A PLAN TO CREATE
THE BALTIMORE CITY LAND BANK

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Introduction

For many years, Baltimore has been plagued by problems associated with its large stock of vacant property. Periodically and repeatedly over the past decade, various government officials, housing experts and citizens have analyzed and discussed the benefits of creating a land bank to help address Baltimore's vacant property problem. Perhaps overwhelmed by the enormity of the vacant property problem, or mired in the day-to-day task of managing the effects of the problem with limited resources, those discussions have never resulted in the creation of a land bank.

At the request of Mayor Sheila Dixon, the Department of Housing and Community Development has developed a plan to create a land bank that can be implemented within twelve months. The rationale for that plan and an outline of action steps follows.

Problem Statement

For the purpose of this Plan, "abandoned property" means, a privately owned property that is:

1) *an unoccupied structure or vacant lot on which taxes are in arrears;*
2) *a building cited as vacant and unfit for human habitation on a housing or building violation notice; or*
3) *an undevelopable lot or a vacant building that has deteriorated to the point where the building is structurally unsound or the cost of rehabilitation significantly exceeds the post rehabilitation market value.*

A. Abandoned Properties Harm the City

There are nearly 30,000 abandoned properties (structures and lots) in Baltimore City. These properties comprise nearly 13% of the total property in the City (see Table 1.1 and Chart 1.1). The City currently owns nearly 10,000 vacant properties, or 1/3 of all vacant property in the City. Approximately 4,000 City-owned vacant properties are vacant structures. In other words, the City owns about twenty percent (25%) of all vacant residential buildings in Baltimore. These buildings are uninhabitable and many are either beyond repair or are too costly to repair.

Table 1.1

Total # of Parcels in City	224,816	Percentage
# of Underutilized Parcels[1]	17,718	8%
# of Vacant Lots	11,198	5%
Total Vacant Parcels in City	**28,916**	**13%**

Chart 1.1

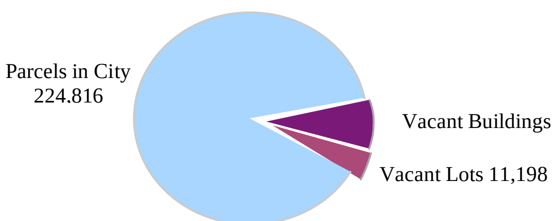
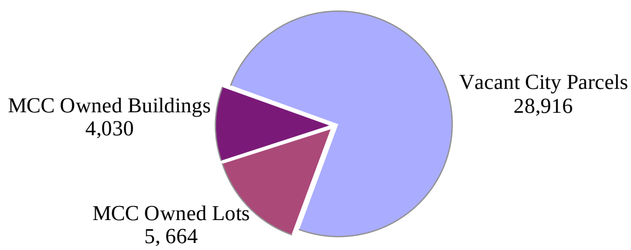


Chart 2.1



[1] The term "underutilized parcel derives from a report issued by the Department of Planning. As used in this Plan, an underutilized parcel is a residential property that is cited by a housing inspector as a vacant building or a residential property that is on a block face where 70% or more of the properties are vacant.

Abandoned properties drain money from innocent homeowners, cost the City money, and reduce the quality of life in affected neighborhoods. According to a study by Temple University of vacant properties in Philadelphia, abandoned housing on a block can reduce the value of all other properties by an average of $6,720.[2] Among other things, the reduced value prevents other homeowners from building wealth. More directly, a city's failure to collect even a small percent of delinquent property taxes due to abandonment can result in billions of lost revenues.[3]

The impact of abandoned property goes beyond dollars and cents. Neighbors must live amid eyesores that attract crime, arson, vermin, and dumping. Dilapidated buildings are safety and fire hazards, cause damage to adjoining properties, and lower the quality of life for a community. In a city with a shortage of affordable housing, abandoned properties are a visible reminder that too few citizens have a decent, safe and affordable place to live.

B. Existing City Efforts Do Not Adequately Respond to the Magnitude of the Problem.

Existing City processes for tax collection and for property acquisition and disposition do not fully address the abandoned property problem and sometimes unintentionally cause further harm.

The current tax collection and foreclosure processes help perpetuate problems associated with abandoned property. It typically takes the City more than three years to foreclose upon and dispose of a single abandoned property. Existing policies relating to tax liens emphasize revenue collection over neighborhood development. Tax lien purchasers are primarily interested in the liquidated value of abandoned properties and not in the development of the neighborhood. Older residents who miss a single tax payment fall prey to private tax sale purchasers whose aim is to collect high fees and interest.

Although the City has made major strides to acquire abandoned properties through Project 5,000 (and now has title to approximately 10,000 such properties), the existing processes for selling City property are difficult to understand, needlessly complex and require duplication of effort by City agencies. The sale of a single property is labor-intensive and involves no fewer than a dozen city actors. Although HCD plays a primary role in the sale of most City property, responsibility is fragmented between the Comptroller's Real Estate office, the Space Utilization Committee, the Department of Finance, the Law Department, the City Council and the Board of Estimates.

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[2] Temple University Center for Public Policy and Eastern Pennsylvania Organizing Project, "Blight Free Philadelphia: A Public-Private Strategy to Create and Enhance Neighborhood Value," Philadelphia, 2001.

[3] Alan Mallach, Research Director for the National Housing Institute suggests that abandonment rates as low a 5 % can send a neighborhood or community spiraling out of control. These insights and other impacts of vacant properties are compiled in *Vacant Properties and Smart Growth—creating opportunity from abandonment,* Livable Communities @ Work (September 2004), written by John Bailey and edited by Cheryl Little and published by the Funder's Network for Smart Growth and Livable Communities.

Current pricing policies place Community Development Corporations, neighborhood groups, and local developers at a competitive disadvantage. In most circumstances, the City seeks the maximum sales price for its property rather than achieving a development outcome. The complex sales process and the price policy favor buyers most familiar with the “system” and discourages participation by new buyers and developers of mixed and affordable housing. A collection of anecdotes highlighting some of the obstacles to selling City property can be found in Appendix 1.

A new set of tools is needed to acquire and sell abandoned property. A report by the National Vacant Properties Campaign found that, while Baltimore City’s efforts to combat problems associated with abandoned property are making a positive impact, “a number of **existing enforcement mechanisms lack sufficient strength and efficiency** to address the complexity and quantity of properties the City is hoping to address.” (emphasis added). A full copy of the report can be found in Appendix 2.

Returning abandoned properties to productive use will require that the City: (1) make improvements to the time consuming and cumbersome tax sale foreclosure processes, (2) develop sales policies that favor neighborhood development, and (3) develop policies and procedures to streamline and accelerate the processes for selling City property.

Challenges and Opportunities: Abandoned Property in Baltimore

Following a comprehensive study last year of Baltimore's policies strategies relating to abandoned property, the National Vacant Property Campaign issued a report with specific findings and recommendations. The challenges and opportunities include:

Property Disposition

Challenges	Opportunities
Acquisition of property for consolidation into better development sites is hampered by tax foreclosure process.	Increase and accelerate the City's capacity to foreclose on tax delinquent property.
The City cannot achieve desired speed and scale of property sales with existing methods.	Consider charter amendments or delegations to place responsibility for sales in a single program, or a newly created special purpose entity, such as a land bank authority.
Disposition suffers from the absence of a coherent policy focus and from a lack of priority for mixed income and affordable housing.	Create and publish City guidelines and criteria for resale of abandoned property, with priorities for mixed income and affordable housing.
The City cannot address the magnitude of the problem within current laws, regulations and practices. Incremental fixes fail to address underlying structural issues.	Address the structural issues through the creation of a land bank entity.

Property Acquisition

Challenges	Opportunities
The number of abandoned properties exceeds the City's foreclosure capacity. Many properties cycle through the tax sale process every two years.	Increase and accelerate the City's capacity to foreclose on tax delinquent property.
Maryland's tax foreclosure process is time consuming and uncertain.	Accelerate and standardize the foreclosure process for abandoned properties.
Annual tax lien sales transfer foreclosure rights to third parties interested in liquidating property. Speculators have financial incentives to displace homeowners and destabilize neighborhoods.	Eliminate or restrict the sale of tax certificates to speculative purchasers.
Tax lien sales transfer interest earnings to a third party. These funds could otherwise be available to the City for property maintenance and redevelopment.	Capture interest on delinquent tax payments to support property maintenance and redevelopment.

Asset Management

Challenges	Opportunities
City lacks sufficient sources of funds for maintenance, stabilization and demolition.	Tap new sources of funds, like interest from delinquent tax collections, to cover the maintenance, stabilization and demolition costs
City cannot quickly or nimbly respond to property maintenance demands.	Create a special purpose entity with agility to respond to maintenance demands.
Intermingling of privately owned abandoned properties and City owned properties limits the City's ability to sell, stabilize or demolish City property.	Increase and accelerate the City's capacity to foreclose on tax delinquent property.

Goals and Objectives:

To create a land bank entity with the responsibility and capability to efficiently acquire, manage and sell abandoned property for productive use.

Measurable Outcomes

The goals and objectives should be linked to specific and measurable outcomes. A few suggested outcomes follow:

⇒ Reduce the amount of privately owned abandoned and blighted property in Baltimore City to less than 7.5% of the overall total of properties in the City by 2012.

⇒ Eliminate the speculative and predatory private tax sale market for abandoned property by 2010.

⇒ Increase the number of newly constructed or rehabbed units of housing in blighted neighborhoods by 25% in three years beginning January 1, 2009.

Immediate Recommended Strategy

To meet the immediate objective of accelerating and streamlining the disposition and property management processes, HCD recommends simultaneously pursuing three immediate action steps.

Step #1 Amend the City Code to grant HCD the authority to directly sell abandoned property within its jurisdiction subject to routine auditing and reporting requirements.

The Housing Department (HCD) exercises the City's charter powers to hold property "for development and redevelopment." The City Code (Article 13, section 2-7(f)) currently requires that contracts for the sale of such properties require the prior approval of the Board of Estimates "as to the legal and financial ability of the contracting parties." The City Council could amend the Code to alter this requirement so that the review process does not forestall property sales and is proportionate to the nature and value of the vacant property inventory.

The current Board of Estimates approval process impedes sales in two ways: (1) its primary focus is to obtain a high sales price (i.e. not less than appraised value) and (2) the formal pre-approval process adds several months' time to the sale of City property.

Recommendation: Request that City Council amend Article 13, Section 2-7(f) of the Code to permit HCD to directly sell abandoned properties subject to routine auditing and reporting requirements.

Seeking such a change to the City Code is desirable because it will:

- ✓ *Lessen the time, expense and administrative burden associated with maintaining and selling abandoned properties (faster sales mean reduced holding costs for the City and will generate tax revenues sooner)*.
- ✓ *Broaden and define criteria by which HCD can sell property*. Currently, there are no universally accepted policies for selling City property.
- ✓ *Adopt universal sales policies and priorities with input from the City Council and other stakeholders (see discussion of sales policies in Step 3, below).*

Step #2 Place the responsibility for abandoned property suitable for development or redevelopment under management and control of a central agency.

The City's real property inventory is divided, somewhat arbitrarily, among different City agencies, including: HCD, Recreation and Parks and the Real Estate Office of the Comptroller. Moreover, hundreds of properties under the Comptroller's jurisdiction are intermingled with HCD and other agencies' properties on the same block. Except on a limited, case-by-case basis, HCD and the Real Estate office have failed to agree upon a shared strategy for marketing and disposing of these parcels. As a result, developers attempting to acquire City properties in a single block often must conduct separate negotiations with two City offices. The division of responsibility hurts the City's development efforts, most especially for mixed income and affordable housing, by adding unnecessary process delays.

HCD has authority to acquire and sell property for "development and redevelopment," under Article II, Section 15 of the City Charter and Article 13, Section 2-7(b)(1) of the City Code. There is no clear policy guiding the determination of whether a property is suitable for development or redevelopment. Consequently, the assignment of agency responsibility for a property typically fails to take this into account. These assignments are made by staff members at the Department of Public Works who have no direct connection to the acquisition or re-development process.

The Department of Real Estate, within the Comptroller's Office, has general responsibility for the acquisition, sale, lease, or other disposition of real property that is not classified as a "development and redevelopment" opportunity (as defined in Article II, Section 15 of the City Charter.) The Real Estate Department is principally responsible for identifying, acquiring and/or leasing real property needed to meet the land and space needs of city agencies and offices. The Department of Real Estate's core sale's responsibility is to "arrange for the disposition of any building or parcel of land **no longer needed** by the City for public use," According to Article V, §5(b) of the Charter (emphasis added). This role was created in a different historical context -- at a time when the City did not have high levels of abandoned property – and, thus, is ill suited to the current demands of acquiring, managing and selling a large inventory of vacant property. The Real Estate office lacks the staff or resources to manage, market and sell the potentially thousands of city-owned property that should be sold for development and redevelopment.

A full review of the agency assignments of the entire City property inventory is warranted. The Mayor has authority to direct DPW to audit its policies and practices for assigning property, to review the current property assignments and, as appropriate, to re-assign jurisdiction to HCD for any property that is suitable for "development and redevelopment" purposes. Similarly, a review would help ensure that the City's core assets – those real property assets that are directly connected to the function of City government (e.g. city office buildings) – are assigned to the Real Estate office or other appropriate agency.

Recommendation: Under newly prepared guidelines, review the City's real property inventory and assign HCD to manage and sell all property, currently owned or henceforth acquired, suitable for development or redevelopment.

This Mayoral initiative is desirable because it will:

- ✓ Consolidate responsibility for the management, marketing and sale of abandoned property suitable for development or redevelopment within a single agency with the necessary resources and staff.

- ✓ Eliminate duplicative negotiations and reviews that result in added expense and delay for developers without a corresponding benefit for the City.

- ✓ Allow the Real Estate office to concentrate its limited resources on a smaller, more specialized inventory of property. For example, the Real Estate office could oversee certain transactions, like office leases, or certain core properties, like surplus libraries.

- ✓ Allow the City to more easily consolidate smaller parcels into larger, more flexible development tracts.

Step #3 Create a non-profit land bank entity with authority to acquire, maintain, and sell abandoned property on behalf of the City.

The City's efforts to manage and sell City property within a dynamic real estate market are hampered by the City's rules relating to procurement and to staff recruitment and retention. The time required to procure services, ranging from appraisals to property maintenance and repair, delays sales and maintenance efforts. Past workarounds have provided only temporary relief and typically come with high associated costs.

Recommendation: Create a non-profit land bank entity with authority to acquire, maintain and sell abandoned property on behalf of the City.[4]

A special purpose, non-profit entity could provide professional services to acquire, maintain and sell abandoned property. Significantly, the entity would NOT:

- ✖ be able to acquire property through eminent domain;
- ✖ hold title to property (with possible rare exception like donations);
- ✖ enjoy City's property liability protections (therefore will not hold title to property, as a rule);
- ✖ avoid open meeting or freedom of information laws;
- ✖ have power to extinguish liens; or
- ✖ be able to expedite foreclosures (the creation of a land bank authority under State law with some of these powers is further described at the end of this section)

A board of directors comprised of various private individuals, elected officials and agency representatives would govern the entity. HCD recommends that the City Comptroller and President of the Baltimore City Council, or their designees, serve on the Board of Directors. In addition, the Board of Directors should represent a diversity of interests such as city development agencies, community development corporations, faith-based organizations, real estate professionals, affordable housing advocates, citywide neighborhood-based organizations, and elected officials. HCD recommends that the non-profit entity be bound in its incorporating documents to adhere to the state's open meeting laws and to the City's MBE/WBE standards.

HCD recommends the entity have its own staff and a dedicated budget.[5] Proceeds from the sale of property should be retained by the entity and recycled to support the work of the entity (as shown in the accompanying report at Appendix 5, the City has reaped nearly $8 million in sales proceeds in the past three Fiscal Years). The proposed entity would be bound by a set of by-laws and detailed policies that specify the scope of its authority and that clearly define sales price policies and priorities. A sample residential sales policy from another jurisdiction is attached as Appendix 6. All contracts for the sale of property would require the approval of the Commissioner of Housing, acting as the Executive Director. In defined circumstances (such as

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[4] A proposed timeline for implementing of a non-profit land bank is shown in Appendix 3.

[5] HCD estimates that such an entity would require an initial operating budget of $1.4 Million. A draft budget is included as Appendix 4.

high value properties), the additional approval of the Board of Directors would likely be required.

The primary benefits to creating such an entity are:

- ✓ Further streamlining the process for selling City property by reducing redundant approvals.

- ✓ Greater flexibility in recruiting and hiring professional staff and procuring services from vendors.

- ✓ Establishing clearly defined policies relating to the disposition of property (See sample policies at Appendix 7).

Looking Forward – Issues for Further Review

The above three action steps will improve the process for the sale and maintenance of abandoned City-owned property. Additional reforms, however, would be required to:

- accelerate the acquisition of abandoned property,
- minimize speculative investment by private tax sale purchasers, and
- tap additional revenue sources for property maintenance and demolition.

HCD recommends that the City consider seeking enactment of state and local legislation for the creation of a land bank authority that would replace the land bank entity recommended above. Creating a land bank authority with broader powers than the local land bank entity, in combination with various changes to the tax sale foreclosure system, could provide benefits beyond those highlighted in the preceding sections. Among other things, a land bank authority could:

- ✓ possess the power to acquire and hold title to property (though NOT by eminent domain)

- ✓ be capable of expedited tax foreclosure and acquisition of abandoned property

- ✓ be able to extinguish municipal liens

- ✓ enjoy the City's property liability protection

- ✓ be exempt from property taxes and other charges like recording fees and transfer taxes on both the acquisition and sale of its properties

- ✓ be able to restrict or eliminate tax sales to speculative private purchasers
- ✓ be able to capture interest earnings from tax delinquent property to support redevelopment of neighborhoods.

Creating a land bank authority requires state enabling legislation and subsequent adoption by the City. The structure and governance of a land bank authority will ideally mimic that of the proposed non-profit entity described above.

State legislation is also required to alter the tax sale foreclosure system. Among the changes HCD recommends considering are:

- Clarifying that liability for unpaid liens in a foreclosure proceeding is limited to *in rem* liability (i.e. debtor has no residual personal liability for the outstanding liens).
- Enacting a single-step judicial tax foreclosure process (eliminate the non-judicial lien sale to private purchasers).
- Shortening the time period in which an owner of abandoned property has a right to redeem (i.e. pay off the liens).
- Reducing the time for commencing a foreclosure proceeding for abandoned property.
- Permitting bulk petitions to foreclose on property (more than one property per foreclosure suit).
- Requesting a special rule from the Court of Appeals for electronic submission of pleadings.

A full range of possible reforms can be found in the 2006 Report from the National Vacant Property Campaign, attached at Appendix 2.

Because a new state law must be enacted to create a Land Bank Authority, HCD recommends that the policy and process implications of such legislation be further examined. The City should consider hiring outside consultants to examine the implications and feasibility of this model in conjunction with immediately implementing the 3 action steps discussed above.

Conclusion

The immediate implementation of these three action steps will help accelerate and streamline the processes for managing and selling City property by adopting clearly defined policies and by creating a land bank entity with primary responsibility for such property.

The City should review the implications and feasibility of enacting state and local legislation to create a land bank authority with greater and more flexible tools to further streamline, accelerate and improve the acquisition, property management and disposition processes.

Table of Appendices

Appendix 1: Anecdotes Highlighting the Obstacles to Selling City Property

Appendix 2: Baltimore Vacant Properties Technical Assistance -- April 28, 2006, presented by the National Vacant Property Campaign

Appendix 3: Proposed Implementation Timeline

Appendix 4: Proposed First Year Operating Budget

Appendix 5: Report on revenues from sale of City property -- FY 2005 through Second Quarter of 2007

Appendix 6: Residential Land Transfer Policies from Genesee County (MI) Land Bank

A PLAN TO CREATE THE BALTIMORE CITY LAND BANK
EXECUTIVE SUMMARY

There are nearly 30,000 abandoned properties in Baltimore City. Abandoned properties drain money from innocent homeowners, cost the City money, and reduce the quality of life in neighborhoods.

Existing City processes for tax collection and for property acquisition and disposition do not fully address the problem and sometimes unintentionally cause further harm.

We recommend creating a land bank entity with primary responsibility and authority for acquiring, maintaining and selling abandoned property to help solve challenges created by abandoned properties. The following three steps can be taken immediately to more quickly and efficiently return abandoned properties to productive use:

Step #1 **Amend the City Code to grant HCD the authority to directly sell abandoned property within its jurisdiction subject to routine auditing and reporting requirements.**

Step #2 **Place responsibility for abandoned property suitable for development or redevelopment under management and control of a central agency.**

Step #3 **Create a non-profit land bank entity with authority to acquire, maintain, and sell abandoned property on behalf of the City.**

Creating a land bank entity **WILL**:

- ✓ Consolidate responsibility for the management, marketing and sale of abandoned property within a single agency with resources and staff.
- ✓ Eliminate duplicative negotiations and reviews that result in added expense and delay for developers without a corresponding benefit for the City.
- ✓ Streamline the process for selling City property by reducing redundant approvals.
- ✓ Allow flexibility in recruiting and hiring professional staff and procuring services from vendors.
- ✓ Adopt universal sales policies and priorities with input from the City Council.

A land bank entity will **NOT:**

- ✘ be able to acquire property through eminent domain;
- ✘ hold title to property (with possible rare exception like donations);

- ✖ enjoy City's property liability protections (therefore won't hold title to property, as a rule);
- ✖ avoid open meeting or freedom of information laws;
- ✖ have power to extinguish liens; and
- ✖ be able to expedite foreclosures

Looking forward, HCD recommends that the City pursue state and local legislation for the creation of a land bank authority and to reform the tax sale foreclosure system. Pursuing the longer-term strategy will:

- ✓ Help expedite tax foreclosure and acquisition of abandoned property

- ✓ Give the City broader tools (e.g. extinguishment of municipal liens) to facilitate redevelopment

- ✓ Take advantage of the City's liability protection

- ✓ Restrict or eliminate tax sales to speculative private purchasers

- ✓ Capture interest earnings from tax delinquent property to support redevelopment of neighborhoods

The immediate implementation of these three action steps will help accelerate and streamline the processes for managing and selling City property by adopting clearly defined policies and by creating a land bank entity with primary responsibility for such property.

The City should review the implications and feasibility of enacting state and local legislation to create a land bank authority with greater and more flexible tools to further streamline, accelerate and improve the acquisition, property management and disposition processes.

APPENDIX 1: Report on revenues from sale of City property -- FY 2005 through Second Quarter of 2007

LAND RESOURCES DIVISION - HCD Office of Real Property Disposition Disposition Activity FY2005 to FY2007					
Fiscal Year	# Properties Sold	# Transactions	Total Proceeds/FY	Average/Property	Average/Transaction
2005					
SCOPE	66	66	$1,116,130.74	$16,911.07	$16,911.07
Rolling Bid	0	0	$0.00	$0.00	$0.00
Directed Sale/Misc	123	20	$474,608.13	$3,858.60	$23,730.41
RFP/RFQ	76	6	$465,827.44	$6,129.31	$77,637.91
Total	265	92	$2,056,566.31	$7,760.63	$22,353.98
2006					
SCOPE	49	49	$1,894,806.88	$38,669.53	$38,669.53
Rolling Bid	4	3	$47,042.58	$11,760.65	$15,680.86
Directed Sale/Misc	38	12	$350,672.43	$9,228.22	$29,222.70
RFP/RFQ	98	5	$600,421.51	$6,126.75	$120,084.30
Total	189	69	$2,892,943.40	$15,306.58	$41,926.72
2007					
SCOPE	58	56	$1,669,336.87	$28,781.67	$29,809.59
Rolling Bid	72	57	$709,705.13	$9,857.02	$12,450.97
Directed Sale/Misc	26	6	$197,400.57	$7,592.33	$32,900.10
RFP/RFQ	37	10	$458,522.32	$12,392.50	$45,852.23
Total	193	129	$3,034,964.89	$15,725.21	$23,526.86
FY2005-07 TOTALS	647	290	$7,984,474.60	$12,340.76	$27,532.67

BALTIMORE CITY LAND BANK

Unit	Position	Salary	OPC	Total Compensation
Office of the Director	Director of Land Bank	$80,000.00	$28,000.00	$108,000.00
Office of the Director	Analyst	$57,475.00	$20,116.25	$77,591.25
Office of the Director	Office Assistant	$30,000.00	$10,500.00	$40,500.00
Real Property Disposition	Real Estate Agent II	$48,262.00	$16,891.70	$65,153.70
Real Property Disposition	Real Estate Agent II	$48,000.00	$16,800.00	$64,800.00
Real Property Disposition	Real Estate Agent II	$48,329.00	$16,915.15	$65,244.15
Real Property Disposition	Real Estate Agent II	$48,262.00	$16,891.70	$65,153.70
Real Property Disposition	Real Estate Agent II	$44,000.00	$15,400.00	$59,400.00
Real Property Disposition	Real Estate Agent I	$40,000.00	$14,000.00	$54,000.00
Real Property Disposition	Office Assistant III	$30,000.00	$10,500.00	$40,500.00
Real Property Disposition	Administrative Assistant	$26,000.00	$9,100.00	$35,100.00
Legal Section	Associate Counsel	$57,400.00	$20,090.00	$77,490.00
Legal Section	Paralegal	$34,250.00	$11,987.50	$46,237.50
Legal Section	Paralegal	$31,519.00	$11,031.65	$42,550.65
Asset Management	Property Manager	$55,000.00	$19,250.00	$74,250.00
Asset Management	Rehab Tech	$35,000.00	$12,250.00	$47,250.00
Asset Management	Rehab Tech	$35,000.00	$12,250.00	$47,250.00
Asset Management	Administrative Assistant	$26,000.00	$9,100.00	$35,100.00
			Sub-Total	$1,045,570.95
Non-personnel budget				$395,100.00
TOTAL				**$1,440,670.95**

Baltimore Vacant Properties Technical Assistance Report – April 28, 2006

Recommendations to the City of Baltimore
Presented to Baltimore Housing
By the National Vacant Properties Campaign
Lisa Mueller Levy, Daniel Kildee, Frank Alexander, and Jennifer Leonard

I. Introduction

In many ways, Baltimore Housing is on the cutting edge of vacant property work nationally with its achievements implementing Project 5000 since 2002. Baltimore went from taking control of 200 vacant, blighted properties per year prior to Project 5000, to addressing more than 2000 properties annually today. Communities around the country are learning from Baltimore's successes, and its administration wants to continue to streamline and improve upon this work.

To help achieve this goal, the City of Baltimore solicited the assistance of the National Vacant Properties Campaign and was selected in January 2005 to be one of seven cities to participate in the National Vacant Properties Campaign's Technical Assistance Demonstration Program. Baltimore Housing charged us with developing a series of recommendations to help them more aggressively and efficiently address vacant, abandoned, tax delinquent, and blighted properties, focusing on the tax foreclosure process, information systems, and property stabilization/demolition programs. We conducted a series of interviews during two, two-day visits to Baltimore in September and November 2005 and reviewed various housing and community development documents, plans, and state legislation.

Baltimore's significant supply of vacant, abandoned, and tax-delinquent properties places the city in a position to reap the rewards of extensive regional growth while furthering local government policies. Public and private leadership is committed to the conversion of these present liabilities into assets for future generations. This report presents a very broad range of options for consideration and evaluation by the city's leadership. These options, quite intentionally, range from significant statutory reforms at the state level, to enactment of new ordinances at the local city level, to the modification of existing policies and procedures, and to the creation of new programs. As change is always contextual, and is ultimately driven by factors far more complex than legal issues, the evaluation and selection of options is the task of leadership in Baltimore. Our task in this report is simply to present a range of options as the basis for action in the future. We appreciate the considerable time many City staff and local stakeholders took to educate us about Baltimore's policies and practices, and look forward to the opportunity to discuss this draft report at the convenience of Baltimore Housing staff.

Background Information

The National Vacant Properties Campaign defines vacant properties as a continuum of *problem* properties (see Attachment A) that includes occupied residential properties with extensive housing code violations (substandard), partially occupied and/or chronically vacant homes and apartment buildings, tax delinquent properties, and boarded and abandoned buildings that may or may not have structural problems. The continuum also includes industrial properties (Brownfields) and under-performing/abandoned commercial strip centers (Greyfields), as well as vacant residential lots. By its very nature, abandonment requires a human dimension—the owner neglects the fundamental responsibilities of property ownership. Physical deterioration and ownership neglect converge to create conditions on these vacant properties that essentially evolve into public nuisances.

Baltimore is experiencing growing real estate markets in many core neighborhoods, but still faces the challenge of approximately 16,000 abandoned buildings and 13,000 vacant lots that are slowing progress in those areas. The City possesses an array of methods for individuals and organizations to acquire surplus, vacant, and blighted property for redevelopment and we heard almost unanimous sentiment that reclaiming these properties is a high priority to secure the future of the City. In fact, the City has already undertaken several of the most important initial steps in addressing the prevalence of vacant, abandoned, and tax delinquent properties – identifying the presence of such properties as a major public concern and bringing together leadership across public and private sectors to collaborate in responding to these issues. Baltimore currently has a strong toolbox of programs and policies to help address the problem, including an aggressive tax foreclosure process, condemnation procedures, and SCOPE, the city's collaborative disposition program for vacant properties. Through Project 5000, the City has acquired just over 6,000 properties and disposed of or made available for purchase about 1,100 properties since 2002. In addition, the city has been the driver behind large-scale development work in several target neighborhoods, utilizing properties acquired through existing acquisition tools.

Baltimore's efforts to combat blight are making an impact on a number of core urban neighborhoods, many of which have experienced significant market improvements over the past five years. However, we believe a number of existing enforcement mechanisms lack sufficient strength and efficiency to address the complexity and quantity of properties the City is hoping to address. In the following sections of this report, we suggest a series of possible improvements for your consideration. Our observations include ideas for utilizing existing ordinances and statutes more effectively, as well as ideas for amending laws to streamline important code enforcement, land acquisition, management, and disposition tools. Some options require additional staff time over the long-term, but most only require the time necessary to implement changes, and rely on existing staff.

General Recommendations:

Our recommendations to the City of Baltimore, described in detail in the following sections of this report, fall into the following four categories:

A. Property acquisition and disposition strategies
B. Tax liens
C. Tax sale procedures
D. Procedures for foreclosure of the right of redemption

Within each category is a range of actions that could be taken. We have not attempted to establish priorities among the items. It is also important to recognize that while many of the options overlap in nature, some of the options are mutually exclusive (i.e., the adoption of one eliminates the need for another). This is particularly the case in the recommendations regarding tax liens and tax lien sales, where the City could take one of several very different approaches to improve current practices.

Baltimore's Vacant and Abandoned Properties: Challenges and Issues

In general, vacant and abandoned properties present communities with complex challenges. Neighbors are forced to tolerate eyesores that attract crime, arson, vermin, and dumping. Derelict buildings present safety and fire hazards, reduce property values, and degrade community quality of life. Property abandonment rates as low as 3 to 6 percent can eliminate investment interest in communities that might otherwise have a chance at revitalization.[1] The societal costs of abandonment are tremendous. A recent study by Temple University suggests that abandoned housing on a block can reduce the value of all other properties by an average of $6,720. A failure to collect even 2 to 4 percent of property taxes because of delinquency and abandonment translates into $3 billion to $6 billion in lost revenues to local governments and school districts.[2]

City officials report that Baltimore has an estimated 16,000 vacant housing units and 13,000 vacant lots. The City currently owns or is in the process of acquiring approximately 12,000 properties, which is about 30 percent of the inventory of vacant houses and lots, due to an aggressive acquisition program in recent years. While Project 5000, and the tools in

[1] U.S. Department of Housing and Urban Development, *Abandoned Housing Research: A Compendium*. Washington, DC: U.S. Government Printing Office, 1973.
[2] Alan Mallach, Research Director for the National Housing Institute suggests that abandonment rates as low a 5 % can send a neighborhood or community spiraling out of control. These insights and other impacts of vacant properties are compiled in *Vacant Properties and Smart Growth—creating opportunity from abandonment,* Livable Communities @ Work (September 2004), written by John Bailey and edited by Cheryl Little and published by the Funder's Network for Smart Growth and Livable Communities.

place to implement it, have brought considerable attention to the problem of vacant properties and made admirable strides towards addressing it, a significant challenge clearly still exists. There are a number of key obstacles that could be addressed to enhance the efficacy of existing policies and programs, and affect greater change in Baltimore's neighborhoods.

Our team noted several important challenges related to vacant property revitalization in Baltimore, including:

- The existing tax lien sale process provides tax lien purchasers, who are investors with no required interest in community stabilization and improvement, the opportunity to inexpensively acquire tax liens and extract a fee that might otherwise be collected by the City for public purposes. Tax lien sales have two negative consequences: **a)** liens transfer interest earnings to a third party – revenue which could be used to finance government operations - or even some costs associated with managing tax-foreclosed properties, and **b)** liens transfer foreclosure rights to third parties, often out-of-state investors more interested in liquidated value of property rather than redevelopment of the neighborhood.

- Some vacant and abandoned properties are cycling through the tax sale every two years, since there is not an effective way for the City to foreclose quickly on all of them once tax delinquent. These properties often make it into bundles acquired by investors, which are then redeemed and become delinquent again the following year.

- Baltimore's tax foreclosure process consists of a time-consuming combination of non-judicial sales of tax certificates and a judicial foreclosure of the redemption rights. This results in not just a potentially lengthy period of time for completion, but also a high degree of indeterminacy with respect to obligations of certificates holders.

- The City's three primary disposition vehicles – SCOPE, rolling bids for side lots and liquidation properties, and RFQs – are not achieving the scale that the City or developers would like in the desired timeframe. In addition, these programs do not appear to explicitly prioritize affordable housing, which a growing real estate market in Baltimore will require over the long term. In addition, there is a somewhat arbitrary division of responsibility for property sales between different city agencies, which poses a significant barrier to a coordinated and consistent disposition process. For example, Baltimore Housing utilizes SCOPE, rolling bids and RFQs to dispose of properties, but the Comptroller currently only uses SCOPE to sell property under its jurisdiction.

- The City of Baltimore periodically issues bonds for capital improvements. Routinely, a small portion of the funds derived from the Capital Improvement Bonds is utilized by the Housing Commissioner for acquisition and demolition of properties identified by the office of the commissioner. While this represents a commitment to addressing the problems of abandonment, continuing to issue general obligation bonds for the purpose of demolition may not be a sustainable approach to what will likely be a continuing program of acquisition and demolition.

- Extremely high costs of demolition and relocation are preventing larger-scale impact in some neighborhoods, and new financing mechanisms are needed to cover these costs.

- City of Baltimore disposition and development efforts appear to lack an affordable housing focus generally, both in terms of planning and public policy. Increased coordination and a common vision regarding disposition strategies for City-owned properties among various related departments could result in greater clarity for developers (including community development corporations), increased emphasis on affordability, and more significant impacts in neighborhoods.

III. Potential Strategies to Address Vacant Property Challenges and Issues

We have divided the general challenges and our ideas about possible strategies to address them into four specific areas, described in greater detail below: A. Property Acquisition and Disposition Strategies; B. Tax Liens; C. Tax Sale Procedures; D. Procedures for Foreclosure of the Right of Redemption. Due to the existing expertise of City staff and advancements made during our assessment period, Baltimore Housing has asked us not to focus on information systems in our recommendations at this time. The options within each category range from potential statutory amendments by the Maryland legislature, to revision of City ordinances, to programmatic and policy decisions at the administrative level. In many instances, further research may be necessary or appropriate to determine the precise scope of further action. As mentioned above, these recommendations are mutually exclusive and in some cases suggest different approaches to address the same problem, only one of which should be adopted.

A. Property Acquisition and Disposition Strategies

1. Land Bank Authority. Consider the possibility of seeking statutory authorization for the creation of a land bank authority in Baltimore. The state statute would be permissive and enabling in nature, allowing a local government (perhaps limited to Baltimore) to create a land bank authority as an independent entity. The core powers of the land bank authority would be (i) to acquire (under current law) properties at tax sales for which there is no bid tendered for the minimum bid without a need to pay the minimum bid in cash, (ii) to waive, or forgive, tax liens on properties its holds; (iii) to acquire properties at a tax sale by a preemptive assumption of liability for the minimum bid; (iv) to proceed with expedited foreclosures of the rights of redemption, and (v) to convey properties to third parties for specified public purposes.

2. Tax Lien Waivers. In the event that a land bank authority is created, amend Md. Code Ann. 14-806 to provide that liens are waived (either automatically or upon request) as to all real property in which title vests in the land bank.

3. Minimum Bid on Abandoned Properties. Existing law, Md. Code Ann. §14-817(c), permits a lower minimum bid in the case of abandoned property in Baltimore. While perhaps intended to facilitate the transfer of such properties to third parties, such a provision may actually discourage reinvestment in and redevelopment of such properties. As an alternative, consider the possibility of providing that all properties offered for sale at a public auction, for which the full minimum bid is not offered, shall be deemed as a matter of law to be bid in and sold to a public authority such as a land bank authority.

4. Receivership Actions. Consider the possibility of expanded use of the receivership provisions of Md. Code Ann. §14-831 as to all properties for which Baltimore has a certificate of sale. Such a provision could have even greater import if other amendments are made providing for the automatic transfer of certificates of sale to the City or to a land bank authority in the absence of a minimum bid. In addition, it would be helpful for the statute to better articulate the City's possessory powers for those certificates it holds.

5. Disposition Practices. Consider the possibility of streamlining the process of disposition of properties owned (post-foreclosure of the right of redemption) by the City of Baltimore by creating published guidelines of policies and priorities (see, for example, the Policies and Procedures of the Genesee Land Bank at http://www.thelandbank.org/landbank8252599.asp), and otherwise encouraging proposals from potential purchasers and developers that conform to those policies and priorities. This would allow for disposition priority to be granted to nonprofits for affordable housing development, for example.

6. Financing for Demolition and Acquisition. Already willing to finance demolition with city-issued bonds, we recommend Baltimore consider the use of Tax-Increment Financing (TIF) as a means to more quickly retire debt issued to finance demolition. By pledging the taxes generated by properties cleared for development, the redeveloped properties commit more tax revenue to retire the demolition bonds. This method is more effective if multiple properties are combined into a single TIF plan and are cross-collateralized, thereby allowing the developed properties to provided TIF revenue to finance demolitions of other properties not yet redeveloped. Ideally, this source would provide additional resources for demolition and accelerate the rate of demolition in the city.

7. Inventory Responsibility. It appears that at the present time the City Charter functionally divides the responsibility for the City's inventory between the Comptroller and the Housing Division. Consider the possibility of charter

amendments or delegations to place responsibility in a single program, such as Project 5000, or a newly-created special purpose entity, such as a land bank authority.

8. Project 5000. Increase substantially the transfer of City certificates to P5K, and challenge and empower PK5 to increase the volume and time frames for completing foreclosures.

B. Tax Liens Generally

9. Nature of Property Tax Liability. Consider shifting the nature and extent of liability for property taxes from personal liability to *in rem* liability. At present Maryland law appears to establish the liability as personal liability secured by real property liens that can be enforced through lien foreclosure. The effect of the premise of personal liability is that due process requirements for personal jurisdiction may apply. By shifting to *in rem* liability, without personal liability, all enforcement actions must meet only the *Mennonite* standards of due process and not complete personal jurisdiction and related service requirements. One form of such a change would be an amendment to Md. Code Ann. § 5-101 to make it clear that the tax is a lien on the property, and not the personal liability of the owner. [All statutory references are to Michie's Md. Code Ann. Tax-Property.] Note that this would require a corresponding amendment to §14-817(c)(3).

10. Reform Legislation. At the present time, Baltimore (and Maryland) essentially follow a two-step proceeding for enforcement of property taxes. The first step is a nonjudicial auction of the property to the highest bidder, with only abbreviated notices of the auction, at which time a tax sale certificate is executed. The auction sale is followed by a right of redemption that is terminated only by a more extensive proceeding to terminate the right of redemption and thereby quiet title. In place of this lengthy two-step process in which auction purchasers may or may not proceed to terminate redemption rights, consider the possibility of enactment of a single judicial tax foreclosure process. A single proceeding could reduce significantly the applicable time period, implement comprehensive *Mennonite* quality notice to be given at only a single time, and provide marketable title at the time of final transfer. The Georgia General Assembly enacted such a reform statute in 1995, O.C.G.A. 48-4-75. It is available to be used by local governments in Georgia at their option, in addition to or in lieu of the pre-existing procedures, which are substantially similar to those in Maryland.

11. Redemption Rights. If a judicial *in rem* tax foreclosure procedure is drafted, specify that the rights of redemption post-sale are very short in duration (such as sixty days post sale, as in Georgia).

12. Due Process Notice. One obstacle with tax foreclosures in Baltimore is the challenge of providing constitutionally adequate notice of the proceedings. Consider amending Md. Code Ann. §14-812 and §14-813 to provide that complete *Mennonite* notice is

provided at the time of the first sale. Such notice is presently provided in conjunction with the filing of the complaint to foreclose the right of redemption. Md. Code Ann. §14-836. This change will require complete title examinations to be done, but the cost of such examinations should and could be added to the amount of the taxes to be paid prior to the sale by amending the appropriate provisions of §14-813(g)((vii). [As an aside, note that the United States Supreme Court will hand down this spring a decision in *Jones v. Flowers* which will further clarify the nature and extent of notice that is constitutional required.

13. Tax Lien Sales vs. Delinquent Tax Anticipation Financing. Consider replacing tax lien sales with delinquent tax anticipation financing. The primary purpose for the sale of tax liens is to provide necessary revenue to finance government operations. In communities with relatively high tax delinquency rates, like Baltimore, uncollected taxes can represent a significant portion of the revenue required for basic services. Further, local governments generally operate on thin financial margins, making it difficult to budget for expenditures without reliable revenue projections. By selling liens to investors for the value of the uncollected tax (in some instances for amounts above the anticipated tax related to a particular property or set of properties), local governments recover revenue lost to tax delinquency. Liens, however, also serve as a fairly lucrative investment for the investor, providing a fixed rate of return and secured by legal interest in the property, while the right to foreclose on the subject property is transferred to the lien holder.

    While a tax lien does provide an immediate infusion of cash, there is another method to replace uncollected tax revenue without transferring the lien revenue and foreclosure rights to a third-party investor. By issuing Delinquent Tax Anticipation Notes (DTANS), local governments can sell short-term notes to finance revenue shortfalls due to uncollected tax. Issuing DTANS allows the local government to generate the revenue by selling notes (short-term bonding) secured by a general obligation pledge of the local government. These notes are priced at a rate consistent with other government issued bonds.

    In Michigan, where 82 of the 83 counties use some form of delinquent tax anticipation financing, this system has become a reliable method of financing local government. Delinquent tax notes generally earn interest well below the statutory rate of interest paid by delinquent taxpayers, thereby creating a positive arbitrage (earnings on borrowed money). As a rule, tax liens have a high rate of redemption, particularly for higher valued properties. This would be particularly true in Baltimore, where liens are generally sold on properties with the highest likelihood of being redeemed by the property owner. By combining DTAN financing with judicial foreclosure recommended in Section IIIC of this report, local government can achieve two goals simultaneously: 1) finance government operations reliably, and 2) minimize the negative impacts of privatized tax foreclosure.

C. Tax Sale Procedures

14. Eligible Auction Bidders. Consider amending Md. Code Ann. §14-817 to provide that a bidder is disqualified if the bidder (or an affiliate of the bidder) at the time of the sale or during a period of two years prior to the sale owned property in Baltimore that had delinquent taxes.

15. Bid Price. At present the law appears to require at the initial sale only the payment of the tax liability, and not the full purchase price (when the purchase price exceeds the taxes). In order to eliminate speculation in "tax titles", amend Md. Code Ann. §14-817 and §14-818 to require full payment at the auction of the full purchase price. Such an approach would eliminate the need for high-bid premiums unless it is felt that such high-bid premiums are still tactically appropriate to discourage speculation.

16. Open Bids. Consider the possibility of amending Md. Code Ann. §14-817(a)(5)(v) to provide that all bids are open public bids. Such an approach in most jurisdictions encourages higher bids. The auctions can be structured to occur on a rotating periodic basis to maximize efficiency.

17. Recordation of Tax Sale Certificates. Amend Md. Code Ann. §14-820 to provide that the collector simultaneously records the tax sale certificate and delivers a duplicate to the purchaser. Such a procedure will ensure that the identity of the purchaser is know as a matter of public record immediately.

18. Assignments of Tax Sale Certificate. Consider amending Md. Code Ann. § 14-821 and §822 to provide that recordation of the assignment is required in order to put third parties on notice of the assignment, and is a condition precedent to the initiation of foreclosure proceedings.

19. Payment of Redemption. If Maryland is going to continue to follow its existing procedure of tax sale certificates being held by private third parties, consider amending Md. Code Ann. §14-828 to provide that all redemption amounts must be paid to the record holder of the certificate. The state law affirms the rights of private third parties to hold the certificates, yet imposes on public collectors the responsibilities for collecting and receiving the redemption funds on behalf of the private parties. This increases the burden on the City without providing it the corresponding authority to fix the underlying problem.

D. Procedures for Foreclosure of the Right of Redemption

20. Time Period to Foreclose Redemption. Consider reducing the maximum time period for commencement of the foreclosure proceeding from two years to six months, Md. Code Ann. §14-820(a)(8). Provide that the time period runs from the date of the sale and not the date of the certificate.

21. Commencement of Action. Consider eliminating the six months waiting period between the date of the sale and the permissible time for filing a complaint to

foreclose the right of redemption. Md. Code Ann. §14-833. Under subparagraph (f) of this section there is no such waiting period for abandoned property in Baltimore.

22. <u>Commencement of Actions in Baltimore</u>. Create as standard operating procedures in Baltimore a commitment that a complaint is filed for all properties within six months of the auction

23. <u>Parties to Complaint</u>. Consider amending Md. Code Ann. to provide that the complaint shall identify as the "defendant" only the subject real property. All owners and other parties are to be given notice of the proceeding as currently specified in subparagraph (b)(4).

24. <u>Bulk Petitions</u>. The former Md. Code Ann. § 14-841 expressly authorized a party to file with the court a single complaint identifying up to ten properties. This section was repealed effective July 1, 2003. The legal or policy basis that led to the repeal of this section is not self-evident. Other jurisdictions, such as Michigan, are moving in precisely in the opposite direction by permitting or encouraging the filing of "bulk" petitions for foreclosure. A bulk petition process will reduce court filing, court costs, and hearings.

25. <u>Modification of Service</u>. If the focus of property tax liability shifts from personal liability to *in rem* liability, there is no constitutional need for service as contemplated by Md. Code Ann. §14-839. Instead, amend this section to contemplate that any party that receives notice may request a hearing.

26. <u>Master Review</u>. The Maryland statutes do not appear to require an extensive and substantive review of the adequacy of the complaint and the sufficiency of the notice, yet this is the dominant practice in the City of Baltimore. Consider the possibility of eliminating entirely the procedure for review by a master of the complaint and the notice. In its place substitute simply a procedure for a hearing before a Master when and if a hearing is requested by an interested party.

27. <u>Expenses</u>. Consider amending Md. Code Ann. §14-843 to specify a minimum fee (such as $1000) designed to cover all overhead and staffing costs related to the foreclosure process.

28. <u>Electronic Submission of Data</u>. Consider seeking a special rule from the Maryland Court of Appeals that would permit the filing of complaints and exhibits in electronic format. Alternatively, develop a procedure that would permit the transmittal of a copy of the complaint, the affidavit, and all supporting documentation to the Master in pdf format.

APPENDIX 6:

Genesee County Land Bank Authority Priorities, Policies and Procedures

Priorities Concerning the Disposition of Properties

The disposition of properties shall be based upon a combination of three different factors. The first factor involves the intended or planned use of the property. The second factor considers the nature and identity of the transferee of the property. The third factor addresses the impact of the property transfer on the short and long term neighborhood and community development plans. Within each factor is a ranking of priorities. The disposition of any given parcel will be based upon an assessment of the most efficient and effective way to maximize the aggregate policies and priorities. The Board and Staff of the Land Bank shall at all times retain flexibility in evaluating the appropriate balancing of the priorities for the use of property, priorities as to the nature of the transferee of properties, and priorities concerning neighborhood and community development.

Priorities for Use of Property

1. Neighborhood revitalization.
2. Homeownership and affordable housing.
3. Return of the property to productive tax paying status.
4. Land assemblage for economic development.
5. Long term "banking" of properties for future strategic uses.
6. Provision of financial resources for operating functions of the Land Bank.

Priorities as to the Nature of the Transferee

1. Qualified nonprofits corporations that will hold title to the property on a long-term basis (primarily rental properties) or hold title to the property for purposes of subsequent reconveyance to private third parties for homeownership.
2. Governmental entities.
3. Nonprofit institutions such as academic institutions and religious institutions.
4. Entities that are a partnership, limited liability corporation, or joint venture comprised of a private nonprofit corporations and a private for-profit entity.
5. Individuals who own and occupy residential property for purposes of the Side Lot Disposition Program.

Individuals and entities that were the prior owners of property at the time of the tax foreclosure which transferred titled to the Treasurer shall be ineligible to be the transferee of such property from the Treasurer.

Priorities Concerning Neighborhood and Community Development

1. The preservation of existing stable and viable neighborhoods.
2. Neighborhoods in which a proposed disposition will assist in halting a slowly occurring decline or deterioration.
3. Neighborhoods which have recently experienced or are continuing to experience a rapid decline or deterioration.
4. Geographic areas which are predominantly non-viable for purposes of residential or commercial development.
5. Within and among each of the first four priorities shall be a concurrent priority for targeted geographic areas for which a qualified strategic development plan has been approved.

Factors in Determining Consideration Due Upon Transfers

The following factors shall constitute general guidelines for determination of the consideration to be received by the Land Bank for the transfer of properties. In each and every transfer of real property the Land Bank shall require good and valuable consideration in an amount not less than the lower of the fair

market value of the property or the Property Costs. “Property Costs” shall mean the aggregate costs and expenses of the Land Bank attributable to the specific property in question, including costs of acquisition, maintenance, repair, demolition, marketing of the property and indirect costs of the operations of the Land Bank allocable to the property.
The amount of consideration shall be determined by the Land Bank in its sole discretion. The consideration to be provided by the transferee to the Land Bank may take the form of cash, deferred financing, performance of contractual obligations, imposition of restrictive covenants, or other obligations and responsibilities of the transferee, or any combination thereof.

1. Transfers to Nonprofit entities for affordable housing.
(a) Transfers of property to nonprofit entities for the development, operation or maintenance of affordable housing shall require consideration not less than the Project Costs.
(b) Consideration shall be established at a level between the Property Costs and fair market value of the property. To the extent that the consideration exceeds the Property Costs, such amount shall be reflected by a combination of contractual obligations to develop, maintain, or preserve the property for specified affordable housing purposes. Such amount may be secured by subordinate financing in which amortization of the obligation occurs by virtue of annual performance of the required conditions.
(c) The dominant priority in determining the amount of and method of payment of the consideration shall be to facilitate the development of affordable housing and simultaneously to ensure that the property is dedicated over an appropriate period of time for affordable housing.

2. Transfers to Governmental Entities.
(a) To the extent that transfers of property to governmental entities are designed to be held by such governmental entities in perpetuity for governmental purposes, the aggregate consideration for the transfer shall be based upon deed restrictions upon the use of the property.
(b) To the extent that transfers of property to governmental entities are anticipated as conduit transfers by such governmental entities to third parties, the consideration shall consist of not less than then Property Costs, to be paid in cash, The difference between the Property Costs and the fair market value may be included in consideration depending upon the relationship between the anticipated uses and the governing priorities of the Land Bank.

3. Side Lot Disposition Program.
The pricing policies applicable to the Side Lot Disposition Program shall be as set for in the policies and procedures applicable to the Side Lot Disposition Program.

4. Transfers of Property at Open Market Conditions.
(a) Property that is transferred on the open real estate market, whether through auction or negotiated transfers, without restrictions as to future use shall be based upon consideration equal to the fair market value of the property. Such consideration shall be paid in full at the time of the transfer.

Residential Land Transfers

These policies pertain to transfers whose future use is residential. At time of transfer the property may be vacant, improved or ready to occupy.

A. Residential Land Transfer Policies

1. The transferee must not own any real property that has any unremediated citation of violation of the state and local codes and ordinances.

2. The transferee must not own any real property that is tax delinquent.

3. The subject property must not have been used by the transferee or a family member of the transferee as his or her personal residence at any time during the twelve (12) months immediately preceding the submission of application (except in rental cases).

4. The transferee must not have been the prior owner of any real property in Genesee County that was transferred to the Treasurer or to a local government as a result of tax foreclosure proceedings unless the Land Bank approves the anticipated disposition prior to the effective date of completion of such tax foreclosure proceedings.

5. The use of transferred property must give consideration to the Community/Neighborhood Plan (if one is in place) and received a letter of comment from the appropriate planning groups.

6. Parcels of property shall be transferred for consideration in an amount not less than the lower of the fair market value or the amount of the costs incurred in acquisition, demolition and maintenance of the lot/building.

7. All development projects should be started and completed within a time frame negotiated with Land Bank.

8. Options are available for 10% of the parcel price for up to a 12-month period. This fee will be credited to the parcel price at closing. If closing does not occur, the fee is forfeited. All option agreements are subject to all policies and procedures of the Land Bank pertaining to property transfers.

9. A precise narrative description of future use of the property is required.

10. Transactions shall be structured in a manner that permits the Land Bank to enforce recorded covenants or conditions upon title pertaining to development and use of the property for a specified period of time. Such restrictions may be enforced, in certain cases, through reliance on subordinate financing held by the Land Bank.

11. The transferee must agree to pay future property taxes from time of transfer.

12. If code or ordinance violations exist with respect to the property at the time of the transfer, the transfer agreements shall specify a maximum period of time for elimination or correction of such violations, with the period of time be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.

13. The proposed use must be consistent with current zoning requirements or a waiver for non-conforming use is a condition precedent to the transfer.

14. Where part or all of the consideration for the transfer is the prospective affordability of the housing units, affordability requirements will be set forth in the transfer agreement and enforceable through recorded covenants, conditions or limitations upon title.

15. Where rehabilitation of a property by the transferee is a condition of the transfer, the requirement for such rehabilitation shall be in accordance with rehabilitation standards as established by the Land Bank and adequate completion of such rehabilitation shall be a condition to the release of restrictions or lien securing such performance. The following additional policies shall apply to properties to be transferred to individual transferees as part of a homeownership program.

16. The owner-occupant must complete renovations and move into the structure with in a time frame negotiation by the Land Bank.

17. The property may not be used as rental property.

18. For properties transferred for cash consideration below full fair market value of the property, the owner-occupant must reside in the property as his or her primary residence for at least a 5-year period. If the property is sold prior to the 5-year period the transferee must sell the property for no more than the purchase price from the Land Bank plus all cost of property improvements plus a 5% annual inflation rate.

19. Parcels of property shall be transferred for consideration in an amount not less than the lower of fair market value or the amount of the costs incurred in acquisition, demolition and maintenance of the lot/building.

B. Residential Land Transfer Procedures – Individual Transferees

1. The prospective transferee must submit the following documents to the Land Bank Transaction Specialist:
(1) List of property address
(2) Rehabilitation / Improvement Specifications
(3) Time Line for Rehabilitation / Improvement Completion (if applicable)
(4) Project Financing (Pre-Qualification Letter for Lender)
(5) Development Budget (if applicable)
(6) Most Recent Tax Return
(7) A Picture Identification
(8) Proof of Social Security Number

2. With in a 30-day period of receiving a complete request packet, the Transaction Specialist will complete a basic analysis and present it to the Land Bank Director for approval.

3. Once the project has been approved, the Transaction Specialist will compile the closing documents for property transfer and complete the transaction with the transferee.

C. Residential Land Transfer Procedures – Corporate Transferees

1. Required Application Documentation. The prospective buyer must submit the following documents to the Land Bank Transaction Specialist.
(1) List of property address(es)
(2) Project Description
(3) Development Team Description, including complete information on the following parties:
(a) Developer:
(b) Co-developer/Partner:
(c) Owner:
(d) General Contractor:
(e) Consultants:
(f) Architect:
(g) Project Manager (during construction):
(h) Lead Construction Lender:
(i) Marketing Agent:
(j) Project Management (post-construction):
(4) Market Information / Plan
(5) Project Financing
(6) Development Budget
(7) All Rental Transactions Must Attach an Operating Budget
(8) Most Recent Audited Financial Statement
(9) Evidence of compliance with all applicable Land Bank policies

2. Following receipt of a completed application, the Transaction Specialist will complete a basic analysis and present it the Land Bank Director or such other persons as designated by the Director for approval.

3. Once the project has been approved the Transaction Specialist will compile the closing documents for property transfer, and complete the transaction with the buyer.

Approvals of Land Transfers

A. Transfers Requiring Board Approval

The Board of Directors must approve all transfers:
1. that require any exceptions to policies and procedures adopted by the Board of Directors.
2. in which the property in the hands of the transferee will be exempt from property taxes.
3. that involve more than one interested party.
4. for non-residential projects.
5. to governmental entities.

B. Transfers Requiring Director Approval

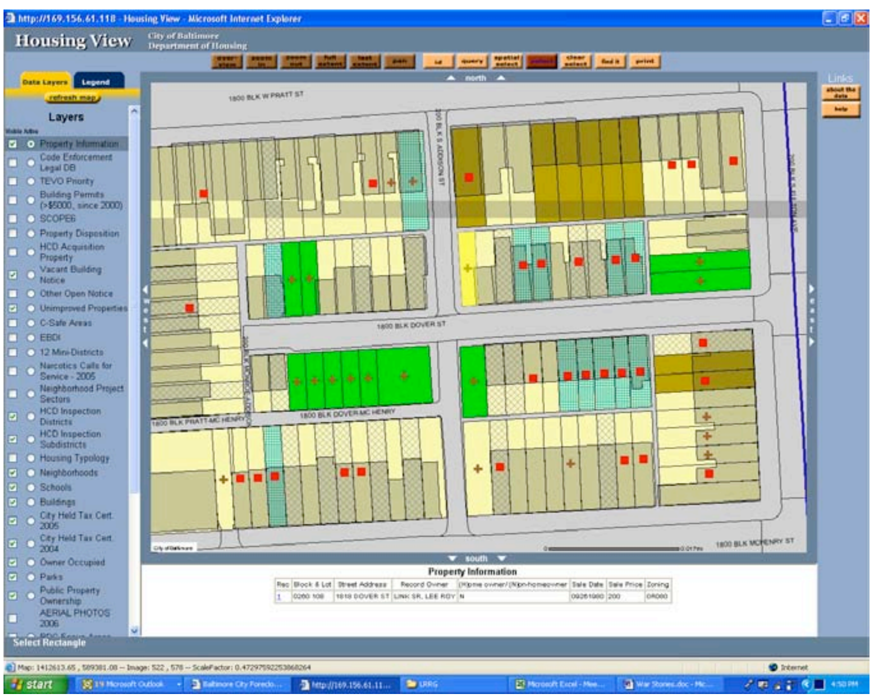
1. The Director may approve all transfers in the Side Lot Disposition Program and may further delegate, by written policy, such approval authority.
2. The Director may approve all transfers to individuals as part of the homeownership program.
3. The Director may approve all single parcel land transfers (single-family) to nonprofit corporations for residential use. If a prospective transferee seeks to acquire more than three (3) properties within a twelve month period, the request must go to the Land Bank Board for approval.
4. All transfers authorized by the Director must be reported in writing to the Board of Directors at the immediately following Board meeting.

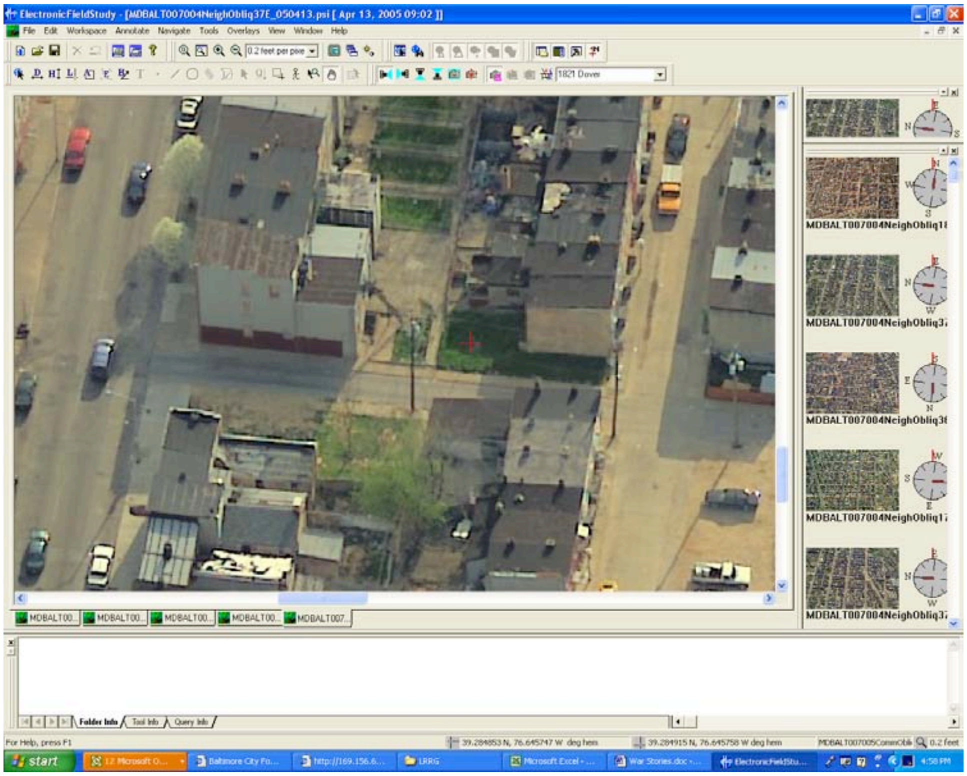
Anecdotes Highlighting the Obstacles to Selling City Property

1821 Dover Street
How Much for that Side Yard?

1821 Dover Street is a vacant lot in the Carrollton Ridge neighborhood adjacent to an owner occupied property. The neighboring owner substantially improved this once derelict lot next to her home with assistance from Operation Reach Out Southwest (OROSW)'s Clean & Green Program (in partnership with Bon Secours and Civic Works). The lot was graded and landscaped -- including new topsoil, grass and flowers -- and fenced at an estimated cost of $1,700 in labor and materials. The adjacent owners have continued to maintain the lot as though it was their own.

At the request OROSW and the Community Law Center, the City acquired the property through Project 5000 by foreclosing on nearly $2500 in unpaid municipal liens. In 2005, the adjacent owner offered to purchase the property for $100 as a side yard. In conformance with current City policy, the lot was appraised prior to finalizing a sales contract. The appraiser valued the lot at $2,600, and thus, even crediting the purchaser $1700 for improvements to the lot, the $100 offer price was below the value the City could accept under existing policy. The property remains in City ownership and is not generating any taxes.

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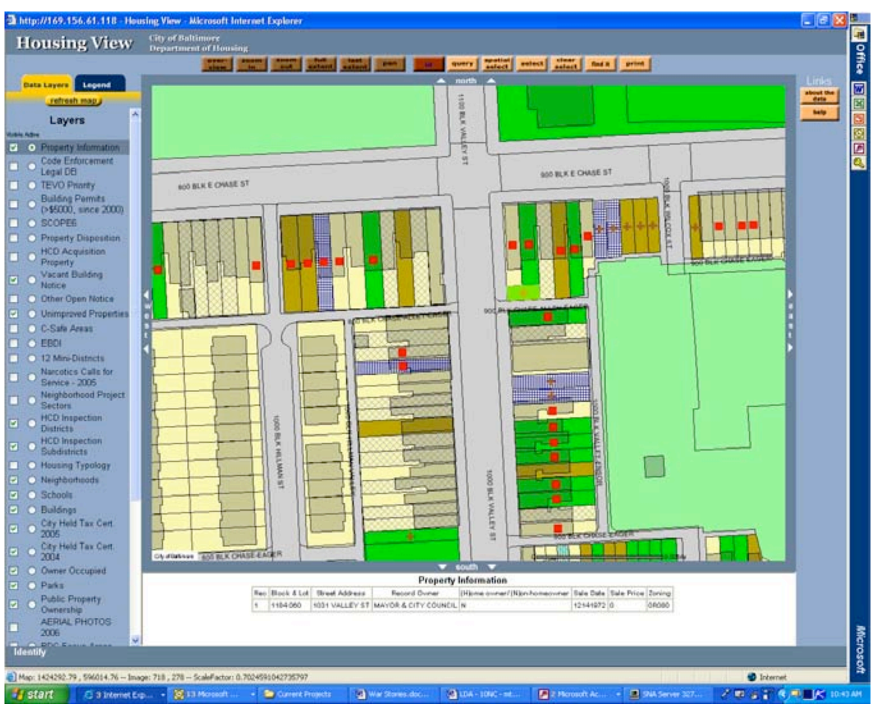
1031 Valley Street
How Divided Jurisdiction of City Property Hinders Sales

1031 Valley Street is a vacant lot, measuring 16 feet by 32 feet, immediately behind a vacant City-owned building at 903 E. Chase Street in Johnston Square. The vacant lot is assigned to the Office of Real Estate and has been in City ownership since 1972.

In 2004, HCD awarded 51 properties to a developer for a scattered site rehab project, including 14 vacant buildings along Chase and Valley streets. Seeing no independent development potential for this small lot, HCD included 1031 Valley Street as part of the development package for use as a parking pad or side yard for 903 E Chase at no additional cost (903 E. Chase was valued at $10,000). Approval for the Land Disposition Agreement for the 51 properties was delayed by the discovery that three properties were listed under another agency's jurisdiction. Two of the lots were mis-identified and the error was promptly corrected.

It was determined that the sales contract could not be presented to the Board of Estimates until jurisdiction of the vacant lot at 1031 Valley Street was formally transferred through a separate process <u>and</u> HCD agreed to forego any proceeds from the sale of that lot to the other City agency. The resultant delay in sorting out jurisdiction added more than a month to the approval process. This delay, in part, resulted in the expiration of the supporting appraisals. By the time the new appraisals were commissioned, the property values had increased substantially. The developer ultimately abandoned the transaction citing contract delays and the change in sales price.



McCulloh Street
A Tale of Two Appraisals and One Failed Sale

In January 2007, HCD offered to sell a bundle of 14 scattered vacant buildings in West Baltimore through its web-based rolling bid process. A block from here, the City had failed to receive a successful offer for 1830 McCulloh Street, which was listed through a realtor for $25,000. The vacant shell at 1921 McCulloh Street was sold a month earlier for just over $10,000 through the rolling bid process. The sale was supported by an appraisal.

A local Community Development Corporation was selected as the purchaser for the 14-property bundle. The CDC's $3,500 offer was $1,000 less than the highest offer received, but was accepted based on other development rating criteria.

Despite having selected the buyer through a competitive process, the Board of Estimates policy requires that the City receive appraised value for the properties. The properties appraised in May 2007 at $117,000, well above the offer price, the appraisal supporting the City's recent sale of 1830 McCulloh, and above the $25,000 asking price for 1921 McCulloh that the City's broker was unable to sell.

The outcome of the proposed sale remains unresolved.

1921 McCulloh - Front

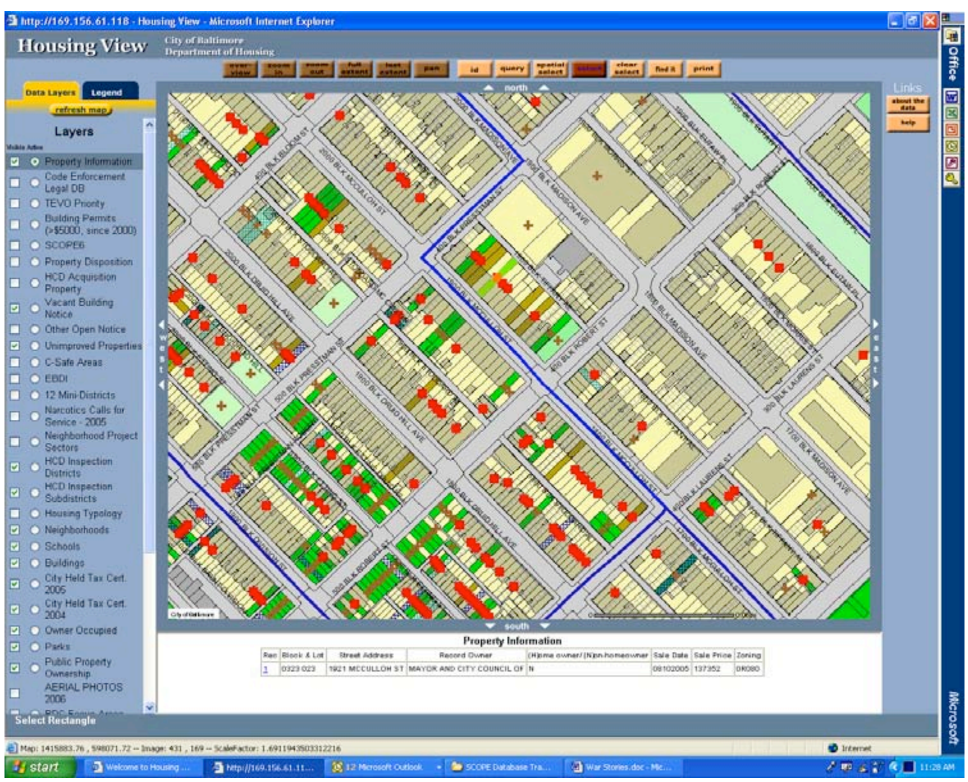
1921 McCulloh - Rear

Appraised value $10,100

2022 McCulloh Street – Front

2022 McCulloh – Rear

Appraised value $117,000

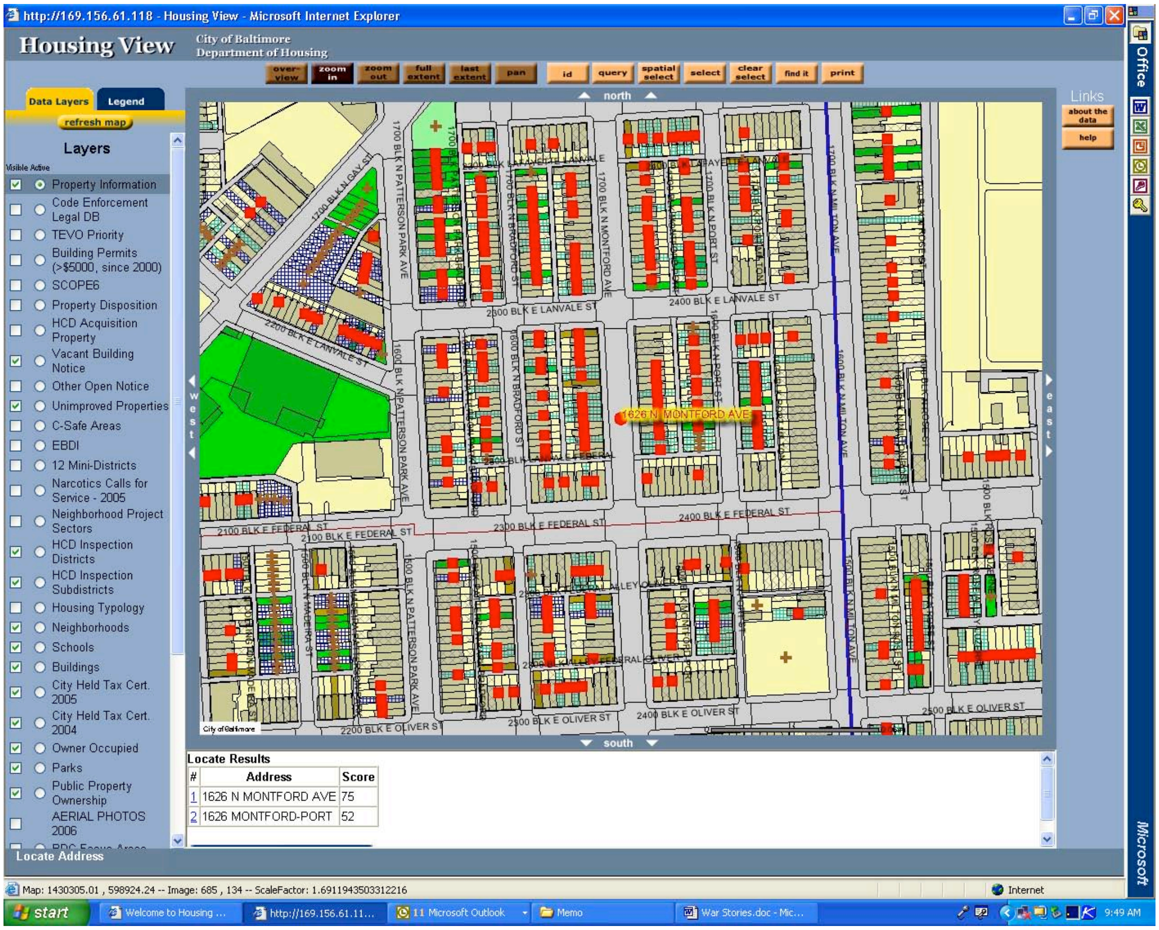


1600 Block of North Montford Ave.
How the Tax Sale process interferes with re-development efforts

The 1600 block of N. Montford Avenue is in the Broadway East neighborhood and just a few blocks west of the former American Brewery building. The area has one of the highest concentrations of vacant properties in the City. There are 35 houses on the block, of which only 8 are occupied (only 2 houses on the west side of the block are occupied). One weekend this past spring, four homicides were recorded just blocks away.

Following the May 2004 tax sale, the City assigned two tax certificates to separate investors for the face value of the liens – 1626 and 1630 N. Montford were sold for $220 and $4,020, respectively. The separate investors initiated foreclosure proceedings in 2006 and completed the foreclosures in early 2007 and recorded deeds.

In response to the advanced state of deterioration and disinvestment on the 1600 block of N. Montford, the City decided last year to demolish the west side of the block. After notice to the tax sale purchasers, HCD officials met with the two investors to notify them of its demolition plans. Neither investor had any specific plans for the property, though both suggested they might rehab and rent to a Section 8 tenant. One investor confessed she had not seen the property in the 18 months since she purchased the tax certificate. To prevent the investors from doing isolated rehabs on a block that is not economically viable and to demolish the obsolete houses, the City is purchasing the two properties in at an estimated cost of $36,000. Put another way, the cost to the City for collecting $4,240 in back taxes is $36,000.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Department of Housing
Data Layers
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Building Permits (>$5000, since 2000)
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Property Disposition
HCD Acquisition Property
Vacant Building Notice
Other Open Notice
Unimproved Properties
C-Safe Areas
EBDI
12 Mini-Districts
Narcotics Calls for Service - 2005
Neighborhood Project Sectors
HCD Inspection Districts
HCD Inspection Subdistricts
Housing Typology
Neighborhoods
Schools
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