accounting has the benefit of producing clear data for the city, it has created a false sense of the program's role in triggering the transformation of vacant properties.

Vacants to Value faces many challenges, including the accuracy of its data and outcomes, inadequate financing to propel more conversion of vacant properties, the

thorny process of untangling property ownership, and the lengthy time it takes to renovate the city's long-deteriorated houses. It is also challenged by economic conditions including the city's deficient labor market and diminished population. Its limited geographic scope means many of the city's most distressed communities are left out of this resource-intensive effort. Most tellingly, despite the city's efforts, Baltimore's vacant building stock continued to grow in the program's first four years by more than 500 properties, with city housing inspectors citing 16,636 vacant buildings by the end of 2014.

When compared to Baltimore's historic efforts at reducing the number of vacant buildings and to the efforts of other cities, however, Baltimore's current Vacants to Value program offers promise. Central to that success is the city's receivership strategy, which has proven a particularly valuable — if time-intensive — tool for taking action on privately owned or abandoned properties ([See Receivership Addendum](#)).

The report makes several recommendations for strengthening Vacants to Value, including:

- Expand financing in partnerships with a range of institutions to encourage more home rehabilitations;
- Develop new sources of investment capital from the state of Maryland for blight-elimination efforts in Baltimore;
- Conduct a cost/benefit analysis of Vacants to Value;
- Develop additional support systems for homebuyers interested in purchasing Vacants to Value properties;
- Expand the positive impact of the receivership process;
- Develop a plan to encourage reinvestment and redevelopment in distressed areas outside of the current scope of Vacants to Value;

- Create an independent council to advocate for citywide policy changes relating to vacant buildings and provide independent oversight of Vacants to Value; and
- Improve the program's transparency through accurate and regular updates of online reporting.

This report contains six sections: (1) a description of the Vacants to Value program; (2) an analysis of the program's outcomes; (3) a discussion of its key challenges; (4) an in-depth examination of the receivership process; (5) comparisons with other efforts, both historical and in other cities; and (6) recommendations to improve the program and the city's strategy to mitigate the challenges caused by vacant properties.

Baltimore's Vacants to Value Program

In November 2010, Mayor Stephanie Rawlings-Blake and Housing Commissioner Paul T. Graziano launched Vacants to Value as a multi-pronged assault against the growing number of vacant buildings and their absentee owners. The mayor and housing commissioner set a high bar for their administration when they predicted the new program would “promote rehabilitation of more vacant, boarded buildings (than) any previous blight-elimination program to date” and that Vacants to Value “will trigger the rehabilitation of more than a thousand vacant buildings in the first year of the program.”¹

Vacants to Value, an award-winning program that the mayor promoted at the White House in 2011, was designed to operate in select neighborhoods, rather than across the city. The program uses the city's Housing Market Typology to target public intervention based on neighborhoods that show where there is a market for redevelopment. Specifically, Baltimore Housing, the collaboration of the Housing Authority of Baltimore City and the Baltimore City Department of Housing

A large percentage of Baltimore's low- and middle-income tenants and homeowners continue to pay a high portion of their income for housing costs, yet Vacants to Value does not address the city's affordable housing crisis.⁶

and Community Development, selected 86 neighborhoods (out of 250) that showed a market for selling or renting renovated homes. Baltimore Housing initially targeted about 5,700² vacant buildings in those neighborhoods. Of that total, 363 buildings were city owned. The target number was reduced to 4,400 in 2014, using updated market analysis.³

Another 12,000 vacant properties are not part of Vacants to Value. These are located in Baltimore's most blighted communities, or what the city calls "stressed markets," which have no potential for sale or rent of new housing. Although they are not part of the intensive code enforcement and renovation program of Vacants to Value, the city is in the process of demolishing more than 1,800 buildings in some of the city's most distressed communities.⁴ In Park Heights in Northwest Baltimore, for example, the city is acquiring more than 600 properties for demolition in a 62-acre area.⁵

A large percentage of Baltimore's low- and middle-income tenants and homeowners continue to pay a high portion of their income for housing costs, yet Vacants to Value does not address the city's affordable housing crisis.⁶ Some community leaders say they are concerned that Vacants to Value's priority of blight elimination in areas with a market for middle- or upper-income housing ignores long-term neighborhood development plans calling for affordable housing to prevent gentrification. One activist in East Baltimore wrote to city officials complaining that Vacants to Value's practice of selling city-owned houses to for-profit developers, "does not coincide with creating or maintaining affordable housing for the majority of the ... current residents."⁷

Baltimore Housing's official statement of the core strategies for Vacants to Value is listed below in bold. Explanatory details are provided where possible to show how these strategies are applied.

1. Streamline the Disposition of City-Owned Properties

- **Through reorganization, increased marketing, and improvement of pricing policy, we are making the sale of city-owned properties a clear, predictable, and transparent process.**
- As part of this effort, the city is cutting the amount of time it takes for buyers to take title to city-owned buildings. The city also began scrutinizing prospective buyers to make sure they did not own any derelict city properties and that they had funds available for repairs.⁸

2. Streamline Code Enforcement in Stronger Neighborhoods

- **Through streamlined code enforcement we are forcing scattered vacants in otherwise strong neighborhoods to rehabilitation without ever going to court.**
- The city is stepping up housing code enforcement of occupied houses with violations (fining owners \$250) to augment major block-by-block restoration of communities targeted for renewal.

- Citations of \$900 are issued to owners of vacant properties, with the hope they will either begin repairs; sell the houses; or lose them in court-ordered sales, as part of an aggressive program called 'receivership.'
- The city is focusing redevelopment and code enforcement on Community Development Clusters, which are deteriorating blocks near stronger neighborhoods.

3. Facilitate Investment in Emerging Markets

- **On high-vacancy blocks near areas of strength, we're partnering with committed, capitalized developers on a set of Community Development Clusters.**

4. Target Homebuying Incentives

- **A variety of local, state, and federal programs offer incentives for buying a home in Baltimore City. Through Vacants to Value these incentives are being targeted to encourage the purchase of previously vacant homes.**
- 'Booster' grants (or forgivable loans) were initially provided to select homebuyers (police officers, firefighters, and teachers) to help with settlement costs. After that offer drew little interest,⁹ these grants were offered to homebuyers purchasing either vacant houses or ones renovated by a developer. The amount of the grant was also increased from \$5,000 to \$10,000 to help with down payment and closing costs. Additional incentives were also offered to first-time homebuyers and city employees, and for 'live near your work' grantees. In August 2015, the 'Maryland Grand Slam' program was launched as a city-state program offering \$7,500 grants to homebuyers moving into the city to be used in addition to the Vacants to Value booster grants.¹⁰

5. Support Large-Scale Redevelopment in Projects Already Underway

- **In deeply distressed areas with concentrated abandonment, large-scale redevelopment remains a critical tool. As part of Vacants to Value, the City continues to support large projects.**

6. Demolish and Maintain Severely Distressed Blocks

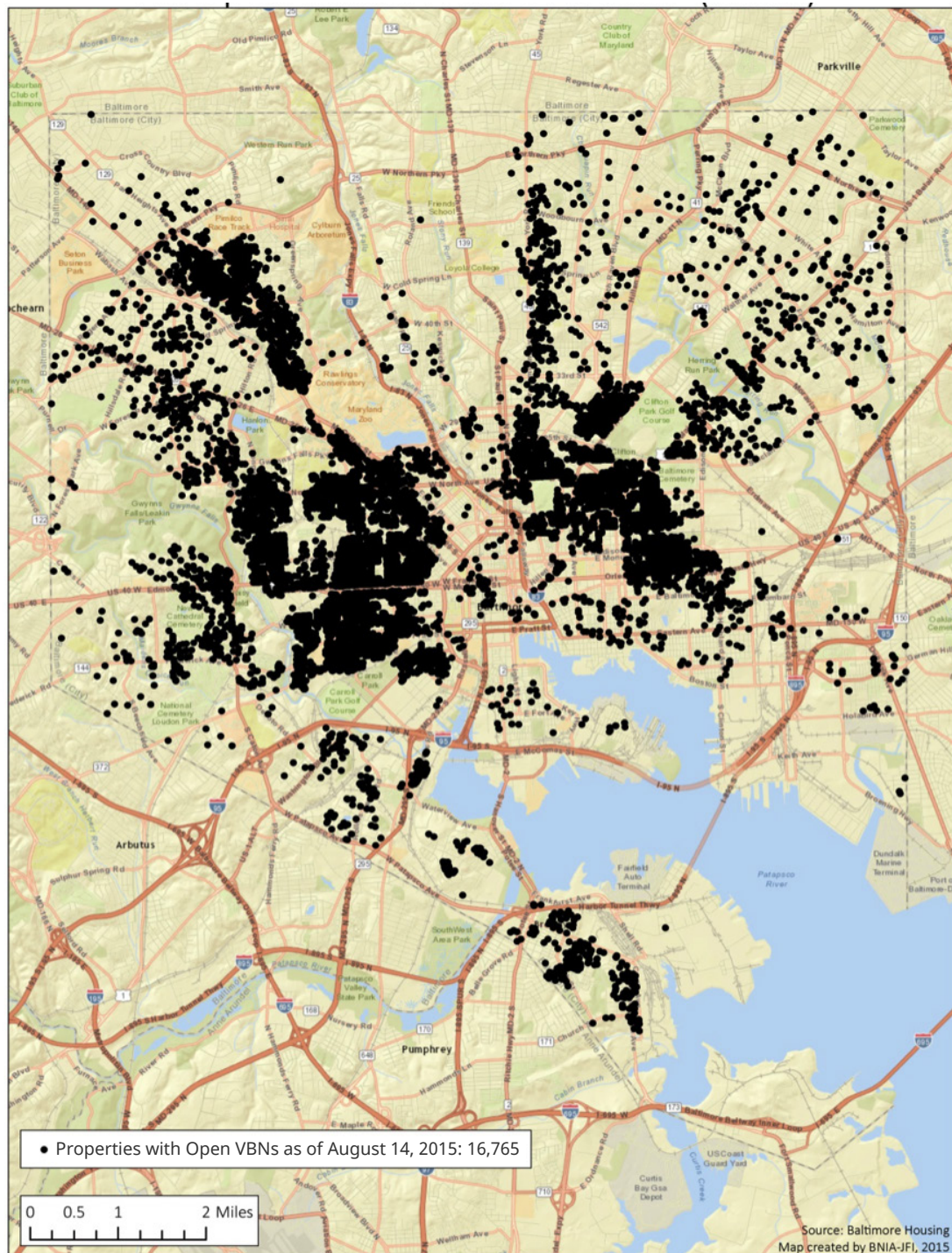
- **Recognizing that not every vacant building can be revitalized, we are also using targeted demolition, land banking, and active promotion of creative nonhousing uses to support long-term housing value.**

7. Provide Concentrated Green, Healthy, and Sustainable Home and Neighborhood Improvements

- **Weatherization, stabilization, and rehabilitation strategies are being implemented to help low-income residents create more energy-efficient, comfortable, and safe living environments.**
- Low- to moderate-income households of both owner-occupied and rental homes are offered energy audits, weatherization repairs, and other energy-efficient updates. This seventh component was added to Vacants to Value in 2013 after the city received \$53 million from the merger of Exelon and Constellation Energy, which allowed the city to partner with nonprofit groups in areas targeted by Vacants to Value.¹¹

Although unmentioned in the city's official description of Vacants to Value, receivership is a key component to its efforts and is employed on a large scale to get privately-owned properties renovated. The city began an assembly line of lawsuits against owners of hundreds of vacant properties (legally considered a public nuisance), asking District Court judges to assign the houses to a receiver, a nonprofit called One House At

All Open Vacant Building Notices (VBNs)



A Time, which in turn began auctioning them to prequalified buyers for rehabilitation. City lawyers also use the law to pressure original owners to repair their houses to avoid losing them.

Defining a “vacant” building

There are varying definitions of a vacant building, resulting in significantly different totals of vacant properties in the city, depending on who you ask. According to Baltimore Housing, the city’s metric is defined by the number of vacant building notices issued by the city’s Housing Code Enforcement division. “Prior to the issuance of a notice, each building is inspected, photographed, and documented, and a determination is made that the building is in violation of Section 116 of the city’s Building, Fire, and Related Codes.”¹² These violations can include damage such as broken windows, open doors, or holes in the roof. Notably, the city does not count other unoccupied houses that may have been missed by inspectors or that are unoccupied but do not have obvious indications of decay. As of December 2014, 16,636 properties in Baltimore had vacant building notices.¹³

The city’s method of counting vacant buildings is essential to this analysis because it provides the baseline for the city’s broad measurement of the progress of Vacants to Value: the abatement of a vacant building notice and the issuance of a use and occupancy permit.

Some analysts and housing activists use broader methods to count vacant properties, which result in higher numbers than those used by the city. The U.S. Census, for example, counts a dwelling as vacant if no mail has been delivered for 90 days, a measure that can include new units that have yet to be rented or sold, as well as ones not cited by housing inspectors; it also counts each unit in an apartment building. Using this measure, the U.S. Census identified 46,782 vacant dwelling units in Baltimore in 2010. The Baltimore Neighborhood Indicators Alliance, a division of the Jacob France Institute at the University

of Baltimore, estimates there are 31,370 vacant properties today, using both census and city data.¹⁴

Some advocates are concerned that Baltimore Housing’s metric undercounts the number of vacant properties and thus understates the city’s vacancy problem. To demonstrate this challenge, a group promoting affordable housing, called Housing Our Neighbors (HON), conducted a survey in 2014 of unoccupied houses in several East Baltimore communities including McElderry Park and Middle East. Volunteers visited each block, talked with neighbors, and used a checklist to determine if a house was vacant. Out of 381 vacant buildings surveyed, the group found that 159 did not have city-issued Vacant Building Notices.¹⁵

In January 2015, the Baltimore City Council expanded the definition of a ‘vacant structure’ in its building code to include ‘nuisance’ properties, those that are derelict and unoccupied, but don’t yet have broken windows and open doors. The new law, which took effect in early 2015, will allow the city more legal leverage in pursuing owners of the nuisance properties.¹⁶

Why do properties become vacant?

Baltimore is a city built for one million people but is now only occupied by approximately 620,000. In the four decades since Baltimore began its war on vacant houses, the city lost 31 percent¹⁷ of its population (or 284,826 residents) due to massive suburban flight and to staggering losses of manufacturing jobs — with 30,000 people alone losing work at the now shuttered General Motors and Bethlehem Steel plants.¹⁸ Although pockets of stability and even affluence are scattered across the city, the loss of population and blue collar jobs devastated the city’s working class neighborhoods. Like older industrial cities across the United States, Baltimore is now grappling with how to right size itself given its aging housing stock and diminished population.

How the properties were analyzed

Baltimore Housing provided data for this study covering November 2010 to November 2014. This data set is not publicly available on the Vacants to Value website. The addresses provided were then examined against publicly available state property records to determine if the properties were investor owned, owner occupied, or previously city owned. A search of city building permits was conducted for each property to determine when — or if — it received building permits and whether the permits were for major renovations. Each property was assigned to the neighborhood where it is located to geographically evaluate where Vacants to Value has been successful.

To gauge the accomplishments of the city's receivership program, the author also analyzed data

the city provided showing properties that were repaired by their original owners after they were sued under the receivership law (but before the houses were sold at auction), as well as houses that were renovated by new owners after being sold at receivership auctions. In order to evaluate the success of the city's housing code enforcement initiative against owners of vacant buildings, the author matched addresses from a city database of \$900 citations sent to owners with addresses of properties that were renovated. The evaluation was augmented by Geographic Information System analysis from the Baltimore Neighborhood Indicators Alliance, which merged data sets and created maps and graphs for this study.

Within this broad economic and historical circumstance, there are specific causes of each property's abandonment. Some houses go unoccupied when landlords lose tenants and fail to re-rent them if other houses on the block have deteriorated, making the neighborhood undesirable. Elderly homeowners die, leaving behind vacant houses without passing their homes to relatives: The titles are clouded because they remain in the name of the deceased. Some houses are left vacant because the owners cannot — or will not — invest the money necessary to rehabilitate and properly maintain them. Mortgage companies and banks fail to maintain the property after evicting homeowners for failing to make payments. If the mortgage holders do not record a new deed or do not resell the homes to a responsible buyer, they often remain unmaintained and in limbo. These so-called "zombie properties" remain vacant because the ownership is clouded, making sale or transfer of the property more difficult. Baltimore City had 729 zombie properties in 2014 and 596 in 2015.¹⁹

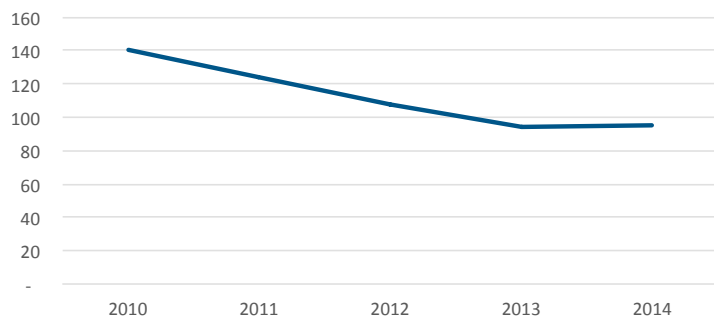
It is also likely that the city's own policies — and the state's laws governing the city's tax sale — lead to long-term abandonment of houses without legal owners, stymying attempts to easily reclaim them. Each May, Baltimore City conducts an auction of liens on properties whose owners failed to pay property taxes, water bills, and other city fees. The sale includes liens on thousands of properties each year that are occupied by

homeowners and tenants. Many owners cannot afford the steep fees charged to keep their homes, so they lose their properties. The tax sale purchasers, however, often fail to record deeds, leaving property ownership in limbo. With no new owner of record, the houses can sit vacant while the city often sends new tax bills and housing code violation notices to the former owners who are long gone.

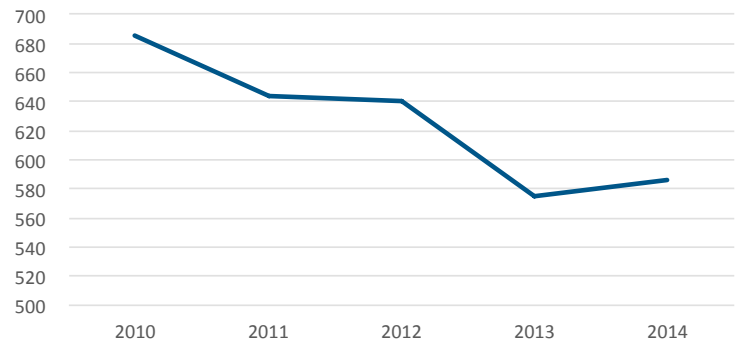
Evaluating the Outcomes of Vacants to Value

The city's initial prediction that the program would trigger the renovation of 1,000 houses in the first year was overly ambitious as the city was suffering from the recession, with more than 4,400 home foreclosures and average sales prices dropping by \$30,000 in 2010.²⁰ Setbacks of Project SCOPE, the city's program preceding Vacants to Value, should have been a signal that the new strategy could not live up to city leaders' expectations. In SCOPE's last year, 2010, it sold only two houses. That was the same year Vacants to Value began.²¹ Six months into the new program, with agreements to sell only 24 city-owned houses, it was clear the program would not meet its first-year goal.²² A year later, in May 2012, the city reported there were 728 properties in the process of being renovated, definite progress but still short of the goal.²³ By 2015, the city reported that 1,585 properties had been completed and occupied in the program's first four years.²⁴

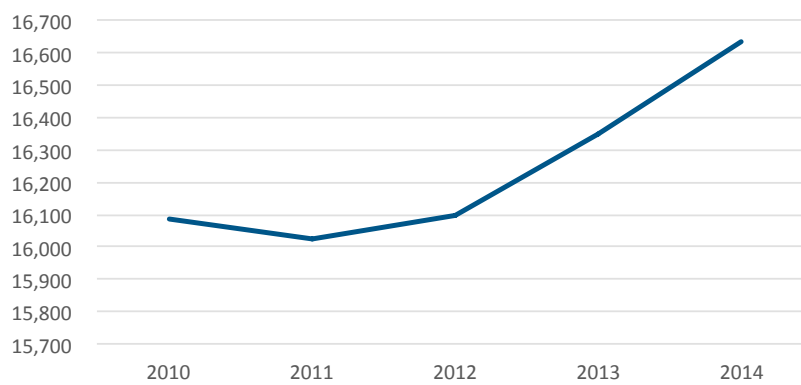
**Greenmount West Vacant Building Notices
2010-2014**



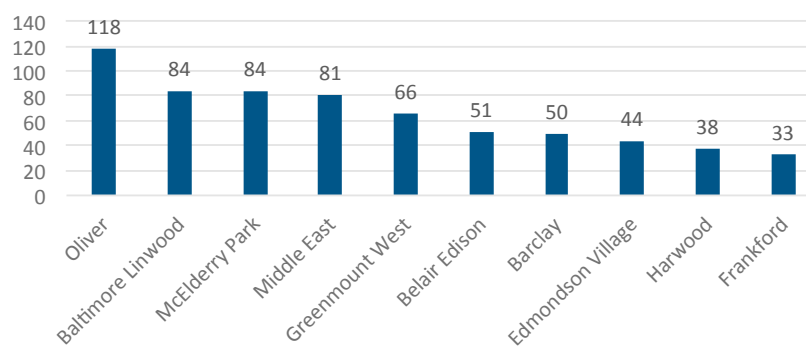
**Oliver Vacant Building Notices
2010-2014**



**Citywide Vacant Building Notices
2010-2014**



Top Ten Neighborhoods of All Completed Properties



²⁵ Data for charts and graphs from Baltimore Housing and the Baltimore Neighborhood Indicators Alliance

This analysis concludes that despite a number of notable problems, Vacants to Value has made an important difference during a difficult recovery in the housing market. The program successfully produced hundreds of newly renovated homes and transformed many city blocks. However, the study also found that the city overstated the reach of Vacants to Value. The program was not the catalyst for the redevelopment of hundreds of properties included in the city's list of completed properties. This conclusion is based on findings that more than 200 properties had no building permits for renovation to prove when or if repairs were actually made, while hundreds more with building permits began years before Vacants to Value started. In addition, nearly 300 houses purported to be part of Vacants to Value's success were purchased by investors on the private market and had no involvement with the program. A later section in this report details how this accounting discrepancy developed.

Transforming communities: A targeted geographic approach

The Vacants to Value program targeted properties in communities that had some nascent development demand, based on market analysis performed in cooperation with The Reinvestment Fund, a Philadelphia-based nonprofit developer and lender. The count of vacant houses has consequently dropped in some of these communities. Of the 1,585 properties Baltimore Housing reported as being renovated with occupancy permits, 629 are located in the targeted Community Development Clusters (declining blocks near stronger communities), while 848 are located in Streamlined Code Enforcement areas, stronger communities with more occupied houses than vacants. (See the chart on page 8 for the top 10 neighborhoods with Vacants to Value houses in both Streamlined Code Enforcement areas and Community Development Clusters.)

These targeted efforts are making a vital difference in many of these communities. Oliver in East Baltimore, for example, has seen 118 homes renovated as part of the Vacants to

Value program, transforming entire blocks and causing the number of vacant houses to plummet. Other targeted neighborhoods, including Greenmount West, McElderry Park, and Baltimore Linwood, also show a significant number of completed Vacants to Value properties, and private developers have recently followed the city's lead and begun housing renovations.

Citywide, however, the number of vacant houses with city-issued vacant building notices continues to increase, a troubling sign that Baltimore faces a growing rate of abandonment that the city government needs to address.

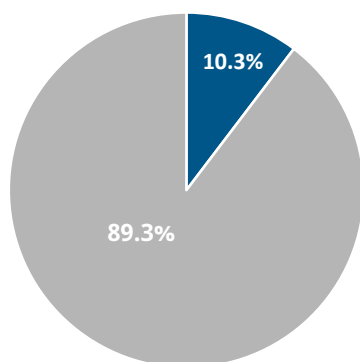
Assessing city sales, receivership, and citations

The Vacants to Value program spurred development in select neighborhoods using a mixture of the seven strategies outlined on page 3. Two of the program's most prominent strategies, selling city-owned houses and receivership auctions of privately owned houses, accounted for 612 of the houses, more than one-third of the total that Baltimore Housing said were rehabilitated through Vacants to Value.

The sale of city-owned houses in a streamlined system that awards properties within a few months after public advertising to prequalified buyers is a vast improvement over previous, haphazard, and time-consuming attempts by the city to sell its vacant buildings. The study's evaluation found that 164 completed properties were previously city-owned.

The evaluation also found that auctioning court-ordered private properties by a receiver to prequalified buyers is an excellent method for reclaiming vacant properties. The study found that 137 completed properties were sold after auction. The study also found that the city's act of filing suit was enough to provoke some absentee owners to make repairs before houses were assigned to a receiver. The legal action alone provoked 311 original owners

Previous Ownership of Vacants to Value Properties



Total: 1585 Properties

to complete repairs and obtain occupancy permits. The 448 properties renovated through the receivership process illustrate the power and potential of this particular strategy. It is discussed in greater detail below.

Vacants to Value's use of the city's housing code enforcement laws to spur owners to renovate vacant houses has also been modestly successful. The city authorized the \$900 citation in 2009 (prior to Vacants to Value) as a new tool to prod owners of vacant buildings to make repairs. Of the 1,113 properties that received \$900 citations, 278 (or 25 percent) later received occupancy permits.²⁶ Those same 278 properties amount to 17 percent of the 1,585 properties that were completed, as reported by Baltimore Housing. It should also be noted that many properties renovated after receivership litigation began with \$900 citations, resulting in some overlap between the two strategies.²⁷

Who owns the renovated properties?

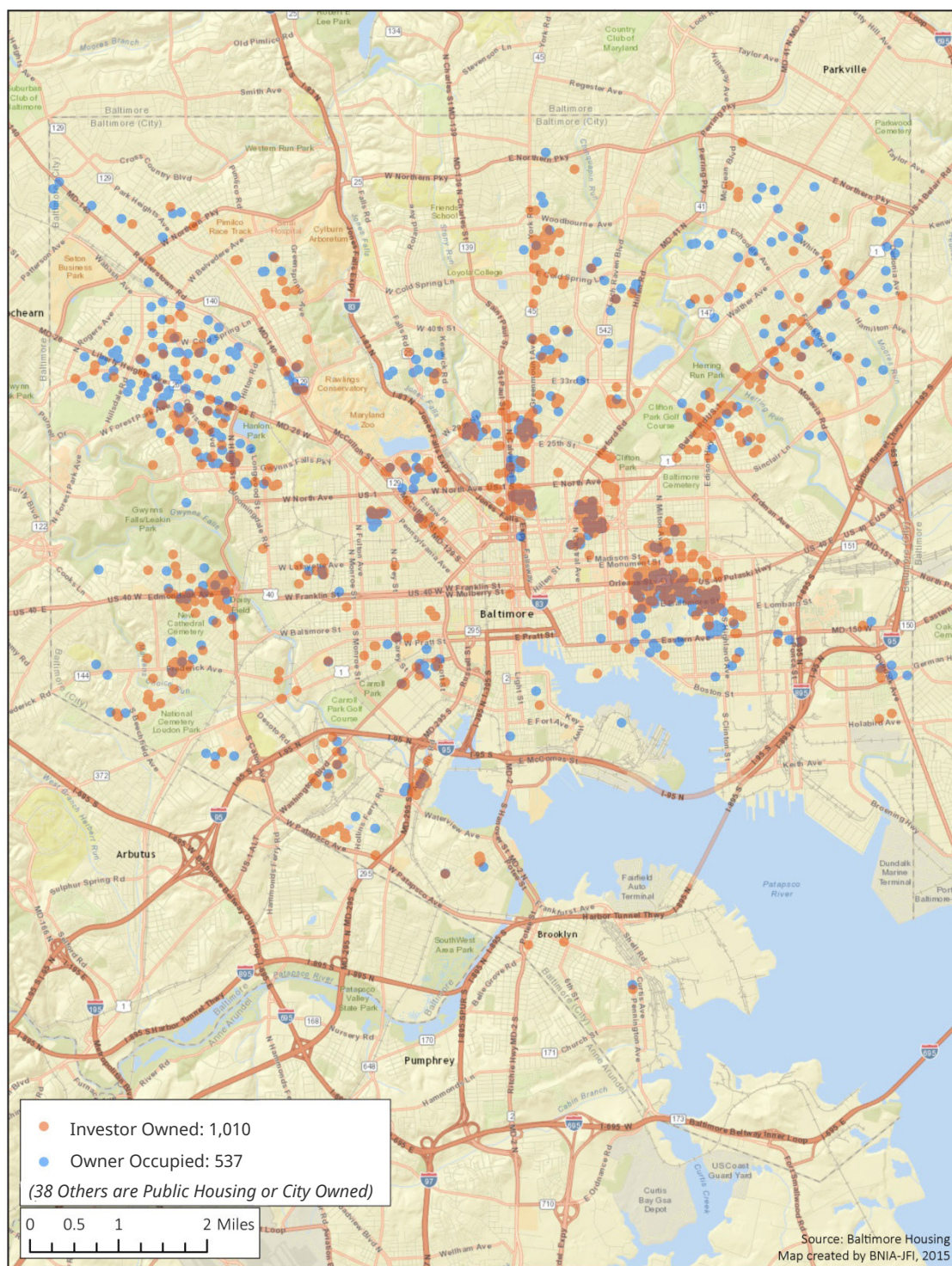
City officials have said the Vacants to Value program is first and foremost a blight-elimination program, and properties are only eligible if they have had a vacant building notice for at least a year.²⁸ Whether the houses are renovated for rental or homeownership is not a priority. Nevertheless, the program's efforts to support homeownership imply a focus on owner-occupied homes. For example, the city dedicated public funds that helped 479 homebuyers with \$10,000 grants and promoted live-near-your-work homeownership programs. But nearly twice

as many houses on the city's list of completed homes (1,011 or 64 percent) are investor owned as are owner occupied (537 or 34 percent). These statistics are consistent with a citywide trend showing large numbers of investor-owned purchases in recent years.²⁹

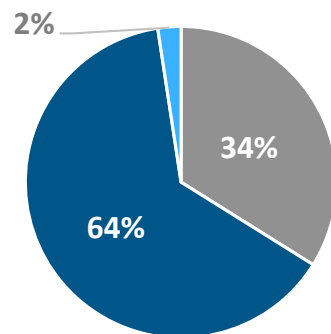
While generally considered a program to renovate single-family homes, the city's list includes other buildings not usually associated with Vacants to Value: 11 apartment buildings (with a total of 226 apartments) and 22 nonresidential properties, including auto repair shops, hair salons, and warehouses. The study found that rehabilitation of the majority of these properties was not triggered by Vacants to Value.³⁰ Many of the investor-owned properties — scattered throughout the city — were purchased after foreclosure from banks and mortgage companies. Most owners have mailing addresses in Maryland, but many have tax bills sent to addresses in New York, California, Colorado, West Virginia, Texas, Iowa, Pennsylvania, and a military base in Germany.³¹

The remaining 37 (or 2 percent) are neither investor owned nor owner occupied. They include 33 houses owned by the Housing Authority of Baltimore City and used as public housing, and other buildings not typical of Vacants to Value properties, including a city-owned building occupied by the Station North Arts and Entertainment District. The list also includes The Baltimore Design School in Greenmount West (formerly known as the Lebow Building), which was the city's first successful commercial receivership case. The receivership case for that building was filed

Completed Properties that are Owner Occupied or Investor Owned



Owner-Occupied and Investor-Owned Properties ³²



Total: 1585 Properties



in 2008, two years prior to Vacants to Value, but renovation and occupancy took place during Vacants to Value. It not only saved an historic building from being demolished, but it provided a home for a state-of-the-art public school in a rejuvenating neighborhood.

Clearing records, claiming success, and questioning outcomes

Despite these many examples of the program's success, the study found hundreds of properties included on the list of 1,585 completed Vacants to Value properties that had little or no connection to the strategies employed by the program. These include: 416 properties with building permits for renovations that predated the program (more than 100 have permits dating to 2007, three years before the program began); 263 properties with no building permits for renovations³³; and 291 investor-owned properties that had not been cited with \$900 violations notices, were not purchased from the city, and were not involved in the receivership litigation.

In response to these findings, Housing Commissioner Graziano presented a method for the program's accounting: Tallying all properties that received occupancy permits after vacant building notices were canceled, marking them as successful outcomes. Graziano explained the decision to include those properties that commenced renovation prior to Vacants to Value as "reasonable" because "without continued pressure from

housing officials, some number most surely would not have [moved down the path to occupancy]." He explained that the other two groups of properties were included because they had all been cited with vacant building notices and:

"in many cases, the violator would have been contacted by code enforcement and advised to correct the violation. Further, some owners were contacted by code enforcement attorneys, and advised that a receivership case would be filed if the violation were not corrected. Many of these owners obtained their use and occupancy [permit] after threat of a \$900 citation or receivership, but prior to issuance or filing. We think including these rehabs speaks to the success of our program."³⁴

Although Baltimore Housing's metric has the benefit of producing clear data and highlights the positive effects of more rigorous code enforcement, it also creates a false sense of the program's role in catalyzing the transformation of vacant properties. For an illustration of this challenge, consider the experiences of two Baltimore development and rental companies, Skyline Properties and Dominion Properties. Both had houses on the Vacants to Value list despite the fact that many were not actually vacant and had not participated in the program. The office administrator of Skyline Properties, an East Baltimore landlord, said most of her company's 22 properties on the list may have been unoccupied only briefly between tenants.

(Records show all but two had Vacant Building Notices after Vacants to Value began.³⁵) Only one property was cited with a Vacants to Value \$900 citation.³⁶ Skyline obtained few permits (or none in the case of 11 properties) because the houses only needed cosmetic repairs, such as paint or flooring, which do not require permits. Of the 11 properties with no building permits, eight nevertheless obtained occupancy permits and three have no occupancy permits on the city's permit database.

Dominion Properties has 28 properties on the city's list of successfully completed Vacants to Value properties, but most of them did not have repairs triggered by the program. Eight of them were purchased through the receivership program,³⁷ and, according to a Dominion representative, a few sales to homebuyers utilized the Vacants to Value booster grants. The remaining majority, he said, were not involved in the program. A review found only three of the properties were cited with Vacants to Value's \$900 citations. Nevertheless, the Dominion representative said he has received many \$900 citations on other properties in recent years that were only vacant on paper. (Records show all but four had Vacant Building Notices after Vacants to Value began.³⁸) For many years, he said, his company did not bother to obtain occupancy permits after renovations were complete because the city wasn't enforcing the regulation. That changed shortly before Vacants to Value was announced, he said, when the housing code enforcement office began to crack down by issuing \$900 citations to owners with vacant building notices. The Dominion representative said he remembers obtaining 20 to 30 occupancy permits at one time — for houses that had been renovated years before — to avoid more citations.³⁹

Program Challenges

Lack of consistency on data collection and reporting

Baltimore Housing provided the author with the database of renovated houses, though it

is not publicly available on the Vacants to Value website, making public accountability (and internal city analysis) difficult. The city, however, does post a second list on its website (though hard to locate), of only city-owned properties purportedly sold as part of Vacants to Value (http://static.baltimorehousing.org/pdf/vtov_settlements.pdf). The analysis found many inconsistencies between the two lists, only compounding the program's deficiencies in accountability and transparency.

For example, the "Settlement Data" contain addresses for 231 East Baltimore houses that were purchased by the city under eminent domain as part of a redevelopment plan for East Baltimore Development Inc. (EBDI). The plan predates Vacants to Value by eight years.⁴⁰ The houses, on seven acres in the Middle East Community, were demolished by EBDI for the new Henderson-Hopkins School, which opened in 2012. Those same addresses, however, do not appear on the other lists provided to the author of buildings that were demolished or were slated for demolition under Vacants to Value. Other examples of properties on the "Settlement Data" list, but not on the list given to the author, include: four properties sold by the city to EBDI (two on the 1000 block of N. Washington Street and two on the 1700 block of East Chase Street) that were renovated and occupied in 2011 or 2012.⁴¹

Two other properties listed on the settlement data file (but not the file sent to the author) are on the 1000 block of N. Broadway; they were sold in August 2010 and renovated under Project SCOPE, the city's program that predated Vacants to Value.⁴²

The evaluation also found five examples of properties that should have been on the city's list of completed houses in the program's first four years, but were not. They were renovated and granted occupancy permits in early 2014. The properties were an integral part of Vacants to Value, as the owners received some of the few coveted construction loans available through the program.⁴³

The limited availability of financing has made it extremely difficult for an individual or a family to buy even one house to renovate and occupy.

Lack of financing

The limited availability of loans to finance extensive rehabilitation costs is a major impediment to the program's success. As a result of the recession and overall decline in property values, lending institutions are granting fewer mortgages and even fewer construction loans. By 2015, people trying to renovate houses through Vacants to Value — whether for-profit or not — continued to face roadblocks to construction financing.

The city has been largely unwilling to assist program participants with financing. When the Vacants to Value program began, the city announced a \$1 million revolving loan fund to help developers renovate homes. The city turned over the fund to the nonprofit Baltimore Community Lending (BCL) to administer.⁴⁴ The total of \$1 million didn't stretch very far, given the high cost of renovating a dilapidated Baltimore home. (Once the loans are repaid, however, they will go into a revolving fund.) After setting aside \$175,000 to insure against unpaid loans, BCL used the remainder to finance the renovation of just 11 homes, with loans ranging from \$60,000 to \$120,000. BCL used additional, noncity funds to finance another nine houses, using a rigorous vetting system to ensure owners used qualified contractors and that the costs of buying and renovating a house did not exceed its value.⁴⁵

In August 2014, Baltimore Housing, acknowledging the need for more robust financing opportunities, advertised a new job for an Operations Officer in Capital Development. The employee's duties would

include working to "persuade financial institutions and other funders to increase the flow of capital for housing rehabilitation to Baltimore City." A year later, the job had yet to be filled.⁴⁶

Challenges facing individual owner-occupants

The limited availability of financing has made it extremely difficult for an individual or a family to buy even one house to renovate and occupy. Additionally, the city has no support system to help individual homebuyers navigate the permit and construction process, or help them choose contractors. Unlike the Urban Homesteading program of the 1970s, when city officials led hundreds of homesteaders by the hand and oversaw low-interest government construction loans, Vacants to Value has only a handful of people renovating their own houses today.

Live Baltimore, the nonprofit marketing firm and promoter of city living, is a Vacants to Value partner with the city. In the program's first year, Live Baltimore included vacant houses in homebuyer tours (handing out rose-colored glasses to participants), but found no takers. After 2011, Live Baltimore changed its marketing approach to show only houses already renovated by developers.⁴⁷

Baltimore Housing also holds Vacants to Value seminars for prospective homebuyers, drawing 60 people to one event in February 2015. A housing official told the crowd there was a "wonderful inventory of vacants" to buy, though she acknowledged the program has no loans available for repairs and that

rehabilitating a vacant house “is not for the faint of heart.”

One of Vacants to Value’s rare do-it-yourself homebuyers, Shea Frederick, is renovating a three-story rowhouse in Greenmount West he purchased from the city, where several other developers and individuals are restoring vacant homes. The city required him to have a minimum of \$80,000 up front, not including the \$9,000 cost of the house. He used his savings and a home equity line of credit on his residence in Hampden. Another couple renovating a house in Reservoir Hill said they were only able to complete it with a construction loan from Healthy Neighborhoods, a local nonprofit organization, after realizing no traditional bank loans were available.

Challenges facing for-profit and nonprofit developers

Some small developers — those renovating a handful of house — said they would have repaired more homes if they could only obtain financing. In Park Heights, a Northwest Baltimore neighborhood with some of the city’s highest vacant house rates, the nonprofit New Park Heights Community Development Corporation didn’t complete its first Vacants to Value house until four years after the program began. The group eventually partnered with two men: a building contractor and a wealthy financier who put up the construction funds.⁴⁸ In Greenmount West, two partners from the suburbs, hoping to renovate houses to aid in the city’s renewal, were turned away from 10 banks before they used one partner’s private capital and federal tax credits to restore seven houses they bought from the city and turned into rental properties. They had hoped to do more.⁴⁹ At West Baltimore’s Druid Heights Community Development Corporation (which has renovated 200 houses in the last 20 years), construction money has dried up and the group is looking to out-of-town nonprofit investors for funding.⁵⁰

One veteran East Baltimore nonprofit group, Historic East Baltimore Community Action Coalition (HEBCAC), is determined to rescue the Milton-Montford community, a largely vacant neighborhood northeast of Johns Hopkins

Hospital. HEBCAC has delayed renovating 40 properties for homeownership due to a lack of financing. The group has purchased the houses from the city (for up to \$8,000 each) and for as little as \$3,000 through the receivership process. The group has arranged for state funds to remove lead paint. It is taking advantage of historic tax credits, a \$400,000 line of credit from a bank that is guaranteed by the Abell Foundation, and an \$800,000 loan from The Reinvestment Fund. HEBCAC has also been awarded several hundred thousand dollars from a variety of state funding sources to provide improvements to the occupied units. One model house was completed in early 2015 and 13 units have been sold, including a unit sold on Patterson Park Avenue for \$240,000. HEBCAC expects all of the units will be completed and sold by the end of 2017.⁵¹

One of the few large pots of government funds available in recent years to nonprofit developers came from \$26 million in federal stimulus funds granted in 2010 to the nonprofit Healthy Neighborhoods. The city counts some of the houses rehabilitated with those funds as part of Vacants to Value, including 35 houses in the Barclay community, where the Telesis Corporation spent \$4.3 million in stimulus funds for construction, augmented with other money and tax credits.⁵² Without the stimulus funds, the ambitious reclamation of the Barclay community would not be as effective.

Large Scale Developer Success

By far, the most successful developer of Vacants to Value houses is The Reinvestment Fund Development Partners (TRF), a Philadelphia-based national nonprofit developer and lender. TRF came to Baltimore two years before Vacants to Value began after being contacted by a local nonprofit.

Choosing to renovate a major portion of the Oliver neighborhood is “a huge financing issue,” said Sean Closkey, TRF’s president. “Where are you going to get the type of cash to own several hundred houses? You create a dedicated fund.” That fund, totaling almost

Blight eradication: The story of two blocks

No two city blocks better illustrate the blight-eradication goals of Vacants to Value than the 200 block of North Madeira Street in East Baltimore and the 2700 block of Tivoly Avenue in the Northeast community of Coldstream-Homestead-Montebello. By the summer of 2015, the once-abandoned alley block of Madeira Street was home to nine owners of upscale houses, while the 98 buildings on the derelict Tivoly Avenue were gone: razed in a joint effort by the city government and long-suffering residents who hope to replace the dangerous and dilapidated block with new development to rejuvenate the community.

Reclaiming Tivoly Avenue

The long, winding 2700 block of Tivoly Avenue near Clifton Park started to decay after 1990, when out-of-town investors began purchasing houses.⁵⁶ Crime spiked and its many vacant houses were used to stash drugs and guns.⁵⁷ The first 10 houses were demolished in January 2008. The housing department eventually stepped up funding to purchase the entire block, using its legal condemnation powers that require the government to pay homeowners, landlords, and owners of vacant houses full market value. The city also gave homeowners enough money to purchase new homes and gave tenants several months' rent or section 8 vouchers.

The final cost of the Tivoly project was staggering. In 2008, city housing officials estimated it would cost \$3.8 million to complete the project.⁵⁸ By the time the last house came down in June 2015, the total cost for demolishing the 98 houses was \$6.25 million.⁵⁹

The demolition of Tivoly Avenue is part of an effort to raze 1,800 buildings, using numerous funding sources, including \$9.25 million from the settlement of litigation against mortgage service companies accused of abusive lending practices.⁶⁰ But rowhouses are expensive to demolish: \$13,000 each. The cost increases when the city razes part of a block, leaving remaining rowhouses that must be fortified with a \$14,000 wall of concrete blocks.⁶¹

Now that demolition is complete, the block's future is in the hands of the city and community residents.

Mark Washington, the long-time executive director of CHUM (Coldstream-Homestead-Montebello Community Corporation), said he hopes for mixed-use housing and maybe an urban farm. For years, however, his main concern was getting the block demolished.

Once the block was finally down he called it a "happy problem." From there, he said, "we dare to dream."

Madeira Street transformation

When Diana Gaines first saw the 200 block of North Madeira Street, it looked almost as bad as Tivoly Avenue. Gaines was a suburbanite who knew little of the inner city, but she embraced the challenge of converting roofless vacant houses into upscale homes. Gaines and her company, Tu Casa Development Group, purchased six houses from the city in 2011 and through receivership auctions. Like many Vacants to Value developers, she could not obtain traditional construction loans. After she was turned away by more than six banks, she used money belonging to her and her husband, a financial investor.

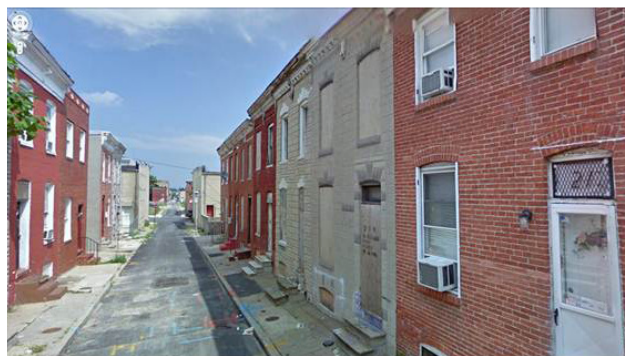
Her experience purchasing her first six houses went well, buying houses directly from the city for \$2,000 each. The city's new streamlined process for selling its properties took six months, she said. Because the other houses on the block were privately owned, she had to go to receivership auctions.

"The first one I bought for \$5,000, the second for \$7,500, then I got outbid on a couple that went for \$12,000, \$15,000 each," she said. Gaines believed her construction activity on Madeira Street had caught the attention of other bidders, who drove up the prices at auction.

She nevertheless sold all the finished houses for under \$200,000, using the city's \$10,000 booster grant as a key selling point, as well as the CHAP historic tax credit, which will keep property taxes at the level of a vacant house for 10 years.⁶²

A before and after of
the 200 block of North
Madeira Street

Photo credit:
Diana Gaines



\$10 million, was collected from 40 different investors, including such diverse donors as the Annie E. Casey Foundation, Jewish Funds for Justice, B.U.I.L.D., M&T Bank, T. Rowe Price Foundation, Rosedale Federal Savings Bank, the Rouse Company Foundation, the Archdiocese of Baltimore, the Joseph Meyerhoff Fund, and the College of Notre Dame.⁵³ TRF also obtained \$1.6 million in federal stimulus funds to help restore 38 of the properties.⁵⁴

TRF initially planned to rehabilitate and sell the majority of houses to homeowners. But the economic downturn made it difficult to sell to owner-occupants, so TRF switched to creating rental properties. As of early 2015, TRF had completed more than 230 housing units and had another 100 in its pipeline.⁵⁵ (The city's list of Vacants to Value's rehabilitated properties includes 114 buildings renovated by TRF by November 2014.) It has also been working in other East Baltimore communities, including Greenmount West and the entire 1700 block of Preston Street.

Baltimore's Use of Receivership

The city's use of receivership has become essential to the success of Vacants to Value. Before the program began in 2010, the city never filed more than 100 receivership cases a year.⁶³ By the fourth year into the program, Baltimore Housing was using the receivership program as "an assembly line," according to the program's director, Deputy Housing Commissioner Michael Braverman. By the end of 2014, the city filed 1,876

lawsuits against private property owners.⁶⁴ By 2015, the city was taking 60 to 90 receivership cases to court each week.⁶⁵ Braverman said the city was coordinating receivership cases with other development on a street, with a goal of "a whole block outcome."

History

Baltimore's receivership law is intended to eliminate a public nuisance in the form of a vacant, decaying building that encroaches on the rights of neighbors. Receivership became law in 1991 after the city council added it to the building code at the behest of Anne Blumenberg, founder of Baltimore's Community Law Center, a nonprofit law firm that advocates for neighborhoods.⁶⁶

Receivership is unlike eminent domain, or condemnation, when the city takes ownership of a property needed for a public project and compensates the owner at fair market value. In a receivership case, the city does not take title to a property and does not compensate the owner. Instead, the city files lawsuits against owners of hundreds of vacant properties (legally considered a public nuisance), asking District Court judges to assign the houses to a receiver, a nonprofit called One House At A Time, which in turn auctions them to prequalified buyers for rehabilitation. City lawyers also use the law to pressure original owners to repair their houses to avoid losing them.

The receivership law was first used in the

1990s by the Community Law Center and a sister organization, Save A Neighborhood, as a tool to help neighborhoods take action against abandoned, privately-owned houses, particularly in Sandtown-Winchester in West Baltimore and Patterson Park in East Baltimore.⁶⁷ In the early days it was difficult to get judges to understand that the new law was not an unconstitutional confiscation of private property, but a legal means to eliminate a public nuisance.⁶⁸

After more than a decade, the city decided that the community associations would no longer be allowed as plaintiffs and that Baltimore Housing would handle all receivership actions using the nonprofit One House At a Time as the receiver. "This is not a criticism of Community Law Center," said Housing Commissioner Graziano, "but a decision to move to a larger scale."⁶⁹ There are now 12 attorneys at Baltimore Housing focused on receivership cases.⁷⁰

Receivership outcomes

After more than four years, the receivership program appears to be a good solution to the thorny challenge of getting vacant houses repaired without the city first taking ownership. However, its full impact likely won't be known for years due to the lengthy time it takes to gain control of a property and have it fully repaired and occupied. It takes one to three years from the time the city sues an owner to the time a house is renovated and occupied. By the city's own account it takes on average 450 days.⁷¹

While the city filed 1,876 cases in the first four years of Vacants to Value, Baltimore Housing reported that 407 properties were sold by the receiver, with new owners going to settlement.⁷² Not all of the sales make it to settlement, however, and some can take months or even years to close. As for houses renovated and occupied, the city's data show only 137 properties were completed; another 108 had obtained building permits but were not complete.

Additionally, 311 owners who were sued made repairs to their vacant houses and obtained occupancy permits before the court appointed their properties to the receiver,⁷³ proving that the threat of litigation is enough to induce some owners to show up in court, plead to keep their properties, and, in fact, follow up with renovations.

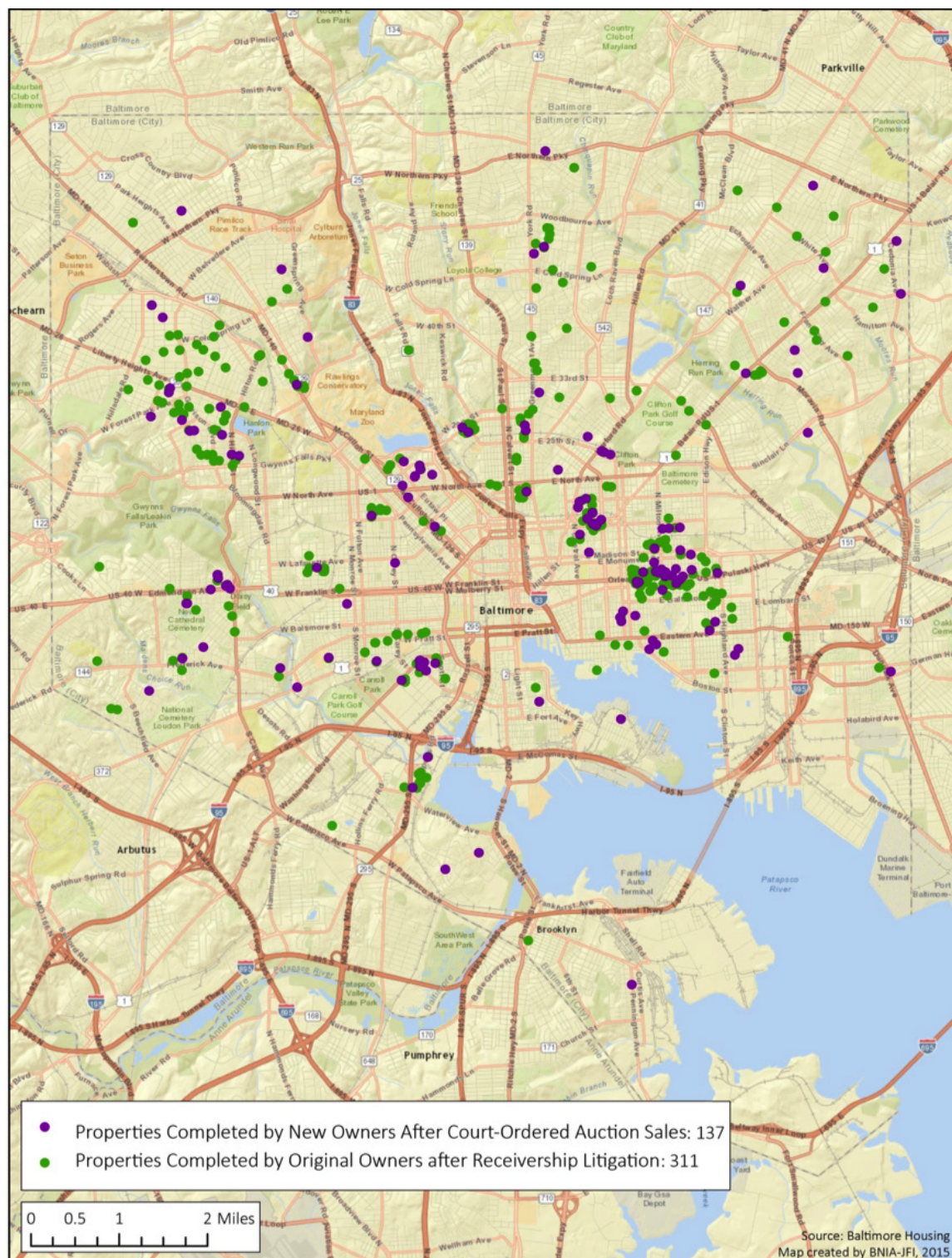
Like other components of Vacants to Value, the receivership program is limited by the lack of construction funds available from traditional lending institutions to pay for rehabilitation. Only those with access to \$90,000 per building are eligible to bid at the receivership auctions organized by One House At A Time, assuring renovations will be completed in a timely manner. The lack of financing has tipped the receivership program toward investor-owned properties and away from owner-occupied homes because there are few finance options to help homeowners purchase and rehabilitate vacant houses in Baltimore. Nevertheless, some investors have renovated homes they purchased through receivership and sold them to homeowners.⁷⁴

Baltimore's 40-year Struggle With Vacant Houses

Baltimore has been trying to solve the city's vacant house problem for more than 40 years. Its most popular effort was the Urban Homesteading, or Dollar House, program, which was announced in late 1973 and operated for more than a decade.⁸² As the name suggests, the program drew on the historical American practice of making homesteading opportunities available to willing settlers for a minimal cost. In Baltimore City, in the early 1970s, that practice was given new life.

When the Homesteading program began, the city counted 5,500 vacant houses, including privately owned abandoned houses and city-owned properties either from tax sale foreclosures, ill-fated highways, or urban renewal projects. The Homesteading program sold only city-owned houses to people willing to live in derelict neighborhoods at a time

Properties Completed After Receivership Litigation



Receivership success: 1404 N. Bond Street

The rowhouse at 1404 N. Bond Street is on a block of Oliver in East Baltimore long identified by its abandoned houses.⁷⁵ It had been vacant for at least four years when the city filed suit in April 2011 to appoint a receiver to take the house from the owner, a Northeast Baltimore man. After three months of failed attempts to reach him, a judge appointed the receiver, One House At A Time, which sold the house two months later to a developer for \$5,000. It took a year for the new owner to take title to the property in July 2012.

Nine months later building permits were issued. Work began in 2013 and continued through the next year with a complete 'gut-rehab' that included new floors, walls, a roof, and staircase, as well as a rear deck, parking pad, 3 1/2 baths, and a fireplace.⁷⁶

The city issued an occupancy permit in June 2014. One month later the house was sold to a young couple for \$250,000 with the help of a Vacants to Value booster grant of \$10,000.⁷⁷ That price would have been inconceivable on that block just a few years before. The couple said they also took advantage of a \$37,000 live-near-your-work grant from Johns Hopkins University, where the husband works, plus a forgivable state loan for first-time homebuyers. Their state-insured mortgage also has a reduced interest rate. Without those incentives, they said, they would still be living in a series of "crappy" apartments.

It had taken a little more than three years from the time the city filed suit to the time the couple purchased the finished home. In the meantime, the houses on either side were also purchased (one from the city) and renovated by a construction company.

By 2015, the house sat on a block with no boarded buildings. Several 'for sale' signs dotted the block, one reading "Jacuzzi, whirlpool, tubs, and more," an unthinkable sales pitch just a few years before. On a bright Saturday morning a realtor showed a house under renovation to a young man, who said he lived in the neighborhood as a child when it was rundown. Now he looked down the block admiringly. "I would love to live here," he said.

Receivership roadblocks

Not all receivership cases move smoothly through the system. Sometimes buyers fail to repair homes, prompting the city to repeat its laborious legal process of selling properties at auction.

The house at 617 N. Collington Avenue in East Baltimore is a small, two-story rowhouse that was vacant for seven years when the city sued the owner — a forfeited Maryland corporation with a West Baltimore address — in March 2012.⁷⁸ It sits on a scruffy block near the busy Northeast Market not far from Johns Hopkins Hospital. A judge awarded the house to One House At a Time, which auctioned it two months later for \$5,000 to a North Baltimore man. It took a year for him to take title of the house.⁷⁹ He obtained building permits but did not complete repairs. A judge sent the house back to One House At a Time in December 2014 to repeat the receivership process.⁸⁰ It sold again at auction in February 2015 for \$11,000 to a person with a Leesburg, Virginia address. Nine months later, the new owner had yet to obtain building permits. Despite the city's intensive legal actions over more than three years, the house remains vacant.⁸¹

when construction contractors were wary of working in the city.⁸³ Though many of the houses were scattered throughout the city, most were concentrated in three downtown communities of historic 19th century rowhouses: Otterbein (100 houses), Barre Circle (125 houses), and the 600 block of Stirling Street (25 houses) — a one-block street, just east of downtown.⁸⁴

The availability of financing was a key aspect of the program. The city had already raised \$2 million from a city bond issue to finance loans for the renovation of the first of 600 houses. Over the course of the program, the city's housing department used both city and federal funds to finance low-interest loans (from 1 percent to 7 percent interest) for renovation and to fund a staff of housing employees to help the homesteaders develop renovation plans, manage the bidding process for construction, and pay contractors directly as the construction work was completed. The first house was awarded in 1974.⁸⁵ More funds would follow from city and federal sources to complete the program that ran for more than six years.

The Homesteading program, though occasionally criticized for delayed payments to contractors and feelings of isolation on the part of certain homesteaders, was nevertheless considered successful. Today, the renovated houses in Otterbein and Barre Circle are examples of the program's lasting effects, having sparked a ripple effect of private investment. Consider one house (chosen randomly from property and land records) on the 100 block of W. Lee Street in Otterbein. The city sold it for \$1 in 1980, the year Harborplace and the National Aquarium opened three blocks away. It resold in 1999 for \$235,000 and again in 2012 for \$410,000.

Despite the success of the Homesteading program, the number of vacant houses more than tripled over the following decades, and mayoral administrations have tried to tackle the problem with various programs. The most recent pre-Vacants to Value program was called Project SCOPE, or "Selling City-Owned Properties Efficiently." SCOPE operated from 2003 to 2010

as a joint effort of Baltimore Housing and the Greater Baltimore Board of Realtors. It, too, focused exclusively on city-owned vacant houses, which constituted less than 3 percent of the city's vacants. Through Project SCOPE, the city placed more than 400 marketable city-owned vacant houses in an inventory that private real estate agents offered for sale.

A 2010 study of Project SCOPE by economic researcher Josef Nathanson outlined the program's accomplishments and limitations as the recession hit Baltimore in 2007. Nathanson noted that the program went well in its early years. Between 2003 and 2005, 168 homes were sold to private owners. But the recession significantly curtailed the program's efforts, and, in 2010, only two homes were sold. With housing values drastically reduced, "the costs of bringing vacant properties up to building code standards will exceed the market values for occupied homes," he wrote. At the program's end, only two-thirds of the 284 homes sold were completed and occupied.⁸⁶

By late 2010, it was apparent that the city was interested in creating a more comprehensive program that would include the rehabilitation of both city-owned and privately owned vacant houses in more than 80 communities. It would also launch Baltimore's largest demolition program to date.

Efforts to fight vacants in other cities

Baltimore joins scores of other cities grappling with thousands of vacant properties left by a half century of suburban flight, loss of manufacturing jobs, and the recent recession. Unlike Baltimore, several other cities have established depositories called land banks to coordinate the sale of government-owned vacant buildings and land, usually at auction, after clearing liens. The United States has 120 land banks that use various strategies to ensure properties are sold and rehabilitated in a timely manner.⁸⁷ A review of land banks shows that their success is determined

Community residents [in Detroit] have commandeered grassy lots left after massive demolition for parks and gardens. In the community greenhouse they grow vegetables for farmers' markets, including lettuces they call "Motown Mix."⁸⁹

largely by access to funding for demolition and renovation, and not necessarily by the fact that they are separate entities from a local government. Their ability to access and leverage capital is, to some champions, a compelling reason for Baltimore to take a closer look at land banks.

Detroit

With 90,000 vacant properties, many of Detroit's neighborhoods are a jarring landscape of abandoned mansions, post-World War II bungalows, and a grass-green sea of vacant lots. In the last 50 years, the city has lost more than 60 percent of its population. In January 2015, Detroit's median home sale price was just \$17,500.⁸⁸ In one of the hardest hit communities, called Brightmoor, the rate of abandonment is 80 percent to 90 percent. Hundreds of houses have already been demolished. Many left standing serve as canvasses for creative neighbors, who paint the facades with poetry and murals. Community residents have commandeered grassy lots left after massive demolition for parks and gardens. In the community greenhouse they grow vegetables for farmers' markets, including lettuces they call "Motown Mix."⁸⁹

In this effort of resilience and reinvention, much of Detroit is now for sale. In 2014, the Detroit Land Bank Authority was formed to sell 85,000 vacant properties to the highest bidders.

While the land bank has a sophisticated website with photos of each house, daily

online auctions, and repair checklists, Detroit faces the same problems as Baltimore: It lacks financing for home purchasers (many of whom are underemployed) for construction loans and mortgages in economically depressed neighborhoods where the cost of renovations outstrips the value of a completed home.

The Detroit Land Bank sold 300 houses in 2014. Despite its sophistication, only half of the sales closed by March 2015, and just four houses were completed.⁹⁰ When it began, land bank officials had no idea if the abandoned properties would find a market. They began with a tour of one community called East English Village, not knowing if anyone would come.⁹¹ They were surprised when 1,000 people came to view 12 houses. The land bank has since auctioned three houses a day. Its website shows photos of each house with times for open house viewing, along with a description of each house and its neighborhood, schools, parks, restaurants, and highways. A link takes viewers to a housing inspection report with a checklist of needed repairs. Buyers are expected to complete work within six months. In the spirit of promoting city living for Detroit government employees, the land bank, in 2015, began offering a 50 percent discount on the final auction price for city employees, retirees, or family members.

By spring of 2015, the land bank had also sold 1,000 'side lots' to adjacent homeowners for \$100 each, with deeds available the day after purchase. The lots are a result of demolition of

4,000 buildings by the Detroit Building Authority.

With Detroit facing the same financial challenges as Baltimore, the city has recently partnered with several local banks to offer novel ways to finance home renovations and mortgages for owner-occupants. One local bank is offering a \$1 million loan fund of \$25,000 forgivable loans for owner-occupants renovating homes in one neighborhood. Another bank has relaxed underwriting standards to help people qualify for nontraditional loans that will finance home repairs and transition into permanent mortgages. A third bank offers loans for up to 300 percent of a home's value.⁹²

Cleveland

Cleveland's history of vacant properties goes back to 1960 with the loss of manufacturing jobs and residents moving to the suburbs. The city started a land bank in 1976, one of the first in the country, to sell tax-delinquent properties for reuse.⁹³ By the mid-1990s, subprime and predatory lending led to mass foreclosures.⁹⁴ As the problem accelerated, Cuyahoga County, which includes Cleveland, formed the Cuyahoga County Land Bank in 2009, which today has an inventory of more than 1,000 properties a year. It demolishes nearly 70 buildings a month, has transferred almost 2,000 lots for reuse, and sells houses for affordable housing for refugees and people with disabilities.⁹⁵ To complement the land bank, a civic council of housing advocates and government leaders formed the Vacant and Abandoned Property Action Council (VAPAC) in 2005 to begin solving the problems of vacant properties.⁹⁶

Ten years later, VAPAC, which meets monthly, has become an independent voice for housing and community development advocates to present recommendations for change to public officials. It is a brain trust of expertise on foreclosure, abandoned property, and market stabilization.⁹⁷

Although VAPAC is not a government-run organization, its 19 members include representatives of several local agencies, including the Cleveland mayor's office, the city council, the Cuyahoga County Executive's office,

as well as nonprofits with expertise in reuse of vacant buildings and land. VAPAC is chaired by Frank Ford, a senior policy advisor at the nonprofit Thriving Communities Institute.

VAPAC's accomplishments include getting banks to stop selling foreclosed properties to out-of-state investors. VAPAC also convinced two banks to donate 75 to 100 foreclosed properties for demolition — and to pay half the cost of demolition.⁹⁸ Ford said one of the group's biggest accomplishments was completing a comprehensive report evaluating the county's tax lien foreclosure system, showing how it leads to abandoned properties, depreciating neighborhoods that are predominantly populated by people of color.⁹⁹

Recommendations

Despite Vacants to Value's shortcomings outlined in this report, Baltimore Housing has erected a solid foundation that a future mayoral administration can build on to stem the tide of vacant properties and strategically initiate the restoration of hundreds of abandoned buildings, while demolishing others. This study can serve as a road map.

1. Expand financing access for small and nonprofit developers through Community Development Financial Institutions (CDFIs).

Access to financing is a critical challenge facing developers interested in acquiring properties and renovating them for productive use. Federal stimulus dollars and other one-time funding opportunities fueled the limited acquisition and renovation of vacant properties. Now that those sources are gone, financial institutions, city officials, and financial intermediaries should work together to create reliable streams that can absorb some of the upfront risks that traditional financial institutions are reluctant to take. Community Development Financial Institutions (CDFIs) such as Baltimore Community Lending and The Reinvestment Fund have proven track records in the

city and have secured investments for their projects. Their expertise and access to resources are assets that should be leveraged and expanded.

2. The state of Maryland should develop new sources of investment capital for blight-elimination efforts in Baltimore.

The Hogan Administration has acknowledged the depth of the vacant housing problem in Baltimore. By marshaling resources and expertise from the Community Development Administration (CDA) and other departments, the state has the opportunity to invest in the future of the city by funding the costs of purchasing and demolishing vacant houses and expanding housing project financing options available to small and nonprofit developers.

3. Conduct a thorough cost/benefit analysis of the Vacants to Value program.

Although beyond the scope of this report, there should be an independent, third-party analysis of the operational and programmatic costs associated with Vacants to Value compared with the return on investment from the rehabilitation of properties that are in productive use.

4. Develop additional support systems for homebuyers interested in purchasing Vacants to Value properties.

The amount of the ‘booster award’ and other incentives associated with the purchase of Vacants to Value properties should be increased, including a sliding scale, offering larger incentives to the lowest-income homebuyers. The city should also consider focusing booster grants geographically on the neighborhoods with the most need, while eliminating them in high-income areas where houses sell easily without the grants, such as Canton. The city should also provide support to homebuyers who want to use existing purchase rehabilitation loans, such as the federal 203K loan program.

5. Expand the positive impact of the receivership process by doing the following:

- Enhance the online marketing of Vacants to Value properties. Cities like Detroit have robust websites that showcase vacant properties and include community descriptions, inspection reports, and lists of nearby amenities including schools and transportation.
- Enhance the capacity of One House At A Time to process receivership cases more quickly by hiring an additional staff person and continuing to strengthen the working relationship with Baltimore Housing.
- Dedicate additional city attorneys to receivership cases. Currently, while Baltimore Housing employs 12 attorneys on a range of enforcement-related matters, additional staff could make speedier progress in untangling titles and filing receivership actions.

6. Develop a plan to encourage reinvestment and redevelopment in distressed areas outside of the current scope of Vacants to Value.

Vacants to Value, despite its challenges, has generated positive progress. However, the city must do more to address the problems of vacancy in ‘distressed’ neighborhoods that are not in Vacants to Value priority areas.

7. Create an independent council to advocate for citywide policy changes and provide independent oversight of Vacants to Value.

Local advocates have a history of working together to support changes to a number of public policy issues related to vacant housing and with residents in communities across the city. Coordinated efforts to address the complexity of the vacant housing problem in the city can advise city officials and advocate for changes to existing policies.

8. Improve Vacants to Value program transparency through accurate and regular updates of online reporting.

Reporting metrics should include:

- The number of city-owned properties sold under Vacants to Value, with a count of those completed and occupied;
- All completed properties on the Vacants to Value website; and
- Total number of properties renovated after being sold through the receivership program, as well as those renovated by the original owners.

About the Author:

Joan Jacobson is a former *Evening Sun* and *Baltimore Sun* reporter, now working as a freelance journalist and researcher. She is the author of six previous Abell Foundation studies focused on issues in Baltimore City, including reports on the city's tax-sale process, inadequate vision screening in public schools, the demolition of public housing, uncollected taxes from illegal video gambling machines, supplemental educational services in public schools, and cool roof benefits.

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Joan Jacobson

November 2015

Endnotes

- 1 Baltimore Housing Press Release, November 3, 2010.
- 2 Baltimore Housing Press Release, November 3, 2010. The number of houses targeted for renovations fluctuated with different city government presentations: A 2013 PowerPoint by Commissioner Paul T. Graziano stated the number was 6,000; Deputy Housing Commissioner Michael Braverman used the number 4,400 in a PowerPoint on September 10, 2014 before a Center for Community Progress conference in Baltimore; the Vacants to Value website used 6,000 as of August 2015.
- 3 Michael Braverman, Deputy Housing Commissioner in a PowerPoint presentation in 2014; Tania Baker, Deputy Communications Director, Baltimore Housing.
- 4 Data from Baltimore Housing.
- 5 Interview with Commissioner Graziano and Deputy Commissioner Julia Day.
- 6 Baltimore Neighborhood Indicator's Alliance: Vital Signs 13; Opportunity Collaborative: Strong Communities, Strong Region, The Baltimore Regional Housing Plan for Fair Housing Equity Assessment, November 2014.
- More than half of tenants pay more than 30 percent of their income for rent and almost 40 percent of homeowners pay more than 30 percent of their income on mortgage costs.
- 7 March 22, 2015 email from Cynthia Gross, leader in the CARE community to several city officials.
- 8 Baltimore Housing's Vacants to Value Website; Interviews with housing officials
- 9 Ken Strong, Deputy Housing Commissioner explained that the city opened the offer for booster grants to a larger group after the city received few applications from police, firefighters, and/or teachers.
- 10 Ken Strong.
- 11 Ibid.
- 12 Paul Graziano letter, October 9, 2015 to Robert C. Embry Jr., president of the Abell Foundation.
- 13 ¹³ Vacant House Data for December 31, 2014 from Tania Baker, Deputy Communications Director, Baltimore Housing.
- 14 Baltimore Neighborhood Indicators Alliance; Jacobs France Institute, University of Baltimore <http://bniajfi.org/>; BNIA calculates that there is little overlap between vacant building notices (8 percent) and unoccupied homes (7.6 percent) because the Census Bureau reported that 15.1 percent of all housing units were unoccupied in 2010.
- 15 Housing Our Neighbors, 2014 survey of unoccupied houses in East Baltimore.
- 16 Baltimore City Council Bill 13-0293, approved by the City Council on January 12, 2015 and signed by Mayor Stephanie Rawlings-Blake on January 20, 2015.
- 17 Census data: http://planning.maryland.gov/msdc/census/cen2010/pop_70-10/TotalPopulation.pdf
- 18 Wives of Steel by Karen Olson; The Pennsylvania State University Press, 2005; Bill Barry, retired Labor Studies Director, Community College of Baltimore County.
- 19 Zombie property foreclosures from RealtyTrac: <http://www.realtytrac.com/statsandtrends/foreclosures/trends/>
- 20 Baltimore Housing Press Release November 3, 2010; Baltimore Neighborhood Indicator's Alliance Vital Signs 10
- 21 ²¹ Economic Impact of Project SCOPE: An Update through 2010, by Josef Nathanson for the Baltimore Efficiency and Economy Foundation.
- 22 "Have we got a vacant house for you! Can bus tours and \$5,000 loan offers sell vacant houses and curb Baltimore's blight?" by Fern Shen, BaltimoreBrew.com, May 20 2011.
- 23 Vacant to Value Update, May 11, 2012, by Deputy Housing Commissioner Julia Day sent to the Abell Foundation.
- 24 Database provided by Baltimore Housing to the Abell Foundation.
- 25 Data from Baltimore Housing and the Baltimore Neighborhood Indicators Alliance; Graphs by Baltimore Neighborhood Indicators Alliance.
- 26 Baltimore Housing data sent to the Abell Foundation.
- 27 Ibid
- 28 Interview with Baltimore Housing staff, including Graziano and Day.
- 29 Baltimore Neighborhood Indicators Alliance reports in its Vital Signs 13 that between 2012 and 2013, the percentage of city homes sold for cash (a good indication that investors were the buyers) was 44 percent.
- 30 Property addresses were cross-checked with \$900 citations, receivership litigation, and previously city-owned properties.
- 31 Maryland Department of Assessments and Taxation.
- 32 Data from Baltimore Housing, Maryland Department of Assessment and Taxation.
- 33 The author only researched building permits dating to 2007 when Baltimore Housing's public database began.
- 34 Paul T. Graziano to Robert C. Embry, Jr., October 9, 2015.
- 35 Baltimore Housing database for vacant building notices for the last 30 years.
- 36 ³⁶ Baltimore Housing database of \$900 citations.
- 37 Dominion Properties houses matched with Baltimore Housing's completed receivership addresses.
- 38 Baltimore Housing database for vacant building notices for the last 30 years.
- 39 Jack BeVier, Dominion Properties.
- 40 "Too Big to Fail? Betting a Billion on East Baltimore," Melody Simmons and Joan Jacobson, The Daily Record January 31, 2011.
- 41 Baltimore Housing building permits for 1031 and 1005 N. Washington St.; 1718 and 1722 E. Chase Street.
- 42 SCOPE data provided by Economist Josef Nathanson; interview with Chuck Davies, co-developer of 1028 and 1044 N. Broadway.
- 43 The properties left off the Vacants to Value list of completed properties are 521 Mosher Street and 2406, 2409, 2410, and 2415 Lauretta Ave.
- 44 Ruth Louie, President and CEO Baltimore Community Lending.
- 45 Ibid.
- 46 ⁴⁶ Baltimore Housing job posting, stamped August 24, 2014 by the Human Resources department; Tania Baker, Baltimore Housing.
- 47 Steve Gondol, Executive Director, Live Baltimore.
- 48 The Park Heights Community Development Corporation held an open house December 8, 2014 to show its first Vacants to Value house at 2525 Park Heights Terrace; interview with Jack Porat, builder and partner of Convergence Development LLC.
- 49 ⁵⁰ Interview with Chuck Davies, representing Timothy 618 LLC
- 50 Interview with Kelly Little, former executive director of the Druid Heights Community Development Corporation.
- 51 Edward Sabatino to Tracey Barbour-Gillett, Abell Foundation, October 1, 2015.

- 52 Interview with Catherine Stokes, Telesis Corporation.
- 53 TRF's website: <http://www.trfdevelopmentpartners.com/aboutus.html>
- 54 Interview with Sean Closkey, TRF Development Partners President and Dana Johnson, TRF Vice President; documents from the Maryland Department of Housing and Community Development.
- 55 Interview with Closkey and Johnson.
- 56 The Porch Light, Coldstream-Homestead-Montebello (CHUM) newsletter March 2011.
- 57 "City Demolishes Blighted Block: Razing 10 Rowhouses Begins \$3.8 million Effort to Clean Up Troubled Neighborhood," Gus G. Sentementes The Baltimore Sun, January 11 2008. Northeast Police Major Delmar Dickson, commander of the Northeastern District is quoted speaking about the block's crime history.
- 58 Ibid.
- 59 Cheron Porter, Baltimore Housing.
- 60 "First blight-elimination effort to use \$10 million nationwide mortgage settlement funds," Baltimore Housing http://www.baltimorehousing.org/wgo_detail.aspx?id=586
- 61 Baltimore Housing's Neighborhood Revitalization Application for FY 2014 to the Maryland Department of Housing and Community Development.
- 62 Diana Gaines, *From Ordinary to Extraordinary: A Story of Renovation, Revitalization and Friendship*.
- 63 Interview with Graziano and Braverman.
- 64 Baltimore Department of Housing and Community Development Data.
- 65 Interview with Jason Hessler, assistant housing commissioner.
- 66 Baltimore City Building, Fire and Related Codes; section 121 Vacant Building Receiver; the legislation was requested by Anne Blumenberg, founder of the Community Law Center: "Refreshing the Heart of the City: Vacant Building Receivership as a Tool for Neighborhood Revitalization and Community Empowerment" by James J. Kelly Jr.; Notre Dame Law School, September 25, 2008. *Journal of Affordable Housing & Community Development Law*, Vol. 13, p. 210, Winter 2004 http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1273735
- 67 Interviews with Anne Blumenberg, founder of the Community Law Center and James J. Kelly Jr., former executive director of Save a Neighborhood.
- 68 Interview with Anne Blumenberg.
- 69 Interview with Graziano.
- 70 Presentation by Baltimore Housing at Receivership meeting in Annapolis, October 9, 2015.
- 71 Data from Cheron Porter, Director of Communications, Baltimore Department of Housing and Community Development.
- 72 Lisa Evans, Executive Director, One House At A Time, reports slightly different numbers than Baltimore Housing. Between 2011 and 2014, OHAAT sold 550 houses that were in receivership and had 423 settlements, although just how many of those properties were part of the Vacants to Value program is unknown.
- 73 Data provided by Baltimore Housing, analyzed by the author.
- 74 Author research based on property ownership and building permit records.
- 75 District Court Records for 1404 N. Bond Street; Baltimore's database for vacant building notices dating back 30 years.
- 76 Baltimore City building permits database.
- 77 Baltimore City Land Records.
- 78 Ibid.
- 79 Baltimore City Land Records; vacant building database, Maryland Department of Assessments and Taxation.
- 80 City District Court Records (617 Collington Avenue).
- 81 Baltimore Housing building permits data base checked November 2, 2015.
- 82 Jay Brodie, former Baltimore Housing Commissioner.
- 83 "City Hopes to Sell 600 houses at \$1," by James D. Dilts, The Sun, September 18, 1973.
- 84 "Homesteading, The Second Year – 1975," Baltimore's Department of Housing and Community Development.
- 85 Ibid.
- 86 Economic Impact of Project SCOPE: An Update through 2010, by Josef Nathanson for the Baltimore Efficiency and Economy Foundation.
- 87 Take It To The Bank: How Land Banks Are Strengthening America's Neighborhoods, Center for Community Progress, 2014.
- 88 RealComp, the Michigan Multiple Listing Service, quoted in Crains Detroit, March 11, 2015.
- 89 May 2015 tour sponsored by the Center for Community Progress of Detroit neighborhoods of Brightmore, East English Village, and Morningside. <http://www.brightmooralliance.org/>
- 90 Detroit on Slow Progress by Amy Haimerl, Cranes Detroit, March 11, 2015. <http://www.cransdetroit.com/article/20150311/BLOG017/150319952/detroit-land-bank-auctions-first-purchased-home-sells-for-86500>
- 91 Center for Community Progress, May 2015 tour and handout with history of East English Village.
- 92 Detroit banks involved in loans for vacant properties include Liberty Bank, Talmer Bank and Trust, Flagstar Bank, and JP Morgan Chase Bank, which provided a \$5 million loan loss reserve for local banks to make loans to homebuyers.
- 93 Land Banks and Land Banking, 2nd edition, 2015 by Frank S. Alexander; Center for Community Progress.
- 94 Property Tax Delinquency And Tax Lien Sales In Cuyahoga County, Ohio Prepared by the Vacant and Abandoned Property Action Council March 2015
- 95 The formal name of the Cuyahoga County Land bank is the Cuyahoga County Land Reutilization Corporation, Take It To The Bank: How Land Banks are Strengthening America's Neighborhoods, Center for Community Progress.
- 96 Cleveland At A Crossroads: Recommendations for the Prevention, Reclamation, and Reuse of Vacant and Abandoned Property in Cleveland; A National Vacant Properties Campaign Assessment Report, Submitted by Alan Mallach, Lisa Mueller Levy, and Joseph Schilling, Prepared for Neighborhood Progress, Inc. June 2005.
- 97 Cleveland's Vacant and Abandoned Property Action Council – VAPAC, Presentation for the Revitalizing Ohio's Vacant Properties Conference, October 2013; Frank Ford, Senior Policy Advisor, Thriving Communities Institute, Cleveland, Ohio.
- 98 Interview with Frank Ford, Senior Policy Advisor, Thriving Communities Institute, Cleveland, Ohio.
- 99 Ibid.

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The
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**Vacants to Value: Baltimore's bold blight-
elimination effort is making modest progress
despite limited renovation funds and
questionable accounting.**

By Joan Jacobson
November 2015

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.

Inherent in the working philosophy of the Abell Foundation is the strong belief that a community faced with complicated, seemingly intractable challenges is well-served by thought-provoking, research-based information. To that end, the Foundation publishes background studies of selected issues on the public agenda for the benefit of government officials; leaders in business, industry and academia; and the general public.

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