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TACKLING THE CHALLENGE OF BLIGHT IN BALTIMORE: AN EVALUATION OF BALTIMORE'S VACANTS TO VALUE PROGRAM





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ABOUT CENTER FOR COMMUNITY PROGRESS

Founded in 2010, the Center for Community Progress is the only national 501(c)(3) nonprofit organization solely dedicated to building a future in which entrenched property vacancy, abandonment, and deterioration no longer exist in American communities. The mission of Community Progress is to ensure that communities have the vision, knowledge, and systems to transform vacant, abandoned, and deteriorated properties into assets supporting neighborhood vitality. Community Progress serves as the leading resource for local, state, and federal policies and best practices that address the full cycle of property revitalization.

TABLE OF CONTENTS

I	Introduction: What Vacants to Value Is and why It matters	6
II	Literature Review	13
III	Vacant to Value Results by Strategy	21
	A Streamline the disposition process	
	B Streamline code enforcement in middle market neighborhoods	
	1 Performance outcomes in SCENs	
	2 Receivership: a critical tool	
	C Facilitate investment in community development clusters near areas of strength	
	D Targeted homebuyer incentives	
	E Support development/major redevelopment activity	
	F Maintain, clear, hold and identify non-housing uses	
	G Coordinated green, healthy and sustainable home and neighborhood improvements	
IV	Relating Program Outcomes to City’s V2V Outcomes	70
	A Reduce the number of [vacant] properties in targeted areas through demolition and rehabilitation	
	B Attract investors and developers to work in SCENs and CDCs	
	C Make Baltimore a more visually appealing and welcoming city which would attract new and retain current residents and help increase total population	

- D Improve quality for housing for homeowners and renters of V2V properties and for existing residents on V2V blocks.
- E Strengthen housing markets and increase the tax base by increasing the market value of properties
- F Improve health, safety and quality of life of residents in targeted neighborhoods
- G Create partnerships with other city agencies to target their services to V2V areas

V	Program Achievements and Challenges	79
A	Major Achievements	
1	Designing and implementing an effective market-driven approach to reusing vacant properties	
2	Putting in place an efficient, transparent process of municipal property disposition	
3	Creating a strong partnership for greening vacant lots	
B	Major Challenges	
1	Coordination and integration of strategies	
2	Targeting	
3	Communications	
4	Access to capital	
5	Tracking outcomes	
6	The equity challenge	
VI	Recommendations	100
	Appendix: Research Bibliography	113

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The full report of the quantitative analysis of the Vacants to Value program prepared by the Baltimore Neighborhood Indicators Alliance, from which much of the material in this report was derived, is available at <http://bniajfi.org/evaluation-of-the-baltimore-city-vacants-to-value-program/>; alternatively, BNIA can be accessed directly at <http://bniajfi.org/>.

I WHAT VACANTS TO VALUE IS AND WHY IT MATTERS

In 2010, the City of Baltimore kicked off the Vacants to Value (V2V) program, a multifaceted strategy to use code enforcement and related tools to reduce the number of vacant properties in the city and put them back into productive use; or, as stated in the City’s Request for Proposals, “to address conditions of blight and abandonment and to help realize Mayor Rawlings-Blake’s 10 Year Plan to grow the city by 10,000 households by 2020.”

The V2V program was designed to be “a market-based and data driven, geographically focused program that employs seven strategies to eliminate blight and strengthen neighborhoods.” The seven strategies identified by the city are as follows:

- **Streamline the disposition process**
- **Streamlined code enforcement in middle market neighborhoods**
- **Facilitate investment in community development clusters near areas of strength**
- **Targeted homebuyer initiatives**
- **Support development/major redevelopment activity**
- **Maintain, clear, hold and identify non-housing uses**
- **Coordinated green, healthy and sustainable home and neighborhood improvements**

In 2015, after the program had been underway for five years, the City of Baltimore commissioned the Center for Community Progress, in partnership with the Baltimore Neighborhood Indicators Alliance and the Schaefer Center of the University of Baltimore, to conduct an evaluation of the City’s Vacants to Value (V2V) program, and make recommendations for future program directions. This report is our response to that charge. It includes the results of our quantitative or statistical analysis of V2V program interventions and their effect on the neighborhoods in which they were pursued, as well as our qualitative findings from the interviews and focus groups we conducted with City officials, developers, neighborhood leaders, and others. While we are deeply appreciative of the time that many people spent with us during the course of our work, we also remain disappointed that many others did not respond to our requests for interviews. Our efforts to gather information about V2V buyers and tenants through an on-line survey also yielded disappointing results.

Finally, the report contains a body of recommendations, ranging from the broadly strategic to the more narrowly technical, for city government as it continues to address Baltimore's long-standing challenges of housing, redevelopment, blight elimination and neighborhood stabilization. While the report presents a substantial body of quantitative information, the conclusions presented in the report represent a synthesis of our quantitative analysis, our findings from the interviews and focus groups, and finally, the author's personal observations and experience over many years.

In a nutshell, we have found that the Vacants to Value program has been highly successful in certain respects, but less so in others. Specifically, *where Vacants to Value is specifically designed to operate as a strategy to increase productive reuse of vacant properties in areas where market conditions enable the V2V strategies to leverage private resources*, it has shown considerable success. As we describe in detail in this report, V2V strategies have led to large numbers of vacant properties being restored to use without the need to draw upon what are and will continue to be severely limited public subsidies. Although it is impossible to prove a counter-factual, we believe that many, and probably most, of these properties would not have been reused in the absence of the V2V program. At the same time, as we discuss below, while in some areas this success has translated to significant neighborhood change, that has not always been the case; furthermore, some of the other activities falling under the V2V umbrella have had more limited effect.

Recognizing the areas where V2V has been less successful should not obscure the importance of what the City has sought to accomplish, both for Baltimore's future and as a valuable model worth investigating by other cities facing similar challenges. Around the United States, public anti-blight activities such as code enforcement, receivership, rehabilitation and demolition continue more often than not to be compartmentalized and pursued with little coordination or relation to one another. Even though practitioners have learned a good deal about the relationship between neighborhood market conditions and the success or failure of various initiatives, many cities continue to pursue these initiatives while giving little or no attention to the many differences in market conditions among each city's neighborhoods.

While other cities have pursued a variety of pilot projects and strategies targeted at a handful of individual neighborhoods, V2V as a property reuse program stands out nationally as a citywide effort grounded in market assessment and the tailoring of interventions to market conditions.

Using an analysis of neighborhood-level market conditions as its starting point, V2V has attempted first, to identify a menu of vacant property strategies, and then determine, on the basis of those market conditions, which types of neighborhood are the best fit for each cluster of strategies. At the same time, the program has attempted to initiate a series of process improvements within City government designed to mesh with the proactive strategies being pursued in the different city neighborhoods.

This strategy has considerable importance, not only for the future of Baltimore, but as a potential model for other cities. Despite significant economic progress in recent years, the city of Baltimore continues to face massive and difficult challenges of neighborhood decline, property abandonment, substandard housing and more, all interwoven with the underlying challenges of racial segregation, concentrated poverty, unemployment, and marginalization. . While V2V was not designed to address all of those issues – and indeed no property intervention strategy can possibly do so – strategies to address vacant properties are still a critical element in any large-scale revitalization effort. As a new

administration arrives in Baltimore City Hall, the problems of vacant properties and blight will inevitably be high on their agenda. Whether or not the new administration chooses to continue V2V in name, we feel strongly that it is in the best use of public resources to build on the successes of the V2V program to expand its scope and capacity rather than start from scratch or pursue small-scale pilot programs. Moreover, as we discuss in our recommendations, we believe it can be both enhanced and made more effective through incorporation of additional features and better integration with other City programs and initiatives.

It is important, however, to be realistic about what can be achieved in the struggle against blight in light of the extremely limited resources available, on the one hand; and the daunting underlying social and economic issues on the other. Public resources are not likely to grow significantly in the coming years; if anything, they may become increasingly constrained. A city should set ambitious goals, but needs to keep those goals within the confines of what it can potentially achieve. Plans and proposals that cannot be achieved with the resources likely to be available will inevitably lead to disappointment and frustration, and should not be pursued, however attractive they may appear. We have tried to maintain this perspective in our recommendations.

A central element of V2V is the targeting of specific strategies to specific types of area within the city, based on market criteria. The two types of area that have been a particular focus on the strategy are those known as Streamlined Code Enforcement Neighborhoods (SCENs) and Community Development Clusters (CDCs). The identification and targeting of strategies to these two areas is a central part of the V2V framework.

SCENs (Streamlined Code Enforcement Neighborhoods) are areas where vacant properties are scattered rather than concentrated, and where market conditions are believed to be strong enough so that effective code enforcement is likely either to motivate owners of vacant properties to restore them to use or render the properties desirable candidates for rehabilitation through the receivership process. The City has designated 83 SCENs; examples are Belair-Edison, Reservoir Hill and Lauraville (Figure I-1).

CDCs (Community Development Clusters) are areas where large number of vacant properties and other distress conditions are present, but which by virtue of their proximity to areas of strength have drawn developer interest in rehabilitating properties for market-rate sale or rental. The City has designated 24 CDCs; examples are Barclay, Oliver and Patterson North (Figure I-2).

From a market perspective, the most substantial goal of V2V is to stabilize or improve market conditions in SCENs, and build progressively stronger market conditions in CDCs. At the same time, recognizing that there are many areas in the city where weak market conditions make rehabilitation or redevelopment infeasible without large-scale public subsidy, V2V strategies in those areas are designed to focus on maintaining quality of life for existing residents through demolition, maintenance and greening of vacant lots, as well as helping individual homeowners upgrade their homes.

This reflects a feature of V2V noted briefly above which is particularly important to recognize, even though it is not stated explicitly in the city's published materials. *V2V is a strategy designed to maximize reuse of vacant buildings and maximize impact on housing markets **in the absence of any substantial source of public funds that can be used for that purpose.***

Figure I-1: Streamlined Code Enforcement Neighborhoods (SCENs)

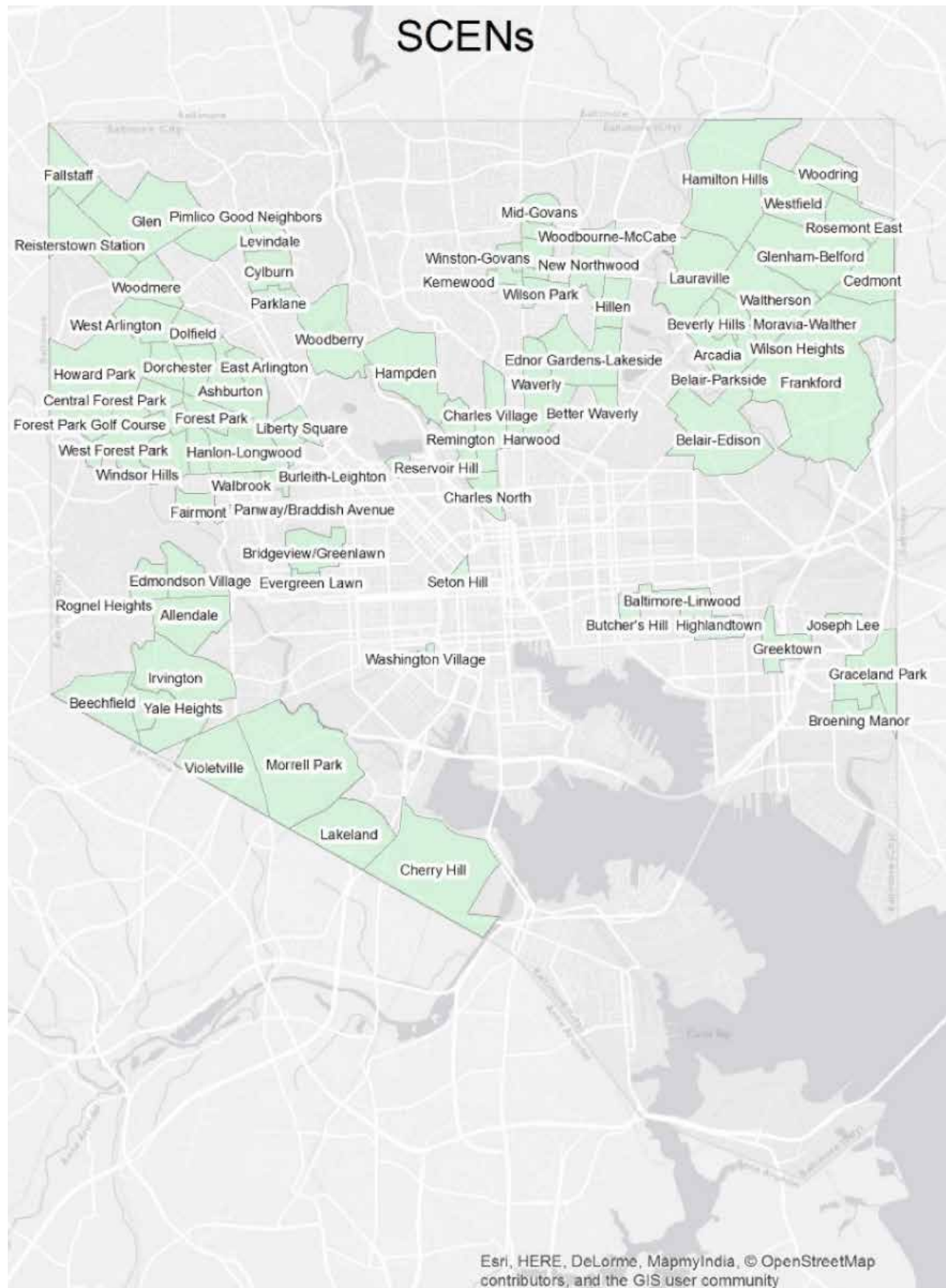
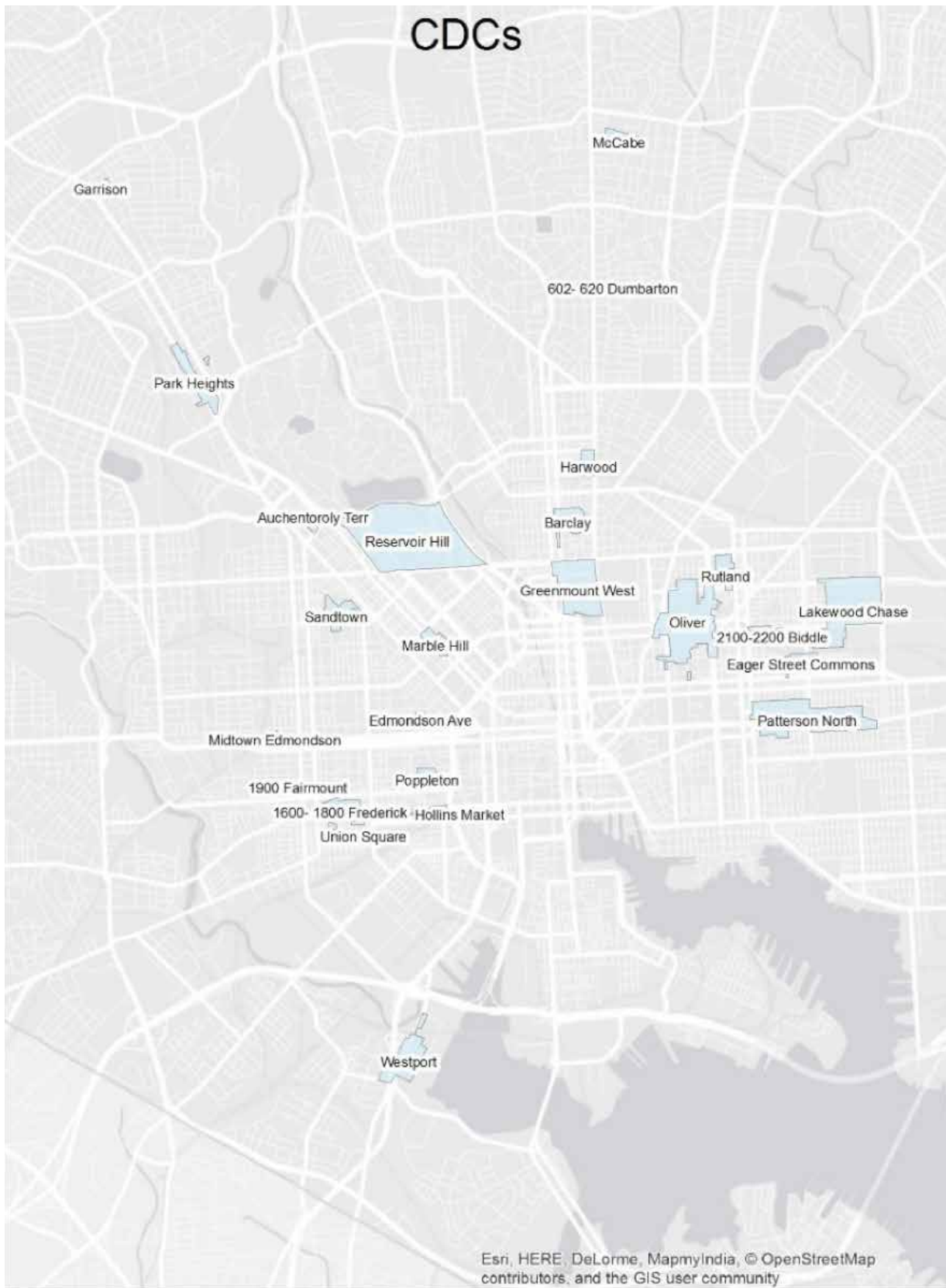


Figure I-2: Community Development Clusters (CDCs)



The City of Baltimore has little money available for rehabilitating vacant houses, particularly where the goal of rehabilitation is to create market-rate rather than means-tested or income-restricted housing; that is, subsidized housing that is only available to people below specified income levels. The City uses nearly all of its modest allocation of HOME funds either to support non-profit developers or leverage Low Income Tax Credit rental housing, while competition for CDBG funds from non-profit housing developers, social service providers, and community organizations is intense. The level of funding for both programs, moreover, has steadily declined in recent years. Since 2001, Baltimore's CDBG allocation has declined by 35% and its HOME allocation by 64%. While the city appears to use whatever affordable housing resources are available to support the needs of its low-income residents, those resources fall far short of what is needed.

This is a key point. *V2V aims to supplement what the City and its partners can achieve with public subsidy by creating conditions that lead to the investment of private resources to rehabilitate vacant properties.* That goal, in itself, is hard to challenge. The painful reality is that *strategies which can do that can only succeed in those areas where the underlying market conditions are strong enough to make it possible for the V2V strategies to leverage private resources.* It is important to stress, however, that this does not mean “gentrifying” areas. The experience of V2V has shown that it can lead to substantial amounts of vacant property rehabilitation in many areas that are far from being hot market areas, as is true of many of the SCENs.

Areas meeting the criteria for this strategy encompass many, but far from all, of Baltimore's neighborhoods. The strategies that V2V is pursuing in the city's SCENs and CDCs cannot be pursued in areas where housing markets have effectively collapsed, since under those conditions, private investment is not available without subsidy, and subsidies are severely limited. Limitations on public resources, unfortunately, are an inherent constraint which define what strategies the City can or cannot realistically pursue. That must be recognized as the new administration develops its strategies and builds on V2V going forward. This does not mean, however, that no strategies are available for those neighborhoods with weaker market conditions. Later in this report we explore what strategies the city may be able to pursue in some of its more distressed neighborhoods.

V2V is not only important for Baltimore, but as a model for other cities. Almost every city in the United States is facing the parallel challenges of daunting needs on the one hand and limited resources on the other. Cities have their hands full simply trying to provide the basic services people need, while traditional grant sources have become increasingly sparse over the past decade or more. With limited resources and great needs, the ability to use those resources strategically – focusing on which activities are most likely to be effective in which areas – becomes increasingly important.

The experience of V2V can offer valuable lessons to any similar city trying to tackle its problems of vacancy and blight, and trying to do more with less. While the program has received a good deal of attention outside the city's borders,¹ this report will try to do more than simply describe the program,

¹ Among others, the program has received a Workforce Housing award from the Urban Land Institute, been featured in publications by the Federal Reserve Board of Governors, described as a best practice on the Housing Policy Center's Foreclosure Response web site, and been the subject of blogs on the NRDC and Planetizen web sites.

but will offer insights on its weaknesses as well as its strengths, so that cities seeking to adopt effective strategies may not just learn *about* the V2V program, but learn *from* it, applying lessons from the V2V program to their particular circumstances.

This report is in six sections, designed to reflect the scope of work as requested by the city and described in our response to the city's Request for Proposals. After a discussion of the research literature on blight strategies, we delve into the substance of the evaluation in the third section of the report, where we look at the data on the program's achievements, both with respect to specific elements of the program, as well as with respect to the strategy as a whole.

II LITERATURE REVIEW

This section will look at the research literature on the effects of different strategies or interventions on neighborhood blight conditions, focusing on that literature that is analytical as distinct from simply descriptive.² A great deal of research has been done on the factors that affect neighborhood conditions, such as vacant properties, homeownership rates, or social capital. It is possible to draw valuable inferences from that research about the significance, for good or bad, of such factors, and the value of addressing them.

The research shows, for example, that increasing homeownership, or removing vacant properties, can benefit a neighborhood. One can go further to say that it shows that *sustainable* homeownership will benefit a neighborhood more, and that removing *all* of the abandoned buildings from an area will benefit a neighborhood more than removing a few. That research does not say anything explicit, however, about the effect of particular *interventions*; that is, what happens to a neighborhood if dollars and energy are invested in specific programs or activities, such as demolition of vacant houses or construction of a Low-Income Housing Tax Credit (LIHTC) rental housing project, in the neighborhood.

Much less research has been done on the effect of interventions on neighborhoods. In this section, after a brief discussion of certain key neighborhood conditions, we discuss the research on five categories of intervention:

- Housing rehabilitation
- Demolition
- Greening of vacant lots
- Subsidized housing programs
- Targeted multi-faceted neighborhood investments

² There is a large body of reports that are characterized as 'best practice' reports or case studies, in which various initiatives are described, but their impact on the area where they have been pursued is not identified, or identified only in broad, largely anecdotal, terms. These are not discussed here.

In a few cases, multiple studies have been done which point in a particular direction. Often, however, we find that only limited research has been done in a particular area, or, even though there are a number of studies, they point in different directions. Full bibliographic information on the research studies cited in this section is provided in an Appendix to this report.

A. NEIGHBORHOOD CONDITIONS

Many factors affect the vitality of a neighborhood, but the data is compelling that the presence of vacant, abandoned properties is significant; strong findings also suggest that homeownership also plays an important role in neighborhood vitality.

1. Homeownership

Homeownership affects neighborhood vitality through a number of different mechanisms. Homeownership increases neighborhood stability, in the sense of the duration of tenure, which in itself leads to positive outcomes (Coulton, Theodos and Turner 2009, Sampson, Raudenbush and Earls 1997). While some of these outcomes may come about through long duration of tenure, the association between long tenure and homeownership is very powerful. Homeownership affects collective efficacy and social capital, which in turn have a strong effect on reducing crime (Morenoff, Sampson and Raudenbush 2011). Temkin and Rohe found that “neighborhoods with relatively large amounts of social capital are less likely to decline when other factors remain constant (1998, p82). Increasing homeownership has strong positive effects on neighborhood house prices (Coulson, Hwang and Imai, 2002, Coulson, Hwang and Imai 2003), while out-migration of homeowners can lead to negative effects on property values (Ding and Knapp 2003).

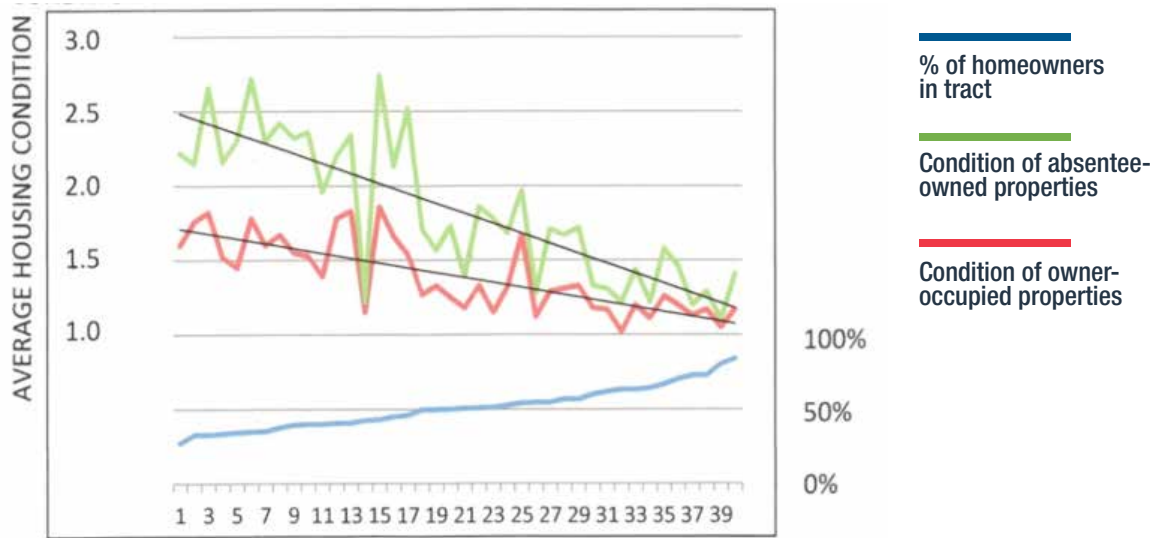
Homeownership also affects the level of property maintenance and the condition of property. Figure II-1 presents a chart derived from research in Flint, Michigan that provides strong evidence of the difference in property condition for owner-occupied versus absentee-owned properties, as well as the effect of higher homeownership rates on the condition of *rental* properties.³

2. Vacant properties

While there are many ways in which vacant properties may have negative effects on neighborhoods, the two areas that are best established through research are their effect on neighborhood property values, and their effect on crime. Both property values and crime are powerful factors affecting neighborhood health.

³ Properties were ranked on a scale from 1 to 4, where 1 was good, 2 fair, 3 poor, and 4 dilapidated or abandoned.

Figure II-1: Tenure and Property Condition by Census Tract in Flint, Michigan (Mallach 2014)



A number of studies have found that vacant properties on a block or in a neighborhood significantly affect the value of the other properties close to it. Two studies of vacant properties in Philadelphia nearly a decade apart came to the same conclusion, with the latter study finding that in some parts of the city the presence of a vacant property could reduce the value of nearby properties by up to 20% (Temple University Center for Public Policy 2001; Econsult et al 2010). Seo and von Rabenau (2011) found that a vacant property reduced property values in a Columbus Ohio micro-neighborhood by 22%. Importantly, the Temple University study found that the effect of *one* vacant property on the block was not that different from the effect of 2 or more vacant properties; from a practical standpoint, that suggests that strategies that remove some but not all of the vacant properties from a block are likely to have much less of a positive impact than strategies that remove *all* of the vacant properties.

Research in Philadelphia that looked at vacant *lots* reached the same conclusion; in this case, however, the researchers found that appropriate vacant lot treatments not only eliminated the negative impact on nearby home prices, but in some cases turned it into a positive impact (Wachter, Gillen and Brown 2007). We discuss this further below, when we discuss the findings on greening strategies.

The thrust of their research is supported by studies from Cleveland, where the authors carefully distinguished between vacant, foreclosed and tax delinquent properties (Mikelbank 2008, Whitaker and Fitzpatrick 2011).⁴ Although the Cleveland studies point in the same direction as the Philadelphia research, they find a smaller dollar impact of vacant properties on house prices, which is likely to reflect the fact that the overall housing market in Cleveland is much weaker than that of Philadelphia, and house prices generally lower.

⁴ This is important, because much of the research on the impact of foreclosure appears to inadvertently blur the difference between foreclosure and vacancy.

Vacant properties are also associated with crime and violence. Spelman (1993) found that crime rates on blocks with abandoned properties were twice as high as on those without, while also finding significant differences between buildings that were or were not secured against illegal entry.⁵ A more sophisticated study in Philadelphia found a strong relationship between the presence and number of vacant properties and reported aggravated assaults on the same block (Branas 2012), with the risk of violence increasing as the number of vacant properties rises.

B. INTERVENTIONS

As noted above, a number of different blight remediation strategies or interventions have been the subject of research, which we summarize below.

1. Housing rehabilitation

A considerable number of studies have looked at the effect of rehabilitating vacant houses on neighborhoods, with mixed results. Goetz et al (1997) found that a program in St. Paul, Minnesota to support rehabilitation of vacant houses yielded fiscal benefits well in excess of the cost of rehabilitation, including a significant positive impact on the value of nearby properties. Margulis and Sheets (1985), comparing areas that had received significant CDBG rehabilitation investments with comparable areas in the city of Cleveland found that the rehabilitation investments had no apparent effect on neighborhood trajectories. Graves and Shuey (2013), in a study of NSP investments in Boston, found that rehabilitation investments had a negative effect on social conditions, and no impact on physical conditions in the immediate area. On the other hand, Edmiston (2012) found that CDC housing investments in Kansas City – mostly rehabilitation, but including some new construction – had a significant positive effect on neighborhood property values.

HUD commissioned The Reinvestment Fund to conduct a study of the impact of concentrated investment of Neighborhood Stabilization Program (NSP) funds.⁶ The study compared each NSP targeted area or Neighborhood Investment Cluster (NIC) with three ‘comparable market’ block groups on two key measures of neighborhood change – property values and housing vacancies – from 2008 to 2012. The data, taken as a whole, showed no impact of the NSP investments; the outcomes were all but indistinguishable from what could be expected by chance.⁷ What is interesting about this study, though, is that although the national study – averaging out the results in all of the

⁵ This finding is debatable, as experience shows that securing vacant buildings in high-crime areas, while slowing down illegal entry to some extent, hardly prevents it.

⁶ For the national summary report and a description of the project methodology, see <https://www.hudexchange.info/resources/documents/NICReportsNationwideSummary.pdf>

⁷ Specifically, each NIC had four possible outcomes: (A) better than all three comparable areas; (B) better than 2 out of 3; (C) worse than 2 out of 3; (D) worse than all four. On house values, the study found that A and B areas made up 50.3%, and C and D areas 49.8% of all areas; on vacancy, A and B areas made up 50.7% and C and D areas 49.3% of all areas. The table below shows the outcomes for home sale broken down by all four categories.

Home Sale Performance 2008-2012	A	B	C	D	Insufficient data	Total NICs
Number of NICs	493	479	413	551	678	2,614
Percent of NICs where scores could be calculated	25.5%	24.8%	21.3%	28.5%		

different cities and counties studied – showed no impact from the NSP spending, the data *for some cities* suggests that in those cities the program had a significant impact. To date, however, there has been no research that has looked further into those cities, and try to identify why their efforts may have had a significant neighborhood impact, in contrast to the national picture.

The most recent research, a study conducted in Cleveland (Dynamo Metrics 2016), found that rehabilitating vacant properties had significant positive effects on neighboring house prices as well as on reducing foreclosures. In a finding relevant to the V2V program, the study found that the impacts of rehab on house prices were significant in relatively strong areas – areas with higher incomes and homeownership rates – and still significant but to a somewhat lesser extent in what the researchers called ‘special rental areas’, or distressed areas with special attributes such as their proximity to downtown or major medical or educational precincts. The cost/benefit ratio of rehabilitation in distressed areas without such special features, however, was negative; namely, the spillover benefits were less than the cost of rehabilitation.

The variation in the research findings summarized above highlight how important it is to make distinctions: there are many different versions of ‘housing rehabilitation’ and many different types of neighborhood. Moreover, questions arise about what is being measured; in other words, is the benefit created by the rehabilitation itself, or by the removal of a vacant house that was having a negative effect on the area. The type of housing being provided, the way it is being done, and the particular features of the neighborhood all influence what impact a rehabilitation (or any other) project will have. It is notable that when Graves and Shuey (2013) interviewed residents living near the properties being rehabilitated, they knew nothing about the project, and expressed considerable concern about whether the people who would end up living in the houses would be good neighbors, concerns fueled by their feeling left in the dark about the program.

2. Demolition

A recent study conducted in Cleveland (Griswold et al 2014) found that demolition of distressed vacant properties had a positive effect on neighboring property values independent of the subsequent reuse of the property. The study found, however, that the cost-benefit ratio of demolition costs to increased value was positive only in areas with relatively less distress, which the authors called “high and moderately functioning” markets. In high distress areas, with larger ratios of vacant distressed properties to occupied and sound properties, demolition costs outweighed benefits. This study has been used to support targeting demolition efforts to areas where a smaller number of vacant abandoned properties are pulling down an otherwise potentially viable neighborhood. The study also found, however, that demolitions reduced the number of mortgage foreclosures in the vicinity of the properties, a finding that held true across different types of neighborhoods. The findings of the Cleveland study were largely replicated in a more limited study of selected Detroit neighborhoods by the same authors (Dynamo Metrics 2015).

3. Greening of vacant lots

The direct outcome of demolition is a vacant lot or parcel. While in strong market cities like Seattle or Washington DC, that lot is likely to be quickly redeveloped, in weaker market cities a vacant lot may remain vacant indefinitely. As a result, the question of what to do with vacant lots if they are not going to be redeveloped, and how different vacant lot greening strategies affect neighborhood conditions, is not only an important one for practitioners, but has been the subject of a small, but significant, body of research. Table II-1 summarizes seven studies of vacant lot greening. Wachter, Gillen and Brown (2007), studying vacant lots in Philadelphia, found that while being next to an untreated, neglected vacant lot reduces the value of adjacent properties by 20%, a program of stabilizing and greening vacant lots which involved “the removal of discarded trash; grading and amending the soil; planting grass, trees, and shrubbery; and even adding such amenities as benches, sidewalks, and fences (p17),” reversed the negative effects, and increased the value of adjacent properties by 19%.

Table II-1: Experimental Studies of Neighborhood Impacts of Greening

Authors	Year	Geographic Area	Intervention(s) Studied	Principal Findings
Tranel and Handlin	2006	St. Louis	Community gardens	Areas with community gardens showed significantly greater stability than control tracts as measured by 1990 and 2000 census data, including greater increase in homeownership, greater income increase, and greater population stability.
Wachter, Gillen and Brown	2006	Philadelphia	Stabilized and greened lots	Neglected vacant lots reduced adjacent property values by 20%, while stabilized and greened lots increased adjacent property values by 17%
Voicu and Been	2008	New York	Community gardens	Community gardens led to greater increases in property values than in control areas, and increases were sustained over time. Effect was significant in lower-income and not in higher-income areas.
Branas, Cheney, MacDonald, Tam, Jackson, and Ten Have	2011	Philadelphia	LandCare program	Reductions in gun assaults in areas near LandCare properties were seen in all parts of the city. Reductions in vandalism and level of resident stress were seen in some areas, but not others.
Heckert and Mennis	2012	Philadelphia	LandCare program	Increases in property values in areas near LandCare properties, but increases were significant only in areas classified as moderately distressed in the city’s Market Value Analysis.
Garvin, Cannuscio and Branas	2013	Philadelphia	LandCare program	Change in crime incidence was not significant, but residents living near LandCare properties reported significant Increases in perception of safety
Kondo, Hohl, Hon and Branas	2015	Youngstown	Lot stabilization Lot reuse	Significant decrease in wide variety of crimes in vicinity of greening treatments, but decrease was greater for areas which had reuse treatment (generally community gardens) than for areas which had stabilization treatment (similar to LandCare program)

A more recent study (Heckert and Mennis 2012) that focused specifically on the Philadelphia LandCare program⁸ found similar effects from stabilizing and greening vacant lots. Notably, however, they found that the benefits of vacant lot treatment were not significant in strong market areas or highly distressed areas, but only in moderately distressed areas. Kondo et al (2015) found that the

⁸ The Philadelphia LandCare program is a national model for affordable and effective treatment of vacant lots in urban neighborhoods. For more information, see <http://phsonline.org/greening/landcare-program>

neighborhood benefits were greater when the lot was used as a community garden than when it was simply stabilized, as in the LandCare program. All in all, the research makes a strong case for spending funds to stabilize and green vacant lots, and where community capacity exists, to facilitate creation of community gardens or other more active vacant lot treatments, as a tool of neighborhood improvement.

4. Subsidized housing programs

Over the past few decades, a significant amount of the resources and energy of CDCs, non-profit developers and specialized for-profit developers, have been devoted to development of affordable or subsidized housing, usually through the Low-Income Housing Tax Credit (LIHTC) program. While this program provides a clear benefit in the form of generally high-quality housing for lower income households, the effect of construction of subsidized housing on neighborhood trajectories is less obvious.

Unfortunately, there is no simple answer to the question “will building a subsidized housing development, or alternatively, removing one that is already there, improve the surrounding neighborhood?” The answer is maybe, depending on the type and size of the project and the characteristics of the neighborhood. Since the 1960s, researchers have been studying the effect of different types of subsidized housing on neighborhoods, generally with respect to their effect on nearby property values, with mixed and sometimes inconsistent findings. A summary of the findings of twenty different studies appears in Lee (2008).

With specific respect to LIHTC projects, Green Malpezzi and Seah (2002) looked at projects in the Milwaukee area, and found that projects in suburban non-poverty areas generally had neutral or positive effects, but that projects in higher-poverty urban areas tended to have modest negative effects. A study of a number of different neighborhoods in Miami by Deng (2008) found that LIHTC development had their most positive impacts in high-poverty areas; however, her case studies suggest that the positive changes may have been more the result of other simultaneous neighborhood-level investment than the projects themselves. By contrast, Deng found that introduction of LIHTC housing into potentially struggling or transitioning working class or middle class areas was likely to have negative rather than positive effects. Lee (2008) found that scale mattered, with projects of more than 50 units likely to have more negative effects.

As Ellen (2001) points out, “although subsidized rental housing developments may have less positive impacts on communities than their market-rate counterparts, the likely spillover effect isn’t clear and is likely to depend on the housing and the circumstances. (p1)”. The effect of a particular project will vary depending on the characteristics of the project, the characteristics of the neighborhood, and the manner in which the project (or projects) in the area interact with other activities being pursued, as well as the neighborhood’s trend line.

5. Targeted multi-faceted neighborhood investment

Two research studies suggest that targeting multi-faceted public resources to neighborhoods can significantly affect their trajectory. A study of 17 cities by Galster et al (2004) found that when cities targeted high levels of CDBG funds into designated areas, the expenditures had significant impacts on key neighborhood indicators, such as mortgage activity, mortgage approval rate, and the number of businesses in the area. The study also found that although the impact of targeted CDBG investment was less in areas with larger concentrations of poverty, it was still significant.

An assessment of the Richmond, Virginia Neighborhoods in Bloom program – which was an initiative under which the city directed “the bulk of its CDBG and HOME funds, as well as significant amounts of capital improvement funds and other resources (focused code enforcement and accelerated vacant property disposition) on just seven carefully chosen neighborhoods”⁹ by Galster, Tatian and Accordino (2006) found significant increases in home prices in the targeted areas relative to other parts of the city.

Both studies found that what one might call an ‘investment threshold’ exists. Neighborhood investments have little impact until a critical level of concentration is reached, at which point the investments then impact the neighborhood’s trajectory. This gives the lie to the theory that by spreading out public investment, ‘like peanut butter’ as they say, one can achieve modest improvements in a large number of areas. The reality is that such a strategy is more likely to achieve *no* change in *any* area.

⁹ This citation comes from a detailed report prepared by Galster, Tatian and Accordino on the Neighborhoods in Bloom program for the Richmond Federal Reserve Bank, available at <http://community-wealth.org/sites/clone.community-wealth.org/files/downloads/report-accordino-et-al2.pdf>

III VACANTS TO VALUE RESULTS BY STRATEGY

The seven strategies identified by the city as making up Vacants to Value are as follows:

- **Streamline the disposition process**
- **Streamlined code enforcement in middle market neighborhoods**
- **Facilitate investment in community development clusters near areas of strength**
- **Targeted homebuyer initiatives**
- **Support development/major redevelopment activity**
- **Maintain, clear, hold and identify non-housing uses**
- **Coordinated green, healthy and sustainable home and neighborhood improvements**

This section will present our quantitative findings on each of these programs, and to the extent feasible, and their neighborhood impact.

While we present data for each program, to the extent that it is available, the assessment of impact is more general; in other words, it is not possible, for example, to measure the neighborhood impact of property disposition or homeowner incentives *in themselves*, since they represent elements, or tools, within a larger strategy focusing on the removal of blight and the reuse of previously vacant properties. Thus, we look at the overall impact of the city's blight removal strategy, with specific respect to the target areas, the Streamlined Code Enforcement Neighborhoods (SCENs) and Community Development Clusters (CDCs). As we present the data on the different programs, we will add commentary on those programs based on our findings from observations, interviews and focus groups, as well as our familiarity with experiences elsewhere.

A STREAMLINE THE DISPOSITION PROCESS¹⁰

Overview

The evidence, both from the data and from interview responses, indicates that the City of Baltimore is doing a good job managing the process of disposing of City-owned property through the Division of Land Resources (DLR). Properties are disposed of in some cases through Requests for Proposals (RFPs) issued by the Division, and in others through an open bid process. With respect to the latter, the City invites individuals to submit applications to purchase properties from the published list of available properties. The list is provided online at <http://www.vacantstovalue.org/PropertySearch.aspx>.

The City has maintained an inventory of properties under LR management that has fluctuated between 7000 and 7800 properties since 2011. The distribution of the inventory by property type has shifted slightly between 2011 and 2015 to include fewer vacant buildings and more vacant lots. Between 2011 and 2015, vacant lots increased from 56% to 62% of the City’s inventory, with the greatest increase since 2014.

Roughly half of the properties in the city’s inventory are being held off the market for various reasons, in many cases because they are parts of site assembly or large-scale redevelopment efforts (as in Park Heights), or in other cases are being used for public benefit purposes, such as green space or storm water management. Table III-1 shows a distribution of DLR properties by category as of mid-2015. Overlapping the categories shown in the table, 855 properties were in Adopt-A- Lot and other forms of community managed open space program in mid-2015. This has been ramped up steadily since 2011; however, as shown in Figure III-1, the number of lots in community-managed programs appears to have plateaued during the first half of 2014, and actually declined slightly since then.¹¹ While there may be many reasons for this drop, it is worth noting, as – as discussed later – the treatment of vacant lots was flagged as an issue of concern by a number of our respondents.

Category	Market For Sale	Off Market	Not Specified	Total
Vacant lots	2031	2557		4588
Vacant (uninhabitable) buildings	1618	958		2557
Other*	38	129		167
TOTAL	3687	3644	167**	7498
Held for other city agencies		180		
Storm water management		750		
Green space/urban agriculture		685		
Site assembly/redevelopment		1065		
Other/no reason		957		

**Table III-1:
Distribution of
DLR Properties by
Category June 2015**

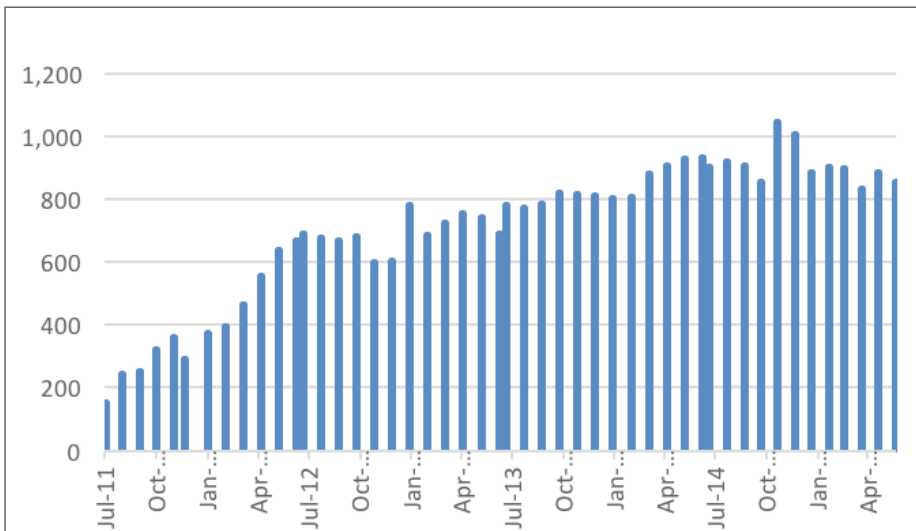
*Includes habitable buildings and buildings in use by public agencies

**May be in any category

¹⁰ Data in this section comes from CitStat reports provided by the Division of Land Resources. Because of data gaps, changes in definitions, etc., data is presented in different tables for slightly different time periods.

¹¹ April 2016 showed a significant bump, but it is too soon to tell whether it reflects an upward trend.

The information on the web site is reasonably user-friendly, and allows the user to identify individual properties and download an application. The application form includes a clear explanation of the process by which properties are acquired from the City. According to the city, they have “constant walk-ins” of people interested in acquiring City properties, although the number of actual closed sales is modest compared to the size of the inventory. In addition to the number of properties held off the market, the low sales volume reflects the painful reality that the great majority of the City’s current property holdings are located in distressed areas with extremely low market values and little reuse demand, where the cost of reusing a vacant building or constructing a new one on a vacant lot significantly exceeds the resulting market value. A significant number of these properties are the unmarketable residue of the Project 5000 acquisitions of more than 10 years ago.



**Figure III-1:
Number of Lots in
Adopt-A-Lot and
Community Managed
Open Space**

As described by City officials, the procedure for vetting the qualifications of applicants is a thorough one, and the City monitors buyers’ progress to ensure that they are in compliance with the terms of the Land Disposition Agreement (LDA), which generally require that the purchaser obtain a Use & Occupancy Permit within one year after closing. The City incorporates a limited reverter clause in its sales agreements to enable it to enforce those agreements as needed.¹²

Number and type of properties sold

The Division of Land Resources has sold an average of slightly over 200 properties each year for the past six years. All interview respondents agreed that the disposition process was straightforward, transparent, and reasonably efficient. As Table III-2 shows, roughly 60% have been vacant buildings and 40% vacant lots. As the table shows, sales peaked in 2012 and 2013, and have declined since then.

¹² We refer to it as a ‘limited’ reverter clause, because the City subordinates its reversionary interest to any mortgage-holder interest, which means that the City must satisfy the lender before exercising its rights. While this limits the City’s flexibility, it is realistically necessary, since without such a limitation it is unlikely that the buyer will be able to borrow against the property.

Sales proceeds

In addition to numbers of properties sold, DLR tracks receipts from sale of properties and time elapsed from various milestones in the disposition process. The City realizes between \$750,000 to \$1 million per year from property disposition proceeds, a figure that has not changed materially since 2011, as shown in Table III-3.

	Lots	Buildings	Total
FY 2010	35	47	82
FY 2011	57	77	134
FY 2012	145	373	518
FY 2013	114	142	256
FY 2014	130	56	186
FY 2015	45	56	101
TOTAL	526	751	1277

**Table III-2:
Properties Sold by
Fiscal Year**

Year	Total	Monthly Average
FY 2012	\$923,484	\$76,957
FY 2013	\$752,357	\$62,696
FY 2014	\$932,672	\$77,723
FY 2105	\$785,157	\$65,430
FY 2016 (seven months)	\$568,674	\$81,239
TOTAL	\$3,962,343	\$72,043

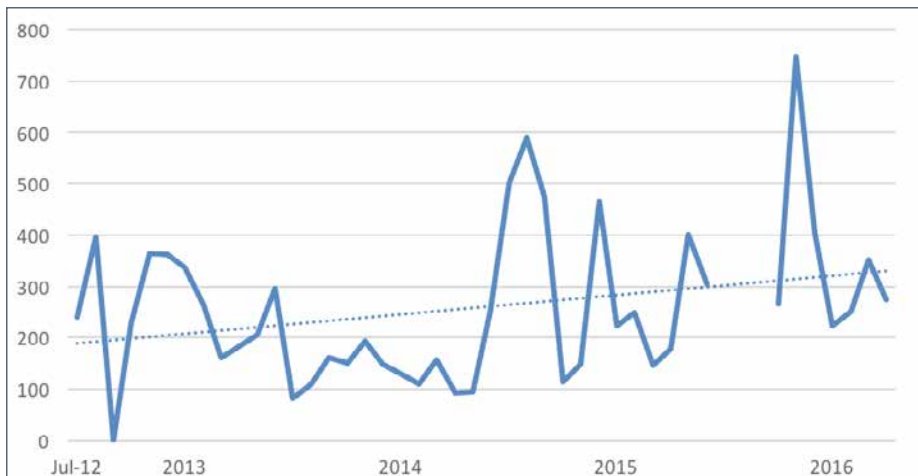
**Table III-3:
Proceeds From
Property Disposition
by Fiscal Year**

Disposition timelines

Two time periods are worth exploring – the length of time from application to decision by DLR staff, and the period from decision to settlement, when the property is actually sold by the City. These periods are shown in Figures III-2 and III-3.



**Figure III-2:
Number of Days From
Receipt of Application
to Decision**



**Figure III-3:
Number of Days from
LR Award to Settlement**

In view of the complexities of land sales, as well as the extent to which the process is dependent on actions by the applicant as well as other public bodies such as the Board of Estimate, the time frames shown in these figures are not unreasonable. What needs to be noted, however, is that while these time frames can fluctuate – particularly between award and settlement – there appears to be a steady upward creep in the length of time involved in both periods, as shown in the trend lines in the figures.

Property acquisition

Finally, it is important to note that, while many interview respondents had strong impressions to the contrary, the City of Baltimore continues to carry out property acquisition activities on an ongoing basis, although on a much smaller scale than former Mayor O’Malley’s Project 5000, which can be characterized as a “crash effort” by the city to acquire 5,000 vacant properties, albeit in a much less selective fashion between 2003 and 2005. Acquisition under V2V is highly selective, carried out mainly through two strategies:

- Eminent domain in major redevelopment areas such as Park Heights, and in areas designated for whole block demolition;
- Selective acquisition and foreclosure of tax sale certificates, including properties in demolition clusters as well as those already demolished; properties in CDCs or in receivership pipeline; and properties on the periphery of major redevelopment areas.

A much smaller number of properties are taken into inventory through donation, either by banks of REO properties, or by individual owners. Acquisition totals are shown in Table III-4. In the final analysis, however, with the exception of major redevelopment projects, the City’s principal vehicle for getting properties into the hands of developers for reuse has not been through acquisition and disposition but through the receivership process, discussed in Section IIIB.

Year	Number		Form of Acquisition	Number
FY 2012	648		Tax Sale Foreclosure	385
FY 2013	193		Negotiation	173
FY 2014	144		Eminent Domain	186
FY 2015	215		HABC Transfers	213
TOTAL	1200		Donation	37
			SDAT	206

**Table III-4:
Property Acquisition
Data**

A number of the individuals interviewed as part of this study raised questions about the limited scale of city property acquisition. Reflecting the reality that the great majority of vacant buildings in the city are in private ownership, including many that are delinquent in their property taxes, along with additional vacant buildings held by the Housing Authority of Baltimore City (HABC), some focus group respondents suggested that the City should become far more aggressive in acquisition of vacant properties than it has been in recent years. Their premise is that more aggressive acquisition will enable those buildings to be more readily reused, and some have called for creation of a land bank similar to those created in Philadelphia or Detroit.¹³

These are not straightforward questions. We believe that under the current administration, the Division of Land Resources is effectively carrying out the functions of a land bank without the title, and doing so in a capable and productive fashion. Whether a land bank should be created in order to institutionalize that capacity as a long-term strategy for the future is a complex question which will be discussed further below. Moreover, the question of whether more aggressive city property acquisition would necessarily further more extensive and more expeditious property reuse hinges on the nature of the properties that the city could acquire, as well as the pros and cons of acquisition versus continued use of the receivership process. We have serious reservations about whether large-scale acquisition of properties that may be unmarketable, and will sit indefinitely in the city's inventory, is a wise strategy. We will return to that question as well.

B STREAMLINE CODE ENFORCEMENT IN MIDDLE MARKET NEIGHBORHOODS

If Vacants to Value can be said to have two signature elements designed to address the city's vacant properties, the first is the program of streamlined code enforcement in middle market neighborhoods, known as Streamlined Code Enforcement Neighborhoods or SCENs. Loosely based on the Market Value Analysis conducted by The Reinvestment Fund, City staff have identified neighborhoods where they feel that the market is strong enough to motivate property owners or others to restore vacant properties to use without subsidy and where vacant properties are, relatively speaking, few and scattered.¹⁴

¹³ This point is argued in the Baltimore Housing Roundtable report, p38.

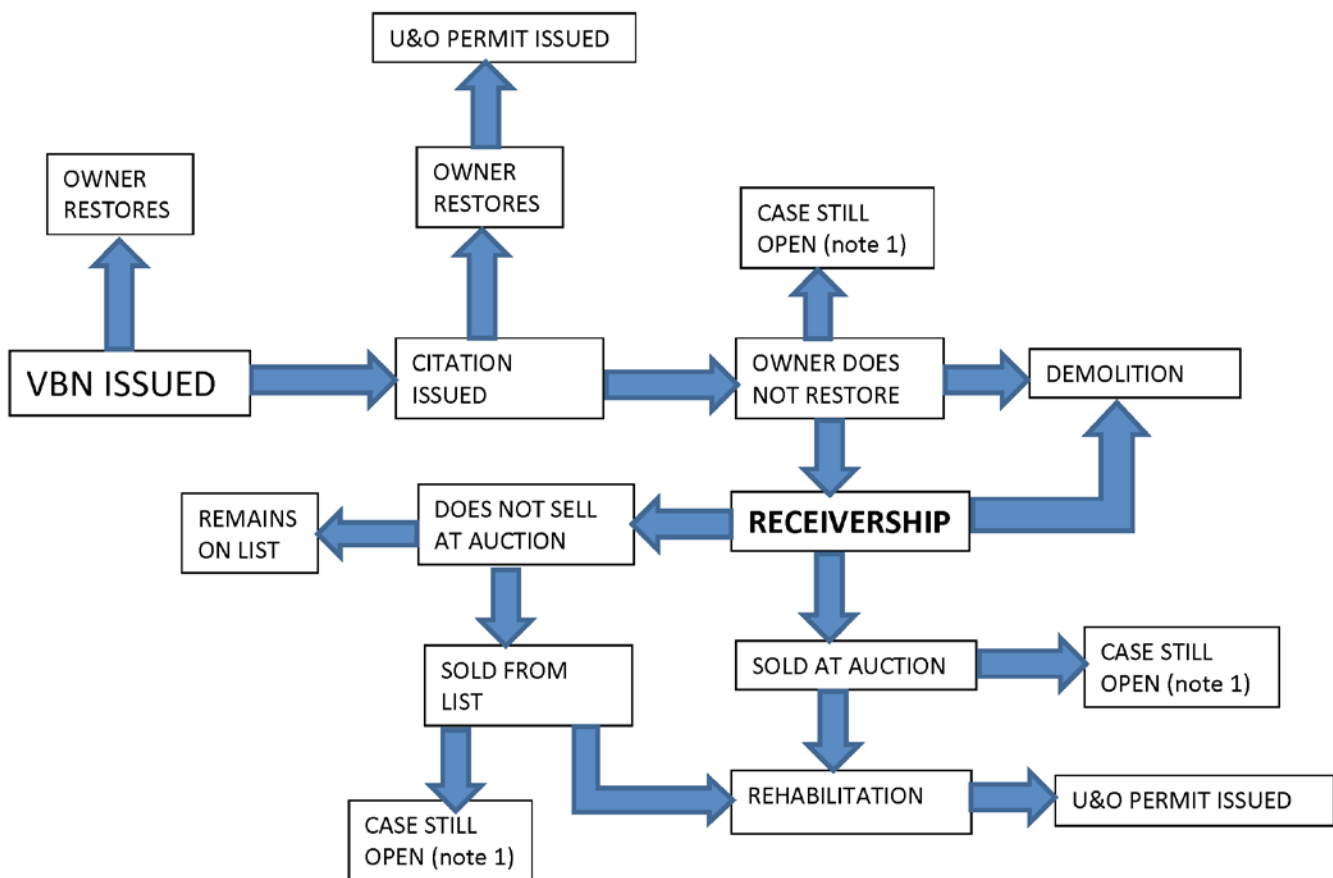
¹⁴ See pages 86 to 91 for a discussion of targeting.

In these neighborhoods, the city has adopted a streamlined process beginning with the Vacant Building Notice designed to lead to reuse of the property. A flow chart showing a simplified outline of the process is presented in Figure III-4. The essence of the process is that the owner is given a number of opportunities to restore the property at different steps along the way:

- Owner can restore property upon receiving VBN, and avoid citation
- Owner can restore property upon receiving \$900 vacant property citation, and avoid receivership action
- Owner can restore property after filing of receivership action, and avoid appointment of receiver

If the owner fails to act at any of these three points, the City uses the receivership process to move the property into the hands of a different entity with the will and ability to restore it to use. While one can characterize receivership as a tool rather than a strategy, it is such an important element of V2V’s strategy to reduce the inventory of vacant properties in both the SCENs and the Community Development Clusters (CDCs) that it will be specifically addressed in detail later in this section of the report.

Figure III-4: Schematic Outline of V2V Process in SCENs



NOTE 1: While cases do not remain indefinitely open, this category reflects the fact that **at any point in time**, a certain number of cases have not yet reached resolution.

1. Performance outcomes in SCENs

According to information provided to us by the city, a total of 88 areas¹⁵ have been designated as SCENs. As of 2010, these areas contained 2,028 properties with Vacant Building Notices (VBNs). A VBN is issued by the city when a building is found to be uninhabitable, unusable or a nuisance property.¹⁶ Many of these areas, however, are very small, or had only a handful of vacant properties in 2010 when V2V was initiated. The distribution of SCENs by number of VBNs in 2010 is shown in Table III-5.

As the table shows, over half of the SCENs contained fewer than 20 VBNs in 2010, while a much smaller number accounted for the great majority of the vacant properties in these areas, and led to the greatest activity. Because so many of the SCENs contain too few VBNs for the data to be meaningful, we will not try to analyze the outcomes for each individual area, but will look at the SCENs in three ways:

- Total outcomes
- Outcomes by key category; e.g., location or cohort (year in which designated); and
- Outcomes for selected SCENs containing large numbers of VBNs.

Range	Number of SCENs	Number of VBNs
0-9	32	137
10-19	16	210
20-29	19	462
30-39	7	239
40-49	6	271
50+	8	709
All SCENs	88	2028

**Table III-5:
Distribution of
SCENs by Number
of VBNs in 2010**

Table III-6 summarizes key city inputs into the SCENs through the end of 2014. As the table shows, the city significantly ratcheted its involvement with these areas, both with respect to homebuyer incentives and receiverships after initiating the V2V strategy. \$900 citations were not being issued prior to initiating the V2V strategy. Although the goal of issue \$900 citations is to motivate reuse rather than raise revenues, the City has collected slightly than \$3.1 million in fines as a result of the citations; since the program become fully operational at current levels, the city has collected an average of \$657,000 per year.

¹⁵ There are some small discrepancies between different lists of SCENs provided for different datasets. These are minor, and do not affect the overall picture presented here.

¹⁶ The Baltimore Building, Fire and Related Codes define vacant buildings as: "Unoccupied structures that are unsafe or unfit for human habitation or other authorized use" or a nuisance property, with "nuisance property" being an unoccupied structure with two or more unabated Building Code, Fire Code, or Property Maintenance Code violations or six or more violations in the past twelve months for trash and debris on the site, that are issued a vacant building notice" (Sec. 116.4.1.2). This can create some terminological confusion, because what the city of Baltimore defines as a 'vacant' building is comparable to what many other jurisdictions define as an 'abandoned' property; while what are generally known elsewhere as 'vacant' buildings are referred to by Baltimore as 'unoccupied' buildings.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Homebuyer Incentives			37	46	102	103	207	202	343	79
Receiverships	28	35	44	40	32	24	152	513	352	532
\$900 Citations							379	566	600	434

**Table III-6:
SCEN Vacant
Property Inputs**

VBN abatement activity

While the citations are an input to the strategy, the outcomes are fundamentally measured in the number of VBNs abated, or restored to productive use. Table III-7 shows overall VBN trends for the SCENs as a whole and for the 21 areas which contained 30 or more VBNs as of 2010.¹⁷ These 21 areas contain roughly 60% of the VBNs in the SCENs as a whole. Areas which saw a reduction in VBNs are highlighted.

	VBNs Issued Prior to 2010	VBNs Issued Prior to 2010 Still Active in 2010	VBNs Issued Since 2010	Estimated VBNs in 2016
Allendale	103	56	60	63
Belair-Edison	287	122	226	181
Better Waverly	157	87	60	103
Central Forest Park	45	30	23	32
Cherry Hill	58	32	41	55
Concerned Citizens of Forest Park	67	42	26	35
Dorchester	61	47	30	37
Edgewood	152	79	51	62
Edmondson Village	62	34	30	40
Hampden	76	38	38	33
Hanlon-Longwood	75	48	55	73
Harwood	196	102	29	61
Howard Park	86	47	77	68
Irvington	118	62	63	77
Morrell Park	77	38	65	61
Patterson Park Neighborhood	439	140	89	96
Patterson Place	161	43	15	25
Remington	106	61	30	31
Walbrook	63	30	20	35
Winston-Govans	63	44	35	44
Woodbourne-McCabe	59	37	22	37
21 SCEN Total	2,511	1,219	1,085	1249
All SCENs Total	4226	2028	2500	2549

**Table III-7:
VBN Trends for
Selected SCENs**

¹⁷ The figures for the number of VBNs given in Tables III-5, III-7 and in subsequent tables that are derived from it are somewhat higher than the City's official figures. The reason for the difference is that city policy is to cancel a VBN on a property not only when the property is put back to use, but when it changes hands. Even though those VBNS are generally reissued to the new owner, the policy results in a gap period which arbitrarily reduces the number of VBNS relative to the number of VBN-eligible properties. In our analysis, we have ignored cancellations of VBNS that did not reflect a change in the *physical* status of the property, resulting in what we consider a more accurate representation of the vacant property picture.

Specifically, despite substantial abatement activity, the total number of VBNs in the SCENs, taken as a whole, has increased since 2010, rather than decreased. In drilling down, we find that the trend varies widely from one SCEN to another. Table III-8 shows the ratio of 2016 VBNs to 2010 VBNs, as well as the ratio of building permits pulled for vacant properties as a percentage of the 2016 VBNs for the 21 SCENs shown above. What is notable is not only that there is significant variation – in Remington and Patterson Place the number of VBNs has dropped by nearly 50%, while in Morrell Park and Cherry Hill it has risen by more than 50% - but that the lower the ratio of 2016 to 2010 VBNs the more likely that permits will have already been pulled for many of the remaining vacant properties, as illustrated in Figure III-5.¹⁸

	2016 VBNs to 2010 VBNs	Permits Outstanding as % of 2016 VBNs
Remington	50.8%	74.2%
Patterson Place	58.1%	80.0%
Harwood	59.8%	63.9%
Patterson Park Neighborhood	68.6%	76.0%
Edgewood	78.5%	40.3%
Dorchester	78.7%	32.4%
Concerned Citizens of Forest Park	83.3%	45.7%
Hampden	86.8%	69.7%
Winston-Govans	100.0%	65.9%
Woodbourne-McCabe	100.0%	51.4%
Central Forest Park	106.7%	71.9%
Allendale	112.5%	31.7%
Walbrook	116.7%	42.9%
Edmondson Village	117.6%	45.0%
Better Waverly	118.4%	37.9%
Irvington	124.2%	57.1%
Howard Park	144.7%	42.6%
Belair-Edison	148.4%	34.8%
Hanlon-Longwood	152.1%	43.8%
Morrell Park	160.5%	47.5%
Cherry Hill	171.9%	20.0%

Table III-8:
Comparative Outcomes
for 21 Selected SCENs

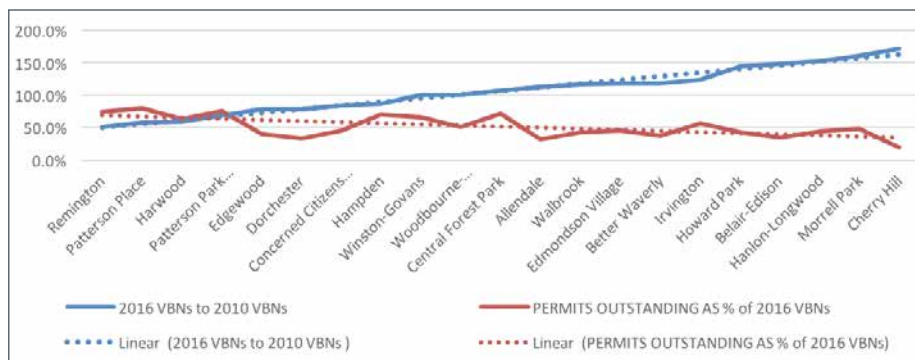


Figure III-5:
Comparative Trends
for Selected SCENs

¹⁸ The correlation between the two variables is -.6405, significant at the 99% level. It is a negative correlation, since as the ratio of 2016 to 2010 VBNs goes down, the percentage under permit goes up.

The five highlighted SCENs show significant positive outcomes with respect to both the 2010-2016 trend and the ratio of permits to outstanding VBNs – Remington, Patterson Place, Harwood, Patterson Park Neighborhood and Hampden. The picture in Edgewood, Dorchester and Concerned Citizens of Forest Park is less clear; while those three neighborhoods have seen a decline in VBNs, the ratio of building permits to outstanding VBNs is significantly lower, and suggests that future progress in those areas may be more difficult.

This disparity in outcomes between SCENs is not a reflection on the achievements of the V2V program. Table III-9 presents two metrics of performance; the number of VBNs abated, and the number for which permits have been pulled but the properties not (yet) abated. The former is clearly

Table III-9: Vacant Property Trends 2010-2016 in Selected SCENs

	VBNs In 2010	2010 VBNs Abated	2010 VBNs Abated + Permits Pulled	% 2010 VBNs Abated	% 2010 VBNs Abated + Permits Pulled	VBNs Added 2010-2016	Added VBNs Abated	Added VBNs Abated + Permits Pulled	% Added VBNs Abated	% Added VBNs Abated + Permits Pulled
Allendale	56	35	49	62.5%	87.5%	60	18	24	30.0%	40.0%
Belair-Edison	122	76	106	62.3%	86.9%	226	91	124	40.3%	54.9%
Better Waverly	87	32	59	36.8%	67.8%	60	12	24	20.0%	40.0%
Central Forest Park	30	14	28	46.7%	93.3%	23	7	16	30.4%	69.6%
Cherry Hill	32	11	20	34.4%	62.5%	41	7	9	17.8%	22.0%
Concerned Citizens of Forest Park	42	22	32	52.4%	76.2%	26	9	15	34.6%	57.7%
Dorchester	47	30	38	63.8%	80.9%	30	10	14	33.3%	46.7%
Edgewood	79	53	69	67.1%	87.3%	51	15	24	29.4%	47.1%
Edmonson Village	34	15	28	44.1%	82.4%	30	9	14	30.0%	46.7%
Hampden	38	22	36	57.9%	94.7%	38	21	30	55.3%	78.9%
Hanlon-Longwood	48	16	38	33.3%	79.2%	55	14	24	25.5%	43.6%
Harwood	102	57	90	55.9%	88.2%	29	13	19	44.8%	65.5%
Howard Park	47	27	44	57.4%	93.6%	77	29	41	37.7%	53.2%
Irvington	62	29	55	46.8%	88.7%	63	19	37	30.2%	58.7%
Morrell Park	38	18	31	47.4%	81.6%	65	24	40	36.9%	61.5%
Patterson Park Neighborhood	140	81	136	57.9%	97.1%	89	52	70	58.4%	78.7%
Patterson Place	43	25	42	58.1%	97.7%	15	8	11	53.3%	73.3%
Remington	61	47	60	77.0%	98.4%	30	13	23	43.3%	76.7%
Walbrook	30	13	22	43.3%	73.3%	20	2	8	10.0%	40.0%
Waverly	44	20	43	45.5%	97.7%	35	15	21	42.9%	60.0%
Winston-Govans	37	15	28	40.5%	75.7%	22	7	13	31.8%	59.1%
21 SCENs	1219	658	396	54.0%	86.5%	1085	395	206	36.4%	55.4%

a success in the narrow sense of putting a vacant property back in service. The latter is less certain, since not all permits lead to actual rehabilitation and reuse of the property. Indeed, the data shows that 786 permits were pulled prior to 2010 on properties that had VBNs issued, where the properties were still vacant as of 2010. While some of these may be counted among the properties that were rehabilitated *after* 2010, other permits were abandoned for any of many reasons. That said, pulling a permit is a significant positive step, as it typically requires that the owner plans for the property have been approved. Thus, in Table III-9, we show both the number of properties abated and the number for which permits have been pulled since 2010, for both pre-2010 VBNs and VBNs issued since 2010. The numbers, while varying widely from one SCEN to the next, nonetheless show a picture of significant activity. Over half of the properties that were vacant in 2010 have been abated, while an additional 30% have permits outstanding. With respect to properties that have become vacant since 2010, the results are predictably not as strong, since the period since the VBN was issued is shorter, and there is a significant lag between the VBN being issued and the outcome of the receivership process. Still, the results are strong. One-third of the properties have been abated, and permits have been pulled on an additional not quite 20%. All in all, over half of the post-2010 VBNs may already be on track for reuse.

VBN abatement and neighborhood outcomes

The data shows that the strongest market SCENs such as Remington or Patterson Place have shown the most success in putting vacant properties back to use. Table III-10 shows the performance data from Table III-8 along with median sales price by area for 2014, and shows a strong correlation between performance and median sales price, particularly with respect to the relationship between permits outstanding and median sales price.¹⁹ It also shows, however, that a number of areas with much weaker market conditions have seen significant abatement of vacant properties, along with significant permit activity, as well.

The relationship between how many vacant properties are abated and other neighborhood outcomes is equally mixed. The analysis performed by the Baltimore Neighborhood Indicators Alliance for this project used cluster analysis to divide the SCENs (as well as CDCs and overlapping areas) into four categories as follows, based on their 2010 baseline condition; that is, their condition prior to the start of V2V activities:

- (1) Low walk score
- (2) High sales value
- (3) Low assessed value
- (4) High rehabilitation rate

Figures III-6 and III-7 show the trends by SCEN cluster from 2010 to 2014 with respect to two salient variables: change in median sales price, and volume of rehabilitation activity (as measured by number of permits issued). The figures do not show data for the ‘high rehab rate’ cluster, since there are very few SCENs in that cluster.

¹⁹ The correlation is .643611, significant at the 99% level.

	2016 VBNs to 2010 VBNs	Permits Outstanding as % of 2016 VBNs	Median Sales Price 2014
Remington	50.80%	74.20%	94000
Patterson Place	58.10%	80.00%	191000
Harwood	59.80%	63.90%	80000
Patterson Park Neighborhood	68.60%	76.00%	NA
Edgewood	78.50%	40.30%	NA
Dorchester	78.70%	32.40%	50480
Concerned Citizens of Forest Park	83.30%	45.70%	42000
Hampden	86.80%	69.70%	200000
Winston-Govans	100.00%	65.90%	26000
Woodbourne-McCabe	100.00%	51.40%	16300
Central Forest Park	106.70%	71.90%	74276
Allendale	112.50%	31.70%	23000
Walbrook	116.70%	42.90%	40500
Edmondson Village	117.60%	45.00%	40000
Better Waverly	118.40%	37.90%	22500
Irvington	124.20%	57.10%	35251
Howard Park	144.70%	42.60%	105000
Belair-Edison	148.40%	34.80%	37650
Hanlon-Longwood	152.10%	43.80%	46950
Morrell Park	160.50%	47.50%	42000
Cherry Hill	171.90%	20.00%	21950

Table III-10:
SCEN Performance and
Median Sales Price

Those SCENs that *already* had relatively high property values, as measured by median sales price in 2010, responded most strongly to the V2V activities, as reflected in increases in median sales price and volume of rehabilitation activity. Low walk score areas, which are typically the more outlying neighborhoods, have responded moderately, while low value neighborhoods have seen little or no measurable impact, *even though many of them have seen significant numbers of VBNs abated during this period*. That vacant property abatement activity, although relatively successful in itself, has had little visible impact on these neighborhood's trajectories.

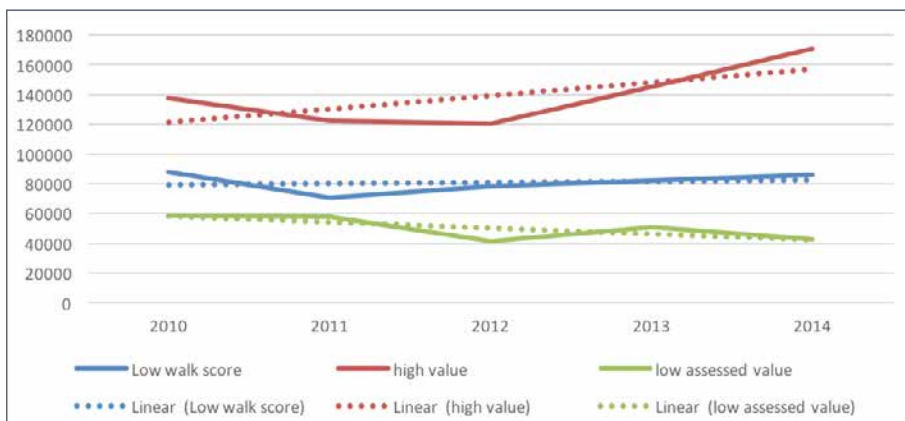


Figure III-6:
Median Sales Price
2010-2014 by SCEN
Cluster

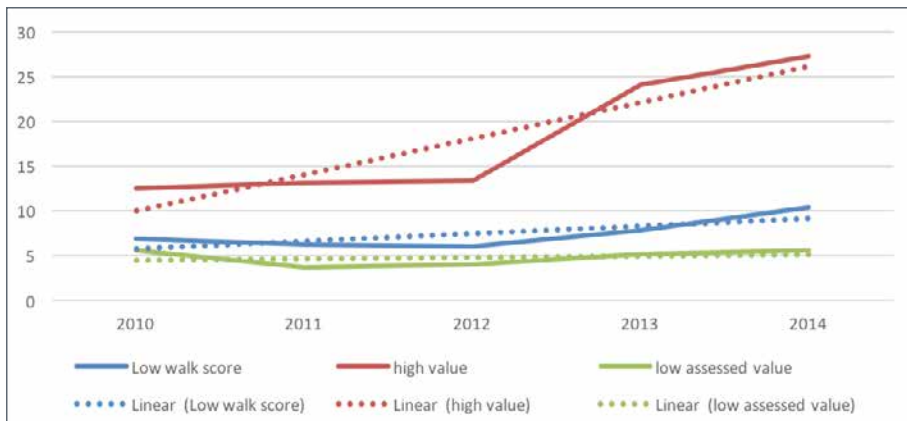


Figure III-7:
Rehabilitation Permits
Per 1,000 Homes 2010-
2014 by SCEN Cluster

Vacant property activity appears to have had little effect on crime rates, as shown in Figure III-8 that shows the level of Part I crimes by SCEN cluster. It is worth noting that crimes rates were generally higher in the high value cluster than in the others; why this should be so, however, is beyond the scope of this study.

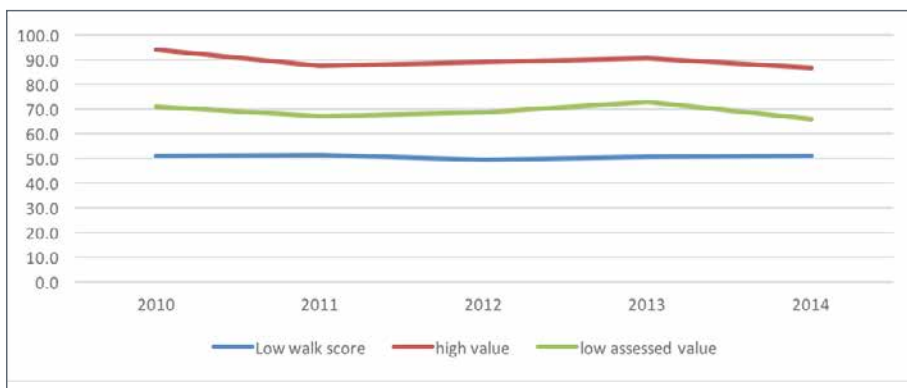


Figure III-8:
Part I Crime Rate 2010-
2014 by SCEN Cluster

The foregoing analysis raises two key questions:

1. Why have high levels of abatement of vacant properties led to such widely varying outcomes from one SCEN to the next, while leading to little or no visible change in many areas' trajectories?
2. In light of the first question, why has the V2V program been able to prompt significant vacant property reuse activity in areas with continuing low property values?

With respect to the first question, we believe the critical element – and the critical difference between the SCENs as a whole compared to the CDCs as a whole, as will be discussed in the next section, is the extent to which vacant properties are a significant *driver* of neighborhood conditions, as distinct from a *symptom* of other conditions. Table III-11 shows the distribution of vacant properties in 2010 as a percentage of all properties by area for both SCENs and CDCs.

% of Vacant Properties	SCENs	CDCs
<1%	41%	15%
1-3%	28%	
3-5%	15%	
5-10%	12%	
10%-20%	5%	15%
20%-30%		15%
30%+		56%

**Table III-11:
Distribution of Areas
by Percentage of
Vacant Properties
In 2010**

The table shows that in the great majority of cases, vacant properties made up a small part of the total property inventory in SCENs; in fewer than 1 out of 5 cases did they make up more than 5% of the area’s properties, while in the median SCEN only 1.4% of the properties were vacant. While vacant properties even at that level are a serious problem, they are more likely to be a product or symptom of other factors than the principal factor driving neighborhood instability. Those factors could include out-migration, tax or mortgage foreclosure, crime, drugs, school quality, environmental quality, or other factors beyond the scope of this analysis. As a result, valuable as it is to remove vacant properties, changing these neighborhoods’ trajectories and reducing the continued addition of VBNs is only likely to take place by changing the underlying conditions driving their decline.

With respect to the second question, large numbers of VBNs have been abated in areas where, on their face, property values would not appear to support the cost of rehabilitation, such as Allendale, Irvington or Winston-Govans. We believe that the principal reason for this is that the great majority of developers in these areas – as well as many other SCENs and CDCs – are not rehabilitating these properties to sell to homebuyers, but either to hold and rent, or to sell to investors who will rent out the properties.²⁰ As Table III-12 shows, four out of every five vacant properties restored to use through V2V is in rental occupancy rather than homeownership.²¹

	Rental	Owner-Occupancy	% Rental
SCENs	845	256	76.7%
CDCs	598	116	83.8%
TOTAL	1443	372	79.5%

**Table III-12:
Distribution of
Reused Vacant
Houses by Tenure²²**

²⁰ The data collected by the city does not enable one to distinguish between these two categories.

²¹ Some respondents suggested that the initial percentage of sales may have been higher, in that some V2V homebuyers subsequently moved and rented out their properties. It was impossible to verify this suggestion within the scope of this study.

²² This is based on those properties that had VBNs as of 2010 and subsequently received Use and Occupancy Permits, and where property records made it possible to determine whether property was rented or owner-occupied.

Rents in many parts of Baltimore are unusually high relative to sales prices. In some areas, this can take on extreme proportions; Census Tract 805, part of the Coldstream-Homestead- Montebello area, had median gross rents of \$1,187/month according to the 2010-2014 American Community Survey, while in 2014, the median sales price in that census tract was only \$13,545, *resulting in a hypothetical – but possible – situation where the annual gross rent could exceed the sales price of the property.*²³ At a gross rent of \$1,187/month, however, a responsible landlord could make a healthy return while investing a substantial amount in the property. As Table III-13 shows, a landlord can earn an annual return of 10% while making a capital investment of over \$75,000 in a property, more than enough to cover the typical rehabilitation cost.²⁴ The opportunity for a strong cash flow is increased by many landlords’ ability of to find tenants with Housing Choice Vouchers (HCV). The 2015 Fair Market Rent for a three-bedroom unit in Baltimore was \$1,574/month or \$18,888 per year. A number of V2V developers target the HCV market, to such an extent that some interview respondents were under the impression that there was a formal policy of coordination between the V2V program and the allocation of vouchers, even though we ascertained that no such policy exists.

Category	Cost	Summary Costs/ Revenues
Gross rent @ \$1,187/month		\$14,244
Property taxes	\$2,000	
Operations & maintenance at \$250/month	\$3,000	
Vacancy & collection loss @ 10%	\$1,424	
TOTAL COSTS		\$6,424
NET RETURN		\$7,820

**Table III-13:
Rental Cash Flow
Analysis**

What is significant, however, is that developers/investors are willing to put significant money – in many cases, more than the property might sell for after rehab – into these properties rather than buy low-quality but minimally habitable properties, milk them, and walk away from them after a few years. Even though the net return shown in Table III-13 is healthy, it is not enough to sustain a milking strategy; in other words, the typical level of investment by a V2V developer demands that they maintain the value of their properties in order to obtain future capital gains in addition to their cash flow. This suggests, in turn, that investors have a higher level of confidence in the future of these areas than might be the case in other areas with equally low sales prices. That, in turn, suggests that *the city’s commitment to those areas, as reflected in the V2V program, may be making a significant contribution to bringing about that higher level of investor confidence.*

²³ A sales price/annual rent ratio (also known as the gross rent multiplier) of 8-10 to 1 is generally considered a healthy ratio. For a detailed discussion of sales and rent relationships see Mallach, “Lessons From Las Vegas: Housing Markets, Neighborhoods and Distressed Single-Family Property Investors”, Housing Policy Debate, Vol. 24, No. 4 (2014).

²⁴ One developer active in a number of V2V areas has adopted a business model under which he buys properties at the receivership auctions, rehabilitates them, and then sells them for prices typically around \$75,000 to investors looking for a long-term strong rate of return from rental income, while simultaneously entering into a property management contract for the property, relieving the investor of the responsibility for maintenance. This is, in some respects, a perfect win-win situation. The developer not only makes a profit on the sale of the property, but earns a continuing cash flow from the management fee; the investor gets an 8%-10% annual return on his or her investment with minimal aggravation; and the sale appears on the public record, so that it may become a comp for future appraisals.

In the final analysis, however, having investors target the rental market has made possible a greater volume of rehabilitation activity. The downside of that approach is that it is far less likely to move the trajectory of the neighborhood where it is taking place than if the houses were being sold to owner-occupants. The question of what steps the city can take to increase the number of owner-occupants in houses rehabilitated through the V2V program, as well as generally in the city of Baltimore, is an issue of great importance that will be discussed further below.

2. Receivership: a critical tool

While vacant property receivership has been part of the City's regulatory toolkit for 25 years, having been enacted in 1991,²⁵ its use has been dramatically expanded by V2V. Between 2005 and 2009, the City brought 179 receivership actions. Since 2010, the City has filed approximately 2,400 such actions against the owners of vacant properties who had failed to take advantage of the opportunities to restore their properties.²⁶ Many of these owners, of course, could not be located or had passed away.

The Baltimore vacant property receivership ordinance is distinguished from vacant property receivership ordinances elsewhere in that under the Baltimore ordinance, title passes *before the property is rehabilitated*, rather than afterward. It is arguably the most effective and most widely used such ordinance in effect anywhere in the United States. In contrast to ordinances in other states, which tend to be applied sparingly if at all, it has become an effective method of moving large numbers of vacant properties into new ownership and reuse.

The receivership program is a partnership between the City of Baltimore and a nonprofit entity, One House at a Time, Inc. (OHAAT). The City brings a legal action under the receivership ordinance, and when the city is successful in having the court place a property in receivership, OHAAT is designated as the receiver of the property. OHAAT then places the property on a list for its next auction. Auctions are held roughly every other month, and typically contain 25 to 50 properties. Properties that do not sell at auction are placed on a list for immediate sale, where offers from buyers below the minimum auction bid are considered. As of October 2016, 69 properties that had not sold at auction were under contract with prospective buyers, and an additional 126 were available for sale, a modest increase from the spring of this year.

The receivership program generally received high marks from respondents. In the course of our interviews, five criticisms were levelled against the receivership program:

1. Buyers are not adequately vetted, and unqualified or irresponsible individuals are able to obtain properties, which they then fail to restore to use.
2. The standards for qualifying buyers are too stringent, and should be made more flexible to allow more people to participate

²⁵ Baltimore City Building, Fire, and Related Codes; section 121 Vacant Building Receiver. It is worth noting that few if any other cities around the United States have the independent legal status that Maryland gives Baltimore, and which allowed them to enact this as a city ordinance. In nearly all other circumstances, the city would have to seek enactment of state legislation to accomplish this task.

²⁶ An excellent description of the program has been written by Joan Jacobson, and is available at <http://www.abell.org/sites/default/files/files/Vacants2-Receivership-Addendum.pdf>

3. Properties are not adequately monitored after the auctions, and the sales do not necessarily lead to restoration and reuse.
4. The ‘wrong’ properties are taken into the receivership process; in other words,
5. properties are taken which, by virtue of the property or the area, have little prospect of being rehabilitated.
6. The process takes too long from when a VBN is issued to the point when the property is acquired by a new owner for reuse.

Our findings do not bear out these criticisms. We believe that the standards applied by OHAAT are reasonable and not unduly burdensome. The requirements that the applicant demonstrate the ability to rehabilitate the house on which she is bidding, and has access to the financial resources needed, are appropriate, even necessary to prevent unqualified bidders. While we cannot prove that the process always works, OHAAT does obtain, and claims to verify, adequate data to prevent known bad actors from obtaining properties. At the same time, while it appears that OHAAT has procedures in place to prevent bad actors, it does not have similar procedures to track positive outcomes from good actors, and provide preferences based on prior good results.²⁷ Indications are that OHAAT has improved its procedures in recent years, so it is possible that some of the complaints are the result of less responsible practices in earlier years. Some of our recommendations at the end of this report address ways to improve this process.

The issue of the ‘wrong’ properties reflects both technical issues and larger strategic ones. From a technical standpoint, in addition to the inherently slow nature of the process, interviews with City staff found that through 2012 or early 2013, the City’s process for selecting properties for receivership was far less consistent or structured than it has subsequently become. As a result, large numbers of properties went into receivership without a clear reuse potential. That led to the system being significantly tightened up during 2013. Given the time frame involved, however, many of those properties are likely to have come up for sale in 2014 or 2015, or may still be making their way through the process.

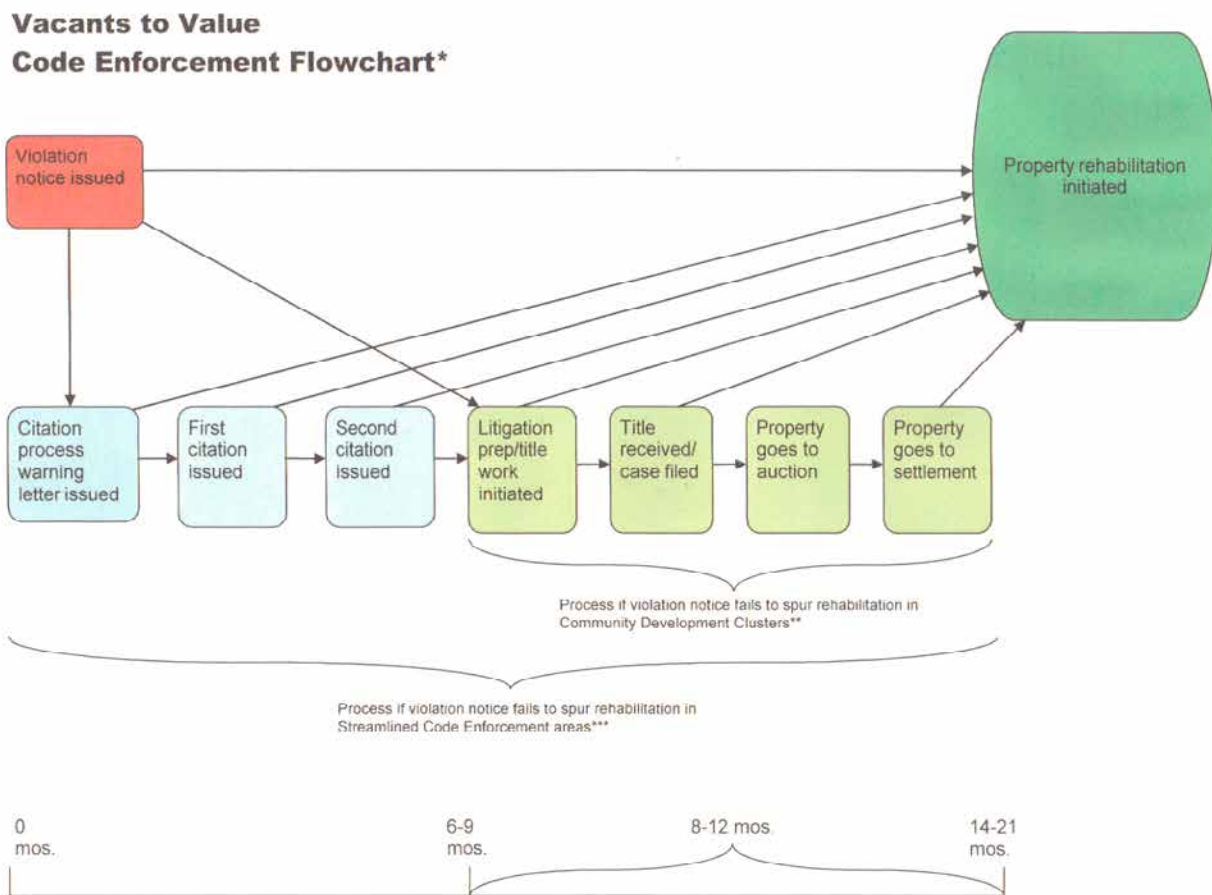
The larger issue goes to the more fundamental question of how and where to target programs. There is an inherent tension in the V2V program between narrowly targeting those areas and properties with the greatest reuse potential, and ‘pushing the envelope’ to include higher-risk properties. It is worth noting that while some respondents felt that the City was not stringent enough in its criteria for receiverships, others felt it was too stringent, and that it should extend the benefits of receivership to more distressed areas. Without substantial infusions of public subsidy beyond what is realistically available, however, such an approach could easily lead to more unusable properties accumulating in the receivership inventory.

The results of the OHAAT auctions and post-auction sales indicated that the great majority of properties going into the receivership process do find buyers. The city has filed over 2400 receivership actions since 2010, almost all of which went through the OHAAT process. At present,

²⁷ We would suggest that one area that might justify preferences is evidence that the houses that the buyer had previously rehabilitated were sold to owner-occupants rather than used for rental housing.

OHAAT has 126 properties on the immediate sale list, as well as 69 properties under contract to buyers. The City, moreover, has an internal tracking system that monitors the progress of individual properties through the system to reuse. The available public data on the V2V web site, however, does not allow interested stakeholders to fully understand the progress of properties through the system, and should be upgraded to provide more and more timely information at the property and target area level. The receivership process, however, is not a speedy one. The flow chart prepared by the City and shown in Figure III-9 shows a period from 14 to 21 months from issuance of the VBN to the point where the property is in the hands of the new owner. It can easily, and often does take longer. Since the rehab itself, depending on the availability of financing and the condition of the property, may take a year or more, it will be at least two years and potentially over three years from VBN to reuse, even where the process is working smoothly. That is the principal reason why the number of use & occupancy permits that have resulted from receiverships is still significantly lower than the number of receivership actions filed. As figure III-10 shows, permits and abatements, particularly for the period from 2010 to 2013, track receiverships closely, but with a gradually increasing spread reflecting the time lag associated with the process.

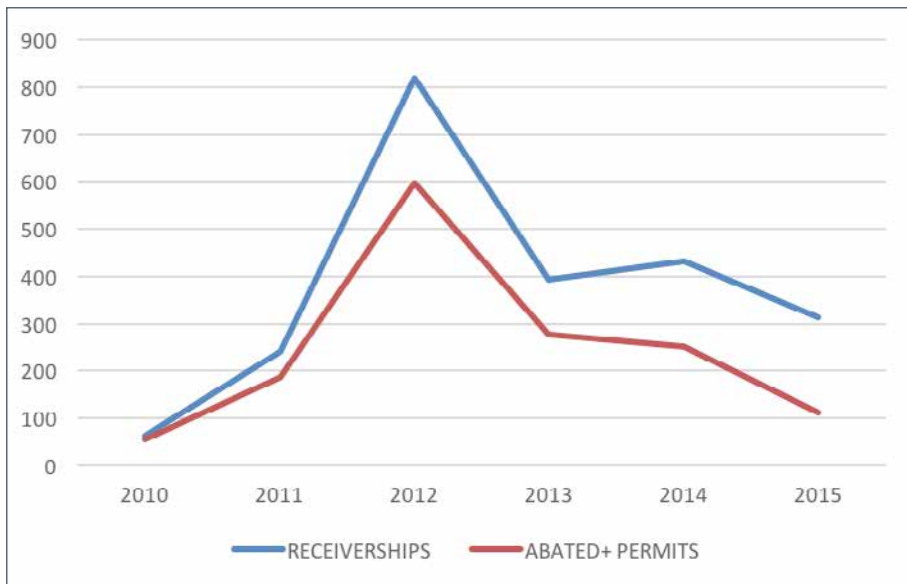
Figure III-9: Receivership Flow Chart



* This flowchart simplifies a complex set of processes for illustrative purposes only. In practice, every case is different

** Clusters of properties in distressed neighborhoods where we're partnering with nonprofit and private sector partners to redevelop whole block areas.

*** Targeted neighborhoods where we're working to stabilize relatively healthy housing markets threatened by scattered vacancies.



**Figure III-10:
Receiverships Initiated
and Abated (Including
Permits) 2010 to 2015**

The extended period needed to move problem properties from irresponsible owners to responsible buyers and bring about their reuse is *not* a program deficiency. The process inherently cannot be other than a long one. Receivership is a drastic remedy, which involves taking property away from its owner, and which can only be pursued on the basis of compelling evidence that the owner after adequate legal notice has failed to exercise her responsibilities with respect to the property. Once that has happened, the nature of the judicial process and the need for careful documentation of all filings leads to further delay. We doubt that this time frame can be reduced significantly, if at all, without violence to the rights of the property owner under the United States Constitution. This careful process also ensures that when title passes in the end, it is clean and insurable. Recognizing this, the City has been diligent in both tracking down owners and providing them with notice meeting strict legal scrutiny. We do not believe that the process can be significantly accelerated.

A possible approach, not as an alternative but as a complement to receivership, that the City may want to consider is that of spot blight eminent domain, the ability the city has to use the eminent domain power to take individual blighted, vacant properties. The City currently uses eminent domain to take 40-50 properties per year, principally to acquire properties in major redevelopment areas. We recognize that eminent domain can be a sensitive issue, however, and stress that we are talking here solely about using this power with respect to vacant properties, and not occupied ones.

This procedure could potentially speed the process of moving properties from vacancy to reuse. Maryland law permits what is known as ‘quick-take’ eminent domain, under which the City, by depositing what it has determined to be fair market value with the court, can immediately take title to property.²⁸ The average acquisition time for the city’s eminent domain takings during the 2014-2015 fiscal year was 266 days or roughly 9 months, substantially less than the time frame of the receivership program.

²⁸ If the owner challenges the award, the matter is then litigated, and if a court subsequently finds that the city’s determination of fair market value was too low, the City is legally obligated to come up with the difference, as well as interest on that amount. This is unlikely to be a major issue, however, when dealing with individual vacant properties in struggling neighborhoods.

A second potential benefit of the spot blight process is that at such point that the city conveys those properties to developers, the city may be able to more effectively address policy concerns, such as prioritizing developers based on their prior track record or their plans for the property, such as prioritizing reuse for homeownership over reuse for rental purposes. A potential downside results from the uncertainties of the appraisal process, which raise the possibility of inordinately high determinations of fair market value. This risk needs to be assessed, since it could significantly impair the feasibility of any such strategy.²⁹

C FACILITATE INVESTMENT IN COMMUNITY DEVELOPMENT CLUSTERS NEAR AREAS OF STRENGTH

The second signature Vacants to Value strategy is one of targeting vacant property reuse activity toward areas that, while severely distressed today, are located near stronger areas in such a fashion that they potentially represent significant market opportunities. These areas are referred to as Community Development Clusters (CDCs), and include such areas as Greenmount West, immediately north of Baltimore Penn Station; Barclay, just north of Greenmount West; and Oliver in East Baltimore, a few blocks north of the Johns Hopkins Medical Center.

Almost all of the CDCs have high concentrations of vacant properties. As shown in Table III-10, vacant properties make up 10% or more of the entire property inventory in 85% of the CDCs, while 31% of the properties in the median CDC area were vacant in 2010.³⁰ Thus, in contrast to the picture in the SCENs, it is fair to say that vacant properties are a major, and perhaps the dominant factor in the dynamics of most of the CDCs. This has powerful implications for the role of a vacant property strategy, and its likelihood of success even in the absence of other simultaneous efforts.

The City's strategy in CDCs is straightforward: to work with credible developers to identify areas which, although severely impacted by vacant properties and blight, are located where a strong market can be created or an emerging market strengthened and its progress accelerated by the City's creating a pipeline of vacant properties for developers to rehabilitate and restore to use and occupancy.

An important feature of the CDC strategy is that the City does not unilaterally designate CDCs on the basis of its own assessment, but instead seeks out the judgment of those developers it considers credible with respect to in which areas they would be likely to invest their own money in rehabilitating and reusing vacant properties if those properties were available at reasonable cost and with clear title. Thus, rather than being guided by generalized market data as in the case of the SCENs, the City has sought hands-on private market validation before designating CDCs and initiating the receivership process to make properties available in those areas.

²⁹ The New Jersey spot blight statute, N.J. Stats. Ann. 55:19-102, establishes a method of determining fair market value in spot blight eminent domain cases that ensures that the as-is value, which is used for eminent domain proceedings, along with the cost of rehabilitation, do not exceed the post-rehab market value of the property.

³⁰ This figure was derived by calculating the median case from the % distribution of neighborhoods in each category. Since the neighborhoods vary widely by size and number of units, it does not necessarily represent the percentage of vacant units in the CDCs or the SCENs as a whole.

Such a level of up-front engagement with the development community is an unusual strategy for a public agency to follow, but one which we consider likely to be far more effective in prompting rehabilitation activity, particularly with respect to scattered properties, than more traditional governmental approaches, such as assembling large numbers of properties and then issuing an RFP to select a developer, a point which is addressed in greater detail later in this report.

While local officials tend to be reluctant to work in what amounts to informal partnerships with developers, the judgement of public or non-profit officials, however sophisticated, with respect to the market potential of an area is likely to be much less reliable than that of individuals whose livelihood depends on their judgement of the market. Moreover, models like the MVA at best provide an indication of the *current market conditions* in an area; they do not measure the extent to which some areas may represent potential market *opportunities* despite their current weak market status, based on features such as proximity to transit or to a major medical center, or the presence of a distinctive housing stock.

The risk of any procedure in which developers may be involved in designating target areas for public sector intervention is that they become ‘insiders’ in some fashion, and inappropriately benefit from the public intervention. We believe that the city has managed that risk well by the use of the receivership process, and the manner in which developers must compete for properties. Rather than channel properties to developers either through RFPs or negotiated sales, properties are sold at auctions in which any qualified entity can bid for them. Despite that procedure, the V2V program does suffer from a perception reflected in some of our interviews that there are developers who somehow have an inside track for properties in certain areas. The city should do more to disseminate information more widely about how the program works, and how one can – and what qualifications one must have to – obtain properties both from the City and through the receivership process.

The city has designated 36 CDCs, which contained a total of 2423 VBNs in 2010 as shown in Table III-14. These properties are concentrated in a relatively small number of CDCs; the 15 CDCs with 50 or more VBNs in each area contain 2073 or 86% of all the VBNs in the CDCs. We will concentrate on those 15 CDCs in our analysis in this section.

Range	Number of CDCs	Number of VBNs
0-9	8	33
10-19	6	97
20-29	3	74
30-39	3	103
40-49	1	43
50-99	8	606
100+	7	1467
All CDCs	36	2423

**Table III-14:
Distribution of CDCs
by Number of VBNs
in 2010**

Table III-15 summarizes key city inputs into the CDCs through the end of 2014. As the table shows, the city significantly ratcheted its involvement with these areas, both with respect to homebuyer incentives and receiverships after initiating the V2V strategy (\$900 citations were not being issued prior to initiating the V2V strategy). A far greater number of \$900 citations are issued there rather than in the CDCs, which reflects the much greater importance of motivating individual owners to rehabilitate their properties in the SCENs. The same is true of homebuyer incentives, which are used far more sparingly in the CDCs than in the SCENs, and most probably reflect the higher percentage of V2V rehabs that are rentals in CDCs compared to SCENs, as shown in Table III-12.

In contrast to the trajectory of the SCENs, the overall VBN trend in the CDCs is consistently downward. All but one of the 15 CDCs shown in Table III-16 have fewer VBNs today than they had in 2010 – although in a few cases the difference is trivial – and in a number of cases the number of VBNs has been cut roughly in half over the past six years. Key examples include Barclay, CARE, Greenmount West and Milton-Montford.

This difference is not the result of higher levels of abatement in the CDCs, as can be seen in Table III-17, but is attributable to the fact that the number of VBNs added after 2010 in the CDCs was much smaller than in the SCENs. In other words, while large number of properties continue to be abandoned in the SCENs – as a result, in our opinion, of factors unrelated to the city’s vacant

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Homebuyer Incentives			0	5	5	4	34	39	65	35
Receiverships	11	68	37	37	91	63	244	386	200	331
\$900 Citations							121	92	61	66

**Table III-15:
CDC Vacant
Property Inputs**

	VBNs Issued Prior to 2010	VBNs Issued Prior to 2010 Still Active in 2010	VBNs Issued Since 2010	Estimated VBNs in 2016
Barclay	119	91	26	46
Broadway East	246	182	25	113
CARE	300	204	60	103
Gay Street	104	75	12	46
Greenmount West	247	172	21	72
Harwood	84	55	13	30
McElderry Park	459	260	73	143
Middle East	95	87	14	94
Milton-Montford	193	149	22	75
Oliver	447	308	65	198
Park Circle	104	75	19	62
Reservoir Hill	351	192	68	131
Sandtown-Winchester	109	68	27	55
Upton	73	56	8	53
Westport	150	99	43	94
15 CDCs	3081	2073	496	1315
ALL CDCs	3620	2423	670	1620

**Table III-16:
VBN Trends for
Selected CDCs**

property reuse strategies – far fewer additional properties are being abandoned in the CDCs, thus allowing the city to get ahead of the problem and foster significant change in those areas.

Although the overall trend is positive, there is still substantial variation between CDCs with respect to performance outcomes, as shown in Table III-18, which shows the ratio of 2016 VBNs to 2010 VBNs, as well as the ratio of building permits pulled for vacant properties as a percentage of the 2016 VBNs for the 15 CDCs shown above. The same relationship previously seen in the SCENs between the decline in the total number of VBNs and the likelihood that permits will have already been pulled for many of the remaining vacant properties also applies to the CDCs, as illustrated in Figure III-11.³¹

	% of Pre-2010 VBNs Abated Since 2010	% of Post-2010 VBNs Abated	Post-2010 VBNs as % of Pre-2010 VBNs Still Vacant in 2010
SCENs	54.0%	36.4%	89.0%
CDCs	47.9%	35.5%	27.7%

Table III-17:
Comparison of SCENs and CDCs in Terms of VBN Outcomes

	2016 VBNs to 2010 VBNs	Permits Outstanding as % of 2016 VBNs
Greenmount West	41.9%	61.1%
Milton-Montford	50.3%	38.7%
Barclay	50.5%	67.4%
CARE	50.5%	61.2%
Harwood	54.5%	60.0%
McElderry Park	55.0%	58.0%
Gay Street	61.3%	47.8%
Broadway East	62.1%	39.8%
Oliver	64.3%	31.8%
Reservoir Hill	68.2%	59.5%
Sandtown-Winchester	80.9%	32.7%
Park Circle	82.7%	50.0%
Upton	94.6%	49.1%
Westport	94.9%	38.3%
Middle East	108.0%	14.9%

Table III-18:
Comparative Outcomes for Selected CDCs

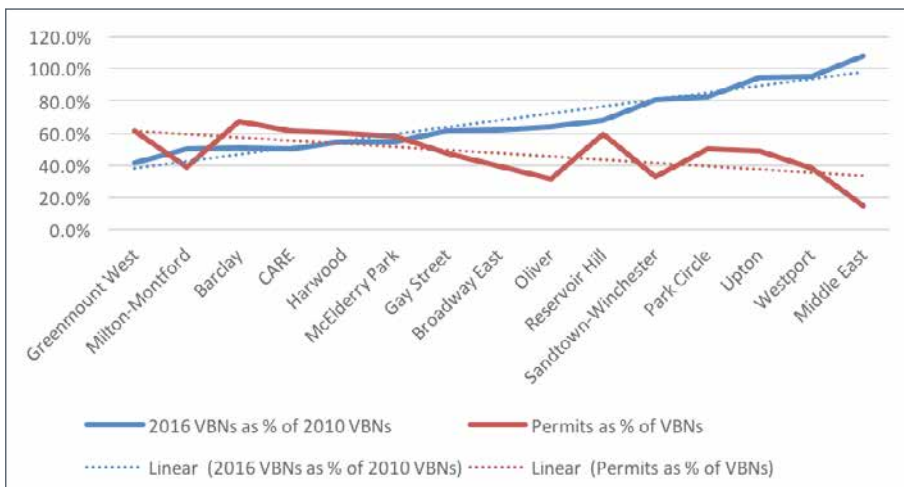


Figure III-11:
Comparative Trends for Selected CDCs

³¹ The correlation between the two variables is -.6618, significant at the 99% level.

The six CDCs highlighted in Table III-18 show significant abatement with respect to both the 2010-2016 trend and the ratio of permits to outstanding VBNs – Greenmount West, Barclay, CARE, Harwood, McElderry Park and Reservoir Hill. While some of the other CDCs have seen a drop in the total number of VBNs, the low ratio of permits to outstanding VBNs suggests that rehabilitation activities in these CDCs – particularly Westport, Sandtown-Winchester and Middle East – may have slowed down or stalled. Oliver is a more complicated case; although there has been and continues to be a good deal of rehabilitation activity, the sheer number of accumulated vacant properties in that area continues to represent a serious challenge.

This disparity is not a reflection on the achievements of the V2V program. Table III-19 presents two metrics of performance; the number of VBNs abated, and the number for which permits have been pulled but the properties not (yet) abated. The former is clearly a success in the narrow sense of putting a vacant property back in service. The latter is less certain, since many permits do not lead to actual rehabilitation and reuse of the property. Indeed, the data shows that 786 permits were pulled prior to 2010 on properties that had VBNs issued, where the properties were still vacant as of 2010. While some of these may be counted among the properties that were rehabilitated *after* 2010, others were abandoned for any of many reasons.

Table III-19: Vacant Property Trends 2010-2016 in Selected CDCs

	VBNs in 2010	2010 VBNs Abated	2010 VBNs Abated + Permits Pulled	% 2010 VBNs Abated	% 2010 VBNs Abated + Permits Pulled	VBNs Added 2010-2016	Added VBNs Abated	Added VBNs Abated + Permits Pulled	% Added VBNs Abated	% Added VBNs Abated + Permits Pulled
Barclay	91	57	82	62.6%	90.1%	26	14	20	53.8%	76.9%
Broadway East	182	89	129	48.9%	70.9%	25	5	10	20.0%	40.0%
CARE	204	128	177	62.7%	86.8%	60	33	47	55.0%	78.3%
Gay Street	75	39	61	52.0%	81.3%	12	5	5	41.7%	41.7%
Greenmount West	172	115	154	66.9%	89.5%	21	6	11	28.6%	52.4%
Harwood	55	33	48	60.0%	87.3%	13	5	8	38.5%	61.5%
McElderry Park	260	150	225	57.7%	86.5%	73	40	48	54.8%	65.8%
Middle East	87	6	18	6.9%	20.7%	14	1	3	7.1%	21.4%
Milton-Montford	149	84	107	56.4%	71.8%	22	12	18	54.5%	81.8%
Oliver	308	154	204	50.0%	66.2%	65	21	34	32.3%	52.3%
Park Circle	75	28	53	37.3%	70.7%	19	4	10	21.1%	52.6%
Reservoir Hill	192	107	166	55.7%	86.5%	68	22	41	32.4%	60.3%
Sandtown-Winchester	68	33	49	48.5%	72.1%	27	7	9	25.9%	33.3%
Upton	56	9	32	16.1%	57.1%	8	2	5	25.0%	62.5%
Westport	99	43	72	43.4%	72.7%	43	5	12	11.6%	27.9%
	2073	1075	1577	51.9%	76.1%	496	182	281	36.7%	56.7%

That said, pulling a permit is a significant positive step, as noted earlier with respect to the SCENs. In Table III-19, we show both the number of properties abated and the number for which permits have been pulled since 2010, for both pre-2010 VBNs and VBNs issued since 2010. The numbers, while varying widely from one CDC to the next, show a picture of significant activity. Over half of the properties that were vacant in 2010 have been abated, while an additional 25% have permits. With respect to properties that have become vacant since 2010, the results are predictably not as strong, since as noted, there is a significant lag between the VBN being issued and the outcome of the receivership process. Still, over one-third of the properties have been abated, and permits have been pulled on an additional 20%. All in all, over half of the post-2010 VBNs may be on track for reuse, while in three CDCs – Barclay, CARE and Milton-Montford – the total of properties abated or with permits exceeds 75% of the post-2010 VBNs.

A unique dataset is available that offers the opportunity to conduct a natural experiment with which we can zoom in on what could be considered the “V2V effect” in selected CDCs. Each CDC is part of a larger Neighborhood Statistical Area (NSA) designated by the city. Since we have data on VBNs and abatement for both the entire NSA and the CDC, and data for both before and after 2010, we can compare relative rates of progress by (1) whether the area is inside the CDC or not, and by (2) pre-2010 and post-2010 activity.³² The data permits this comparison to be made for 12 of the 15 CDCs presented above.

Table III-20(A) compares the ratio of *pre-2010* abatements between the CDC and non-CDC parts of each NSA. A ratio of 1.0 means that the *percentage of VBNs abated is the same in the CDC and non-CDC parts of the NSA; e.g., a 50% abatement level in both areas*. A ratio of 1.1, for example, indicates that the abatement level is 10% greater in the CDC than in the non-CDC area; e.g., 55% in the CDC area and 50% in the non-CDC area. As the table shows, in many areas the level of abatement in the area that was to become the CDC was already significantly higher than in the rest of the NSA.

NSA	COLUMN 1 Pre-2010 abatement of pre-2010 VBNs	COLUMN 2 Post-2010 abatement of pre-2010 VBNs	COLUMN 3 Post-2010 abatement of post-2010 VBNs
Barclay	1.007	1.058	1.447
Broadway East	2.086	2.385	1.162
CARE	1.277	0.885	3.300
Gay Street	1.066	1.120	3.333
Harwood	1.257	1.085	0.769
McElderry Park	1.116	1.236	1.739
Middle East	0.125	0.116	0.211
Milton-Montford	1.367	1.180	1.638
Oliver	1.535	2.081	1.817
Park Circle	1.461	1.271	4.947
Sandtown-Winchester	2.064	2.595	2.439
Upton	0.613	0.654	2.125

**Table III-20(A):
Ratio of Abatement
Level in CDC to
Non-CDC Part of
Same NSA**

³² The same comparison is not possible for the SCENs, since for the most part the SCEN and NSA boundaries are coterminous.

If there were *no* V2V effect, logic would dictate that the ratios in columns 2 and 3 should be similar to those in column 1. As we can see, however, they vary quite a bit, but in an interesting way. There is no pattern of consistent improvement as a result of V2V with respect to the abatement of pre-2010 VBNs, many of which were probably hard cases by 2010, but significant improvement is visible with respect to abatement of properties that have become vacant since 2010.³³ Cases where the difference between column 1 and either column 2 or 3 is 10% or greater are highlighted (green = positive, pink = negative). Similar variations can be seen with respect to permits pulled in CDC versus non-CDC areas, a number of which are highlighted in Figure III-12. In Barclay, Oliver and CARE CDCs, the contrast between performance in the CDC and non-CDC areas of the same NSA is significant. Harwood is a notable exception, where the non-CDC area has shown significantly better performance outcomes than the CDC area. While some of this variation may be attributable to the more advantageous market features of the CDC areas, it must be stressed that we are looking at recent performance relative to past performance, not performance in absolute terms.

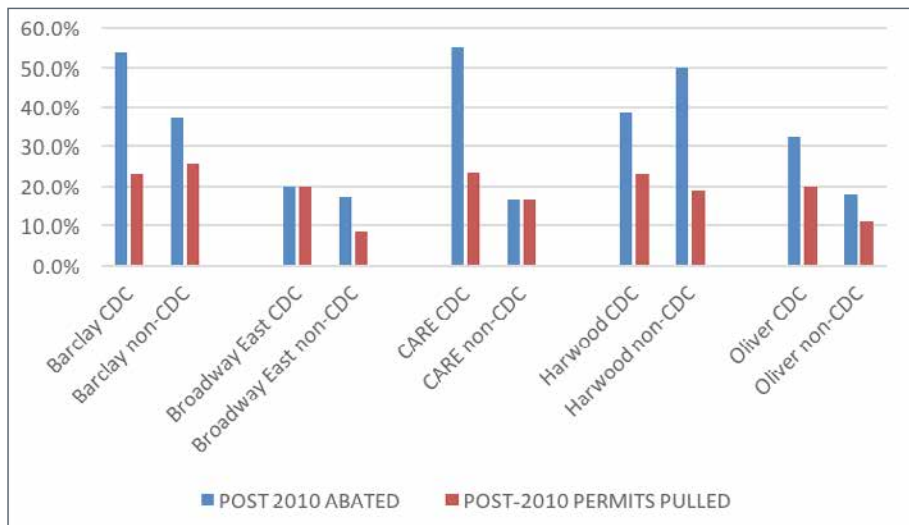


Figure III-12:
Comparison of CDC and Non-CDC Areas in NSA in Terms of % of Post-2010 VBNs Abated and Permits Pulled

A second way of looking at this data is to compare the extent to which additional properties that were occupied in 2010 have become vacant since 2010, as shown in Table III-20(B). In 10 of the twelve cases, the ratio of new vacancies to existing vacancies is lower in the CDC than the non-CDC part of the NSA. Here, however, there is no way of determining what part of this variation is attributable to the V2V program, and what part to the likelihood that the market potential was stronger to begin with in the CDC areas, which was the basis for their being selected as CDCs. We believe that a significant part of this variation can be attributed to the V2V intervention.

The BNIA analysis described earlier adds useful information to the assessment of CDC outcomes, with respect to trends in terms of VBNs as a percentage of the CDC property inventory and with respect to median sales price. Figure III-13 shows that *those CDCs which were already experiencing high levels of rehab activity prior to V2V performed significantly better than all other categories of CDCs.*

³³ In some cases, however, where the table shows particularly sharp variation, this is attributable to the fact that there are a very small number of cases in that particular cell.

Figure III-14 shows that meaningful increases in CDC house prices are concentrated in the high rehab rate and high value clusters, and that V2V intervention does not appear to have moved the price needle significantly in other areas.³⁴

This highlights an important element of CDC outcomes; namely, *the stronger the areas were to begin with – either with respect to high sales prices or high levels of rehab activity – the stronger they have become through the V2V process.* That does not mean that V2V intervention has not been meaningful elsewhere – as we have shown, V2V intervention appears to have led to large numbers of vacant properties put back into use in areas with low property values as well as high ones. The data suggests, however, that in those areas blight remediation has yet to trigger significant change in other neighborhood conditions.

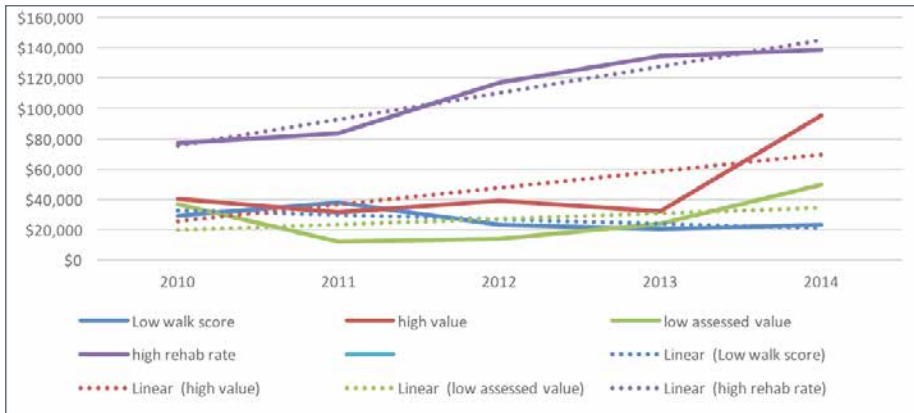
NSA	CDC area	Non-CDC area
Barclay	28.57%	21.94%
Broadway East	13.74%	22.85%
CARE	29.41%	33.33%
Gay Street	16.00%	28.57%
Harwood	23.64%	34.04%
McElderry Park	28.08%	48.67%
Middle East	16.09%	30.75%
Milton-Montford	14.77%	21.02%
Oliver	21.10%	23.26%
Park Circle	25.33%	37.30%
Sandtown-Winchester	39.71%	28.71%
Upton	14.29%	24.29%

**Table III-20(B):
Post-2010 VBNs as
% of Pre-2010 VBNs
Active in 2010 by CDC
and Non-CDC Areas in
Same NSA**



**Figure III-13:
Comparison of VBN
Trends by CDC Cluster**

³⁴ This data, which goes through 2014, shows an uptick in sales prices since 2012 in the low assessed value CDCs, which could prove to be significant if sustained beyond 2014.



**Figure III-14:
Comparison of Median
Sales Price Trends by
CDC Cluster**

D TARGETED HOMEBUYER INCENTIVES

The City of Baltimore, in conjunction with a large number of the city’s major employers, offers six distinct incentives for households to become homeowners in the city. An overview of the different incentives is provided in Table III-21. Each program has slightly different targeting criteria, but individual homebuyers can layer more than one incentive on one another. This practice is relatively uncommon; of buyers receiving the V2V booster incentive, 9% combined it with one other incentive, and only 2% with two or more other incentives. Table III-22 shows the total number of incentives provided by the city of Baltimore between 2010 and mid-2014 by program, along with the Community Statistical Areas (CSAs) which have received the largest number of incentives. Figure III-15 shows the distribution of incentives by CSA across the city.

The incentives are provided on a first come first served basis. Certain incentives are targeted, either by participating LNYW employers or on the basis of LiveBaltimore neighborhood tours, but most are provided on a citywide basis. The only incentive that is directly linked to other V2V strategies is the V2V booster program, which is only available for people buying homes that have been rehabilitated after having been under a VBN for one year or more.³⁵ While the formal program guidelines do not specify that the property must be in a SCEN or CDC, the BNIA data make clear that in practice the great majority of booster incentives go to properties in those target areas.

Program	Amount	Target Area & Population
V2V Booster	\$10,000	Houses with a VBN for 1+ years
City Employee Program	\$5,000	Citywide
Buying into Baltimore	\$5,000	Citywide
City Living Starts Here	\$5,000	Linked to LiveBaltimore neighborhood tours
Live Near Your Work (LNYW)	Varies with employer. City provides \$2,500 match	Determined by employer
CDBG homebuyer assistance	\$ 5,000	Citywide for households earning under 80% of AMI

**Table III-21:
Baltimore Homebuyer
Incentive Programs**

³⁵ Prior to 2014, the incentive was available for any building with a VBN, without respect to the length of time involved.

Program	Number	Most Frequent CSA	Second Most Frequent CSA
V2V Booster	354	Greater Charles Village/ Barclay	Greenmount East
City Employee Program	417	Cedonia/Frankford	Hamilton
Buying into Baltimore	443	Patterson Park East & North	Cedonia/Frankford
Live Near Your Work	270	Patterson Park East & North	Greater Charles Village/Barclay
CDBG homebuyer assistance	539	Cedonia/Frankford	Belair-Edison
TOTAL	2,023		

Table III-22:
Distribution of
Homebuyer Incentives
by Program 2010
to Mid-2014³⁶

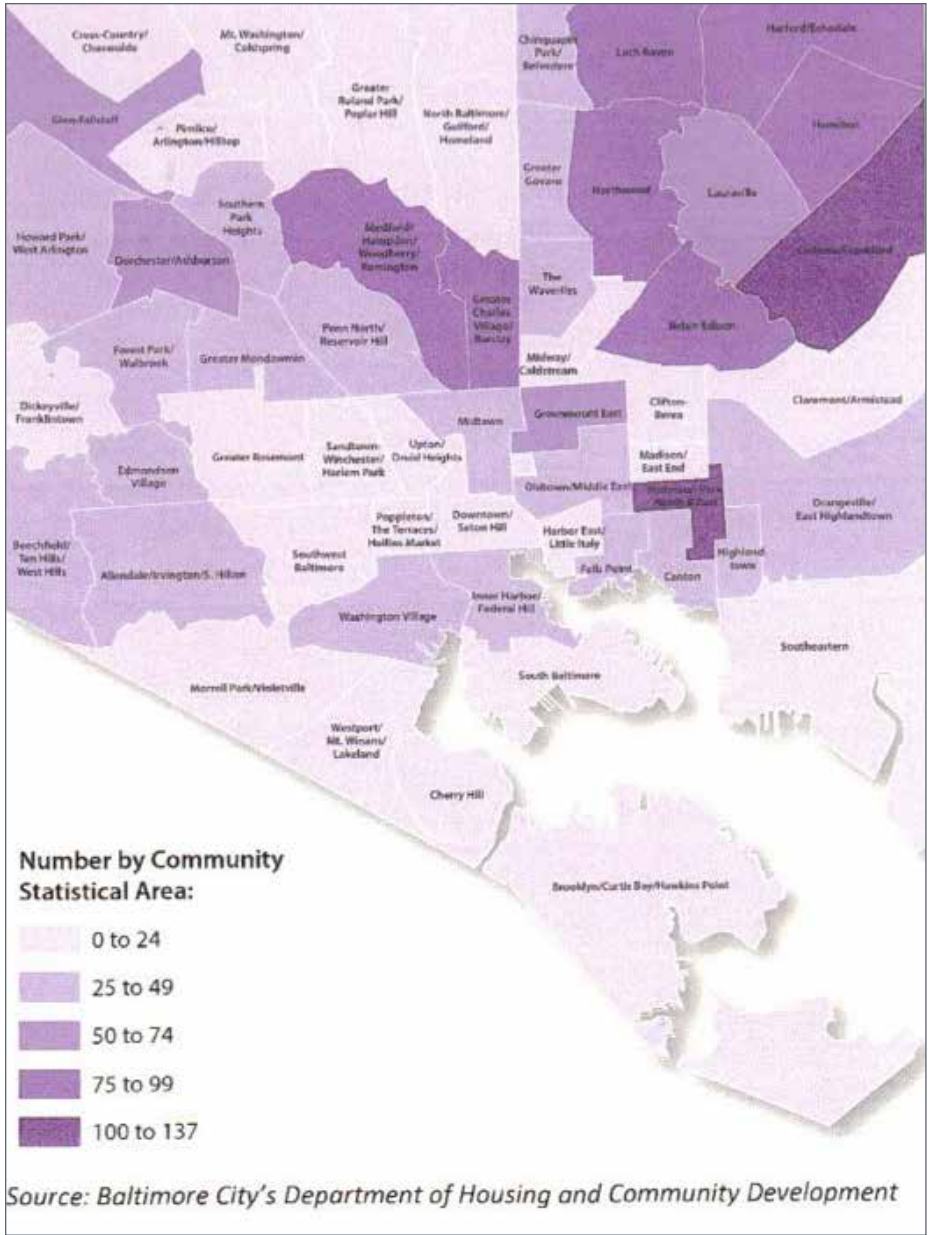


Figure III-15:
Geographic Distribution
of Homebuyer
Incentives by CSA

³⁶ Data not available for City Living Starts Here. Table does not include 299 incentives provided through Wells Fargo City Lift program.

The City places a lien on the property for the amount of the incentive in the form of a forgivable five-year loan, which ‘burns off’ at 20% per year. In other words, for every year that the beneficiary of the incentive lives in their home, 20% of the amount is forgiven, and after five years, the entire loan amount is forgiven. It is not clear how many homeowners remain in their homes for five years or more. While the City has some ability to recapture incentive funds when the owner sells the home to a new buyer, since the new buyer typically requires a release of the City’s lien, the City at present makes no effort to recapture funds when the owner moves and rents out the house, which, according to some informants, is not unusual. This is an area where better tracking would be beneficial.

The Live Near Your Work program is an important element in the city’s incentive structure. At present, some 80 employers participate in the program, which the city actively encourages both by handling the program paperwork, and by adding up to \$2,500 to the amount provided by the employer. The largest LNYW program is that of Johns Hopkins University and Medical Center, which has provided assistance to over 500 homebuyers since its inception in 2008. Although the JHU program began before the V2V program, the university makes some effort to coordinate its activities with the V2V program, targeting its availability to key areas in proximity to the Homewood and Medical Center campuses, and varying incentives on the basis of the neighborhood, with greater incentives going to areas either in greater distress or of greater significance to the university. Figure III-16 shows the JHU incentive target areas.

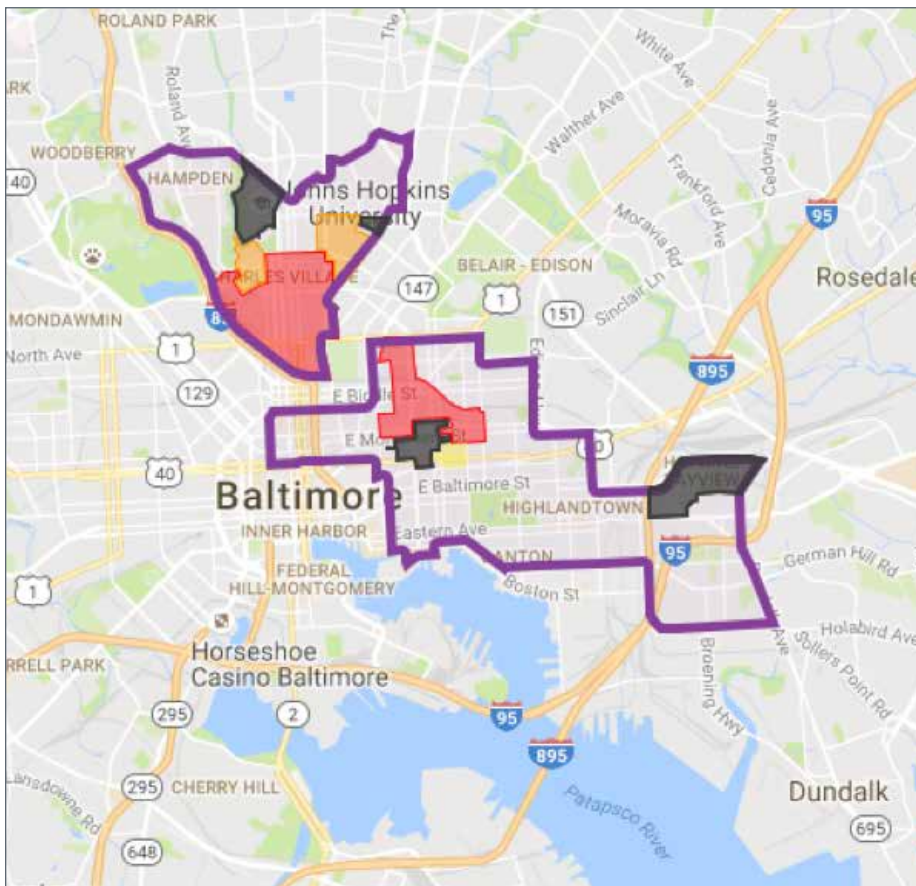


Figure III-16:
Target Areas for
Johns Hopkins
Homebuyer Incentives

Since they were first offered in 2011 through mid-2016, the city has awarded approximately 600 V2V booster incentives, of which 64% of the buyers already lived in the city of Baltimore, and 36% moved from outside the city, in the great majority of cases from nearby Baltimore or Prince Georges County. 72% of all the buyers were either single individuals or couples, with the out-of-town buyers tending to be slightly but significantly more heavily concentrated among single individuals and couples, and fewer families with three or more members, as shown in Table III-23. Despite their smaller median household size, out-of-town buyers were also more affluent than Baltimore residents receiving the V2V booster initiatives, with a median income of \$58,000 compared to \$52,000.

	Total	By Household Size				Median HH Size
		1	2	3	4+	
Moved from inside city	63.9%	41.1%	26.8%	17.4%	14.7%	2.33
Moved into city	36.1%	49.1%	29.2%	13.7%	9.0%	2.03
TOTAL	100.0%					

**Table III-23:
Characteristics of
V2V Booster Incentive
Recipients**

Figure III-17 shows where beneficiaries of V2V booster incentives have bought their homes, with the second map showing the detailed area where most of the booster incentives are concentrated. As the map shows, the largest concentrations are in the highest-volume CDCs, Oliver, Barclay and Greenmount West, along with Reservoir Hill and the Patterson Park area.

There is no way to answer the ‘but for’ question; that is, would you have bought this house, or moved into this neighborhood, but for the incentive? An incentive of \$10,000 (or more, if a second incentive is added) is unlikely to make the difference between buying and not buying at all, but it could easily tip the balance between buying a house that was eligible for the incentive and buying elsewhere. We consider it significant that 36% of the V2V booster beneficiaries moved into Baltimore from outside the city, compared to 21% of all incentive recipients, and an estimated 18% of those homebuyers benefiting from the other incentive programs.³⁷ A potentially relevant, although at best only suggestive, piece of data in support of this proposition comes from our largely unsuccessful effort to interview V2V buyers and renters. Of 27 homebuyers who responded to our request for interviews, 22 had benefited from city incentives; of those 22, 12 or 55% responded that they would not have bought a house in that particular neighborhood without the incentive. To truly measure the significance of these incentives, however, would require having similar information for the larger universe of households that bought a house in Baltimore citywide over the same period, which is not available.

Overall, the V2V Booster incentive is significantly more likely to draw homebuyers from outside the city of Baltimore than the other incentive programs. An analysis by BNIA for incentive recipients through mid-2014 found that 79% already lived in the city, another 11% lived in Baltimore County, and 10% lived elsewhere, before buying a house with the help of the incentive.

³⁷ We cannot determine this precisely, because the databases we are using for the analysis of V2V boosters and for total incentives are for somewhat different time periods.

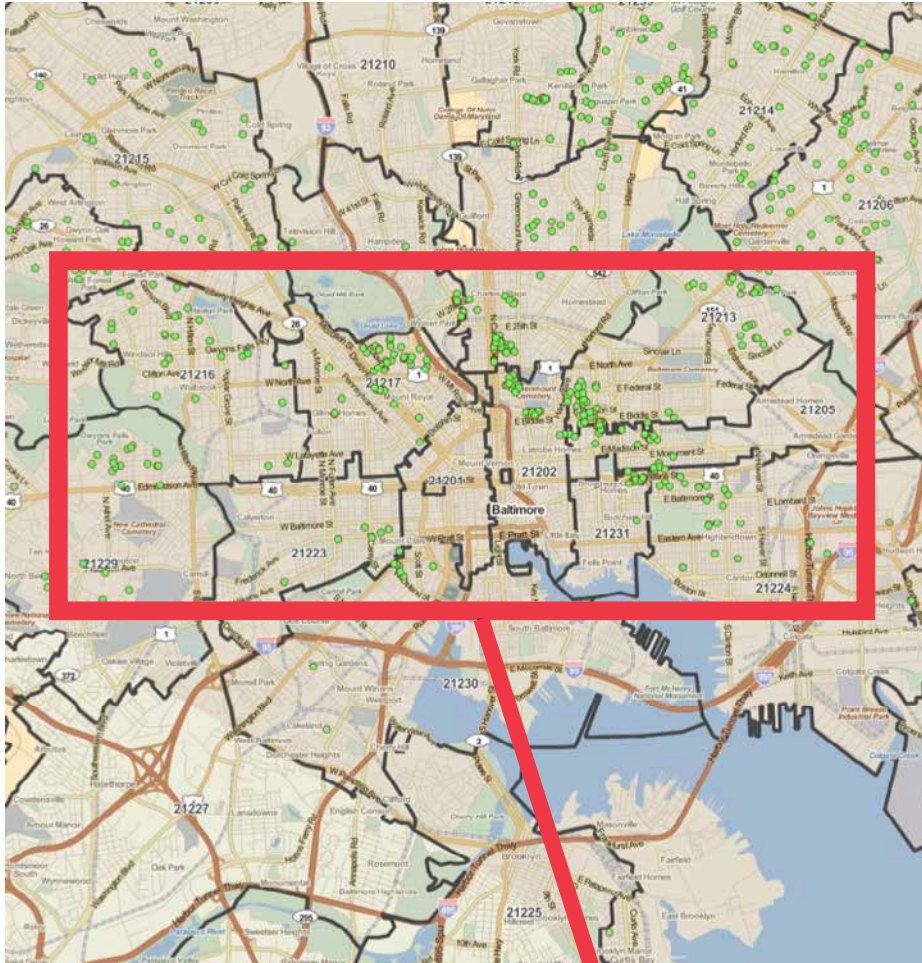
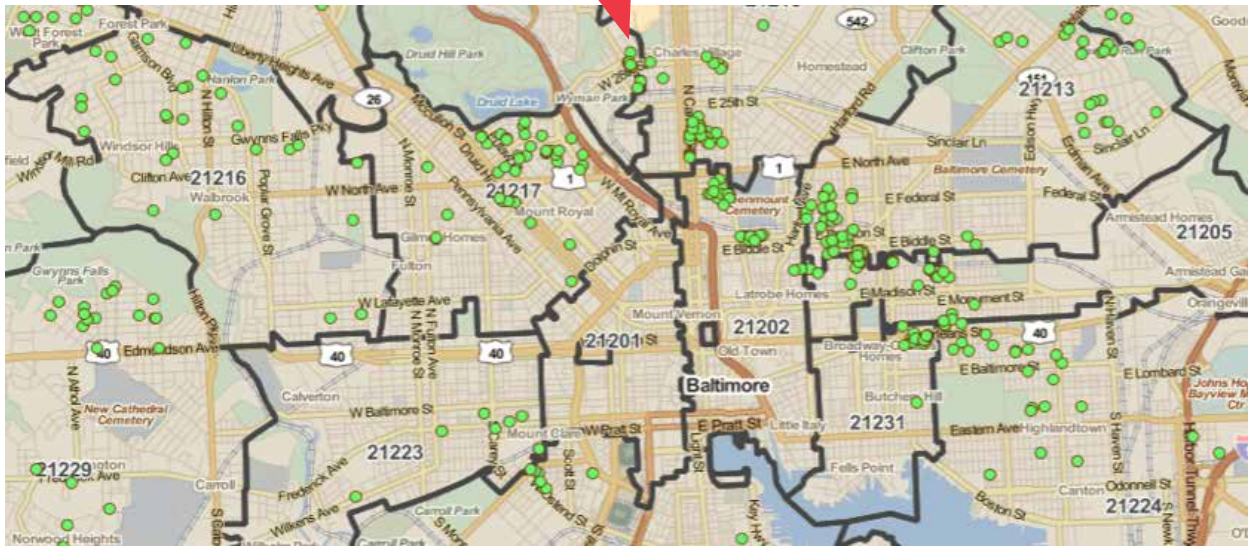


Figure III-17:
Spatial Distribution
of V2V Booster
Incentives



With the obvious and significant exception of the V2V Booster incentive, homebuyer incentives are not, for the most part, explicitly targeted to V2V target areas; in fact, as Table III-24 shows, the frequency of incentives going into the SCENs; that is, the areas that were subsequently designated as SCENs, was basically the same before V2V as since, reflecting the fact that SCENs are a very large part of what can be considered Baltimore’s “middle market” neighborhoods, which contain the pool of single-family homes that are affordably priced and have some appeal to middle-income homebuyers. The uptick of incentives going into CDCs after 2012 reflects the fact that the V2V program by that point had begun to yield an increase in available housing product in these areas rather than explicit targeting.

	2007-2009	2010	2011	2012	2013	2014 (part)	2010-2014
TOTAL	326	177	352	348	900	183	
In CDCs	10	4	34	39	65	35	177
In SCENs	185	103	207	202	343	79	934
Other Areas	141	70	111	107	492	79	859
% CDCs	3.1%	2.3%	9.7%	11.2%	7.2%	19.1%	9.0%
% SCENs	56.7%	58.2%	58.8%	58.0%	38.1%	43.2%	47.7%
Other Areas	43.3%	39.5%	31.5%	30.7%	54.7%	43.2%	43.8%

**Table III-24:
Distribution of
Homebuyer
Incentives by
Area**

E SUPPORT DEVELOPMENT/MAJOR REDEVELOPMENT ACTIVITY

In parallel with the activities described above, the City of Baltimore is pursuing larger-scale development and redevelopment activity in a number of locations around the city, including both projects involving extensive assembly of multiple properties and those involving the replacement or reconfiguration of distressed public housing or otherwise federally-subsidized projects. Table III-25 offers summary profiles of nine projects for which City staff provided us with information.³⁸

The projects on the list represent a major commitment of public resources, and are planned to lead to development of well over 5,000 units of mixed-income housing, not including the still undetermined numbers for Park Heights and Perkins, as well as considerable commercial and community facility space. These projects represent a massive investment of public resources illustrated by the breakdown of public investment in the largest single redevelopment project, EBDI, shown in Table III-26. This project illustrates the number of separate funding sources needed to make possible a redevelopment project of this scope. According to City records, a total of nearly \$700 million in private funds have been invested in EBDI up to this point. While no single other

³⁸ Two projects not included in the table for which the City provided information were Barclay, which is largely coterminous with the Barclay CDC, and Port Covington, which is not a City initiative, the parameters of which have not yet been fully defined. It should be noted that there is no formal definition that we have been able to find as to what constitutes a major development project, so any list requires some judgment on our part.

project on the City’s list is comparable to EBDI in its complexity and multiple goals, many of the other projects also involve extensive site acquisition and include plans for mixed use, as well as mixed-income, mixed-tenure housing development.

At the same time, the City’s efforts raise a number of serious questions. One is whether the market demand needed to create truly mixed income communities is strong enough in many of the areas where the major projects are located to allow the City to achieve its ambitious goals for housing production. Many of the projects have been in the pipeline for many years at this point, and still remain works in progress. Although some delays can be attributed to the effects of the housing bust and the recession, the City’s overall market has significantly recovered since then. Moreover, the great majority (of units, etc.) of units created or in the pipeline in many of these projects to date are subsidized rental housing. Table III-27 shows the breakdown by ownership and rental, and by affordable and market, for housing units currently in the major projects pipeline.³⁹ Not only do affordable units make up 87% of all units in the pipeline, they make up 92% of all of the units either complete or under construction. This distinction matters, because the uncertainties of the development process raise the possibility that some share of those units in the planning process or seeking financing may not materialize.

Project	Previous Use(s)	Acreage	Planned Use(s)	Status
Central West Baltimore			Housing	Financing being assembled.
EBDI (East Baltimore Development Initiative)	Multiple uses/extensive property acquisition		Multiple uses including housing, research facilities, hotel, retail, and public facilities	Under construction Started 2003
O’Donnell Heights/Keys Ridge	Former 900-unit World War II housing project	63	Mixed income housing and two schools	Under construction Started 2010
Oldtown/Somerset	Former public housing project and city-owned parcel	16	Mixed income housing and retail	Project applications pending
Orchard Ridge	Former public housing project and distressed FHA project	58	Mixed income housing	Under construction. Nearly complete.
Park Heights ⁴⁰	Multiple uses/extensive property acquisition	62	TBD	Site acquisition largely complete.
Perkins	Public housing project	17	TBD	Planning underway
Poppleton	Multiple uses/extensive property acquisition	14	Mixed income housing and retail	Site acquisition largely complete. Phase I financing being assembled
Uplands	Former distressed FHA project	60	Mixed income housing	Under construction Started 2005

**Table III-25:
Major Development
and Redevelopment
Projects**

³⁹ The information provided by the City which we used to create this table did not include any projects in EBDI.

⁴⁰ Strictly speaking, there are two Park Heights ‘projects’, one being an overall master plan for the larger Park Heights neighborhood, which includes a number of specific housing and community facility investments, and the second being the redevelopment project within the neighborhood for which site acquisition is currently taking place.

City Funds	
Baltimore City Bonds	\$ 16,809,639
Baltimore City General Funds	\$ 3,035,361
HCD MVR	\$ 3,100,000
HOME Funds	\$ 2,570,000
TIF Bonds	\$ 65,695,000
HABC Housing Choice Vouchers	\$ 12,625,000
Baltimore DOT MVR	\$ 6,743,142
DPW Revenue Bonds	\$ 1,845,133
CDBG Grant for Park Construction	\$ 3,500,000
Baltimore Development Corporation Loan	\$ 350,000
108 loan	\$ 21,200,000
City 2015 Strategic Demo Grant Award	\$ 1,250,000
Operating Support	\$ 2,500,000
Total City Funds	\$ 141,223,275
State Funds	
State Capital Grants	\$ 55,886,000
Total State Funds	\$ 55,886,000
Federal Funds	
DHHS Rangos Grant	\$ 500,000
HUD Neighborhood Initiative Grants	\$ 2,979,600
HUD Special Project Grant	\$ 641,500
Empowerment Zone	\$ 815,000
Baltimore DOT Federal Safta-Lu	\$ 9,000,000
Broadway Median	\$ 148,000
Total Federal Funds	\$ 14,084,100
TOTAL PUBLIC SOURCES	\$ 211,193,375

**Table III-26:
Public Investment in
EBDI Redevelopment
Project**

	Affordable		Market		Total	
RENTAL	2034	90.0%	265	75.9%	2299	
OWNERSHIP	229	10.0	84	24.1%	313	12.0
TOTAL	2261		349		2612	
COMPLETE	770	34.0%	50	14.4%	820	31.4%
UNDER CONSTRUCTION	684	30.1%	78	22.4	762	29.2
IN PLANNING	810	35.8%	220	63.2	1030	39.4

**Table III-27:
Breakdown of
Housing Units in
Major Development
Projects Pipeline**

While affordable housing units are certainly needed to meet the serious housing needs of many of Baltimore’s lower income residents, this raises questions both about whether the city is indeed moving significantly toward achieving mixed-income housing in its major development projects, and whether its long-term goals for mixed-income housing in these projects are realistic, particularly in that many of the project locations are not in or near the path of market development in the city.

Moreover, if some projects end up being largely or entirely of subsidized affordable housing, is this a desirable long-term outcome for these areas? We cannot answer that question, but it is one well worth thoughtful exploration.

A second issue is whether this activity is generating spillover effects. While that appears likely in the case of EBDI⁴¹, it is more uncertain elsewhere. Although most of the other projects have not been underway for long enough, a few projects have been in the works for many years. One project where it is possible to drill down to look at spillovers is the Uplands project which, although not yet complete, has been under way since 2005. Figure III-18 is a map that shows the location of the Uplands project, and a surrounding Potential Impact Area made up of those contiguous census block groups that could potentially be affected by the Uplands development.⁴²

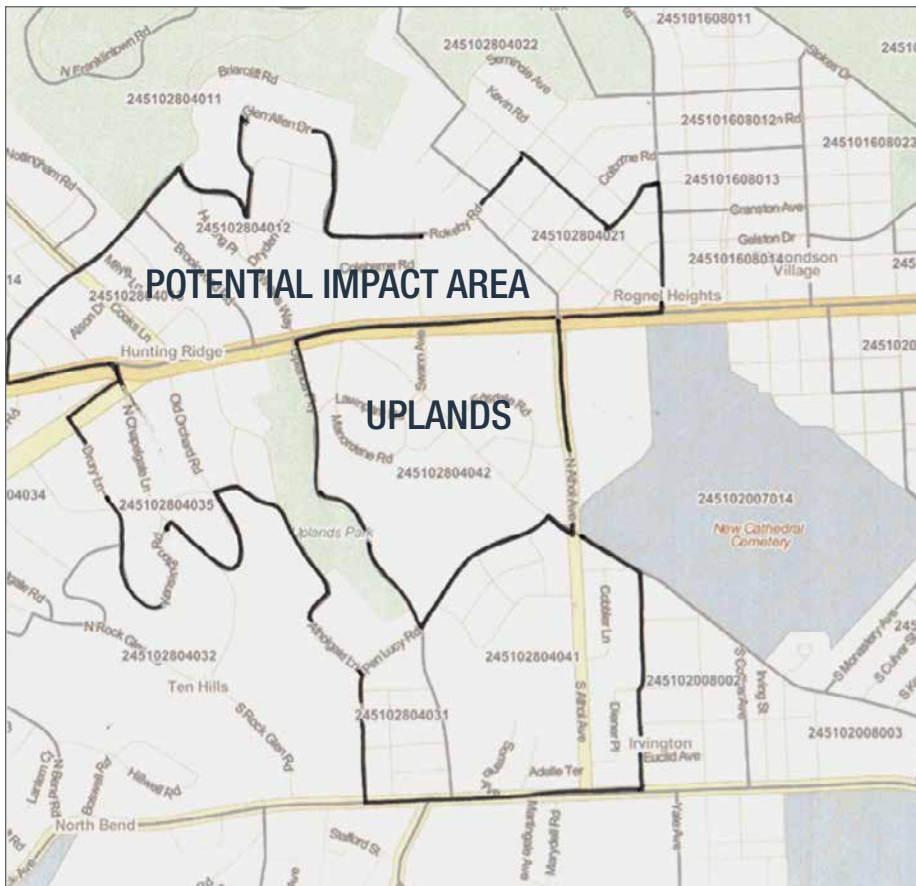


Figure III-18:
Uplands Development
and Adjacent Potential
Impact Area

⁴¹ We have looked closely at spillover effects of EBDI in terms of household incomes and house prices, which is made significantly more complicated by the fact that the boundaries of the redevelopment area cut across block group boundaries. It appears, however, that there may be some significant spillover effects to the east of the redevelopment area (on the other side of Broadway), but few if any to the north and west.

⁴² This analysis was facilitated by the fortunate coincidence that the entire Uplands development is a separate Census block group. The block group immediately east of the development was excluded because the adjacent portion of the block group contains no residential properties, and the only residential area in the block group is separated by institutional and cemetery uses from the development.

Block Group	Median Household Income			Median Sales Price		
	2000	2014	% Change	2006	2014	% Change
2804.04/1	\$41469	\$37269	-10.0%	\$110900	\$52000	-53.1%
2804.01/2	\$67353	\$61667	-8.4%	\$207500	\$122720	-40.9%
2804.01/3	\$36932	\$47578	+28.8%	\$129200	\$112000	-13.3%
2804.02/1	\$54531	\$46167	-15.3%	\$130000	\$60000	-53.8%
2804.03/1	\$28964	\$55526	+91.7%	\$78675	\$38500	-51.1%
2804.03/5	\$48021	\$61625	+28.3%	\$339500	\$320500	-5.6%
CITYWIDE	\$30078	\$41819	+39.0%	\$79000	\$78324	-0.9%

**Table III-28:
Change in Potential
Impact Area Adjacent to
Uplands Development**

Table III-28 shows trends in the block groups making up the potential impact area with respect to median household income (2000 to 2014) and median house sales price (2006 to 2014) compared to citywide trends during the same period. It shows that with one strange exception (income change in block group 2804.03/1) all of the target block groups performed below citywide levels with respect to both income group and sales price growth, in most cases substantially below those levels. While median sales prices in the city as a whole in 2014 were roughly the same as in 2006, median sales prices in the target block groups dropped between 6% and 54%, with four of six block groups losing 40% or more in house value during this period.

We are not suggesting that development of the Uplands project has caused these negative changes to the target area; what we are suggesting is that it does not, or does not yet, appear to have led to measurable positive spillovers in its surroundings. This must be seen as an interim assessment. Progress on the Uplands project was delayed initially by litigation, and then by the effects of the Great Recession. The great majority of the units that have been built to date are affordable rather than market housing. Uplands is far from built out, and positive impacts may yet take place in the future. That said, it is worth noting that even assuming full build-out of the market units, over two-thirds of the development will still be affordable housing.

The major redevelopment projects that the City is pursuing appear to be driven by a variety of different goals. EBDI emerged from the shared goals of the City and the Johns Hopkins Medical Center to further both neighborhood improvement and economic development in the distressed area north of the medical center, including increasing the economic spillover effects of the activity at the medical center. Other projects have been driven by the goal of reusing sites formerly occupied by distressed public housing or other subsidized housing projects, as in the case of O'Donnell Heights, Orchard Ridge and Uplands. Oldtown/Somerset reflected that goal but also the desire to 'fill in' an important gap in the revitalization taking place in the area to the east of downtown and north of the Inner Harbor. Finally, Park Heights was furthered by the availability of site-specific discretionary funds made available as a result of the additional of gambling facilities at Pimlico Racetrack. Over \$20 million in those revenues have been spent in Park Heights since 2010.

The variety of goals is to be expected. City governments need to be at least somewhat opportunistic, in terms of taking advantage of opportunities that present themselves, such as a derelict housing project on a valuable site or a site-specific dedicated revenue source. At the same time, there does not appear to be an overall strategy that links the city's large-scale redevelopment efforts, or a market analysis that ensures that production goals are realistic in light of neighborhood-level market conditions and potential demand. Moreover, the process of site assembly followed by designation of a developer through an RFP process, while legitimate and reasonable, nonetheless carries within significant risks.

It is difficult for the City to anticipate market conditions for a relatively large area over a relatively long period, while by designating a sole developer (either for the entire redevelopment area or for development parcels within it), the City places itself in many respects at the mercy of the designated developer. Markets are rarely static, and the city is at an inherent disadvantage in negotiating with a developer in a changing market environment. If the market is weaker than the City anticipated or believed, the developer is in a strong negotiating position to demand a reduction in the number of market units he or she is expected to build, or that market sites be converted to affordable housing sites, because the City (1) is likely to be under strong pressure to see *something* happen on the site; and thus (2) will be extremely reluctant to see the developer walk away.

Conversely, if the market is stronger than anticipated or becomes stronger over time, the City has little or no leverage to press the developer for more market-oriented uses than specified in the initial development agreement or to reduce whatever level of subsidies were initially agreed to.

Going forward, the City should look carefully at its existing major development projects, as well as at its strategy for designating future projects, if any. In particular, the City needs to be sensitive to the possibility that the likely development of the massive Port Covington project over the coming years could potentially absorb a large share of the market demand for housing and ancillary non-residential uses that might otherwise be available for major development projects elsewhere in the city. Moreover, it was noted that as of the end of 2016 no single individual below the level of the Commissioner had responsibility for managing or coordinating the City's portfolio of major development projects, as the position of deputy commissioner with responsibility for this area has been vacant and unfilled for over a year. These projects are too important, and represent too great a commitment of public resources, to be without strong, hands-on project management.

F MAINTAIN, CLEAR, HOLD AND IDENTIFY NON-HOUSING USES

This element of the Vacants to Value program subsumes within it three distinct, although closely related, strategies or activities:

- Demolition of vacant and derelict properties
- Maintenance of vacant lots created through demolition of vacant properties
- Greening of vacant land

It is worth noting that on the V2V web site, this strategy is phrased differently and more modestly as “demolish and maintain severely distressed blocks”. In contrast, however, to property disposition, streamlined code enforcement in the SCENs and the strategies to facilitate development in the CDCs, responsibility for all of which are clearly housed in a single entity, responsibility for the components that make up this strategy is divided among three separate departments of City government. Demolition is the responsibility of Housing & Community Development, maintenance is lodged in the Department of Public Works, and greening and lot reuse is housed in the Department of Planning and the Office of Sustainability.

Demolition

According to the property records we obtained from the City and analyzed, 3707 properties were demolished from 2004 to mid-May 2016, of which 2009 or 54% have been demolished since 2010. Reflecting that V2V is a citywide strategy, the great majority of the demolitions have taken place in the city’s more distressed neighborhoods, rather than CDCs and SCENs, although a handful of CDCs and SCENs – Barclay, Oliver, Poppleton and Coldstream-Homestead-Montebello – have also been targets of substantial demolition. Table III-29 shows demolitions by Neighborhood Statistical Area for those NSAs in which 20 or more properties were demolished between 2004 and 2016.

There are a few variations in the distribution of demolitions from 2004 to 2009, and from 2010 to 2016; that is, before and subsequent to the initiation of the V2V strategy. During the earlier period, the City focused particularly heavily on the areas in East Baltimore that were targeted for the EBDI initiative. While continuing to work actively in East Baltimore as well as distressed West Baltimore neighborhoods such as Harlem Park and Sandtown-Winchester, the City has subsequently increased demolition activity in a few areas such as Barclay and Poppleton, and in the Central Park Heights area, reflecting the plans for major redevelopment in that area.

Over 100 Demos	2004-2016	2004-2009	2010-2016	Type	
Broadway East	418	231	177	CDC	
Middle East	415	346	69		
Oliver	258	128	130		
South Clifton Park	155	47	108	SCEN	
Central Park Heights	138	28	110		
Coldstream-Homestead-Montebello	127	11	116		
Barclay	118	23	95	CDC	
Upton	114	34	80	CDC	
Johnston Square	104	27	77		
Poppleton	103	31	72		
Milton-Montford	101	19	82	CDC	
11	2051	935	1116		
50-99 Demos					
Harlem Park	98	49	49		
Sandtown-Winchester	88	33	55		
Mt Winans	77	1	76		
Shiple Hill	68	12	56		
Druid Heights	66	20	46		
Carrolton Ridge	55	37	18		
E Baltimore Midway	53	30	23		
7	505	182	323		
20-49 Demos					
Mosher	47	21	26	CDC	
Mondawmin	45	19	26		
Penn North	43	22	19		
Gay Street	41	28	13		
CARE	39	17	22		
Franklin Square	38	18	20		
Midtown-Edmonson	34	23	11		
Berea	31	5	26		
NW Community Action	30	2	28		
New SW/Mt Clare	28	16	12		
Biddle Street	26	21	5		
Washington Village/Pigtown	22	8	14	SCEN	
Better Waverly	20	3	17	SCEN	
Greenspring	20	19	1	CDC	
McElderry Park	20	3	17		
15	484	227	257		
Areas with 20+ demos	3040	1344	1696		
All demolitions	3707	1698	2009		

Table III-29:
Demolitions by
NSA 2004-2009
and 2010-2016

The V2V program has been operating with limited resources for demolition. Although city budgets have included \$10 million over ten years for demolition, and the City was able to obtain \$10 million for demolition as a result of the Attorneys General mortgage settlement in 2012, this has been a very small amount relative to the number of properties in the city where demolition is appropriate and often needed, and in light of the cost of demolition. The city expects to receive an additional \$28.4 million for demolition from the State of Maryland⁴³ as a result of Governor Hogan's commitment under Project C.O.R.E announced in January 2016. Even those additional funds, however, will only enable the City to address a portion of the need for demolition. This problem is exacerbated by the cost implications of demolishing Baltimore's distinctive housing stock.

Baltimore is a row house city. In the majority of the city's neighborhoods each house is attached to at least one, and usually two, other houses by common walls. As a result, when an individual property that shares a common wall with another property is demolished, the cost of reconstructing the wall or walls must be added to the cost of demolition. The cost of each wall that must be reconstructed is roughly equal to the cost of demolishing the vacant building. Thus if the cost in round numbers of demolishing a row house is \$15,000, and it is at the end of a row abutting an occupied building and *one* wall must be reconstructed, the total cost is \$30,000. If it is in the middle of the row, and *two* walls must be reconstructed, the cost will be around \$45,000.⁴⁴ By contrast, if an entire row is demolished at once, the City not only does not incur these added costs, but may realize some economies in the per unit cost of demolition.

As a result, with the exception of emergency demolitions and a small number of strategic properties, the City prioritizes what it terms 'whole-block demolition', where it can remove an entire row; or in some cases the greater part of a row, where it can spread the cost of a single wall reconstruction over a larger number of properties.⁴⁵

These constraints significantly narrow the universe of realistic demolition options. By devoting most of its demolition resources to whole-block demolition, the City has been able to remove an average of 300 to 400 properties per year over the past five years. Even though, as noted below, this requires considerable property acquisition, the costs of that activity are modest compared to what the cost to reconstruct hundreds of common walls would be. Although Project C.O.R.E. will enable the city to ratchet up demolition to some extent, it will not change the fundamental equation summarized above. What that means, however, is that even severely deteriorated buildings, if they are located in the middle of a largely occupied row, are unlikely to be demolished unless they pose an imminent health and safety hazard.

The Division of Permits & Code Enforcement, which has the principal responsibility for demolition within the Department of Housing & Community Development, works with the Division of Land Resources in HCD and the Department of City Planning to identify the best tactical locations for demolition activity, looking at areas which have a critical mass of homeowners, and trying

⁴³ The funds are being matched by an additional \$18.5 million from the City over the four-year period.

⁴⁴ These are rough ballpark estimates for purposes of illustration. Actual costs may vary widely.

⁴⁵ Even aside from the cost of demolishing individual houses in the middle of rows, demolishing such houses raises other problems, including the question of the limited extent to which the resulting vacant lot can be used, and the aesthetic effect on the block, sometimes compared to a 'gap tooth' in a person's smile.

to identify blocks where demolition can improve the quality of life for surrounding residents, or create opportunities for greening or reinvestment. They also work closely with the Division of Land Resources to ensure that properties slated for demolitions are acquired as needed.

While there are many blocks in Baltimore with large numbers of vacant properties, there are exceedingly few where *all* of the properties are vacant. As a result, in order to facilitate whole block demolition, substantial numbers of properties must be acquired, as well as households relocated, as shown in Table III-30. This represents a significant commitment of City staff as well as a significant but essential part of the demolition budget.

Total acquisitions	335	
Completed		118
In Process		217
Total relocations	244	
Completed		51
In Process		193

**Table III-30:
Acquisition and
Relocation for
Whole Block
Demolition in
FY 2015**

Stabilization and lot greening

A valuable feature of the City’s demolition program which should be explicitly cited with approval is the practice of using some of those funds to stabilize rather than demolish vacant buildings.⁴⁶ This is done where a vacant building, by virtue of its character or location, is determined to be worth preserving rather than demolition; but where significant structural or other problems are likely to make the cost of rehabilitation prohibitive. During the 2015 fiscal year, the city stabilized 59 buildings at a total cost of \$1,245,305, or slightly over \$21,000/building. This is not inexpensive, yet we consider it likely to be a cost-effective use of public funds, because (1) the cost is still less than demolition where that also requires stabilization of an adjacent party wall; and (2) it leverages private investment as the property moves through the receivership program and into reuse. The City’s ability to use funds in this way extends the reach of the receivership program, and contributes to a not insignificant number of buildings being rehabilitated, rather than being demolished or being allowed to remain in place as vacant blighted properties.

The Division also works with the City’s Office of Sustainability to encourage greening of vacant lots created through demolition, and provides that office with funds equal to 5% of the demolition costs to support ‘back-end’ or post-demolition costs associated with green reuse of the property. With those funds, the Office of Sustainability funds the non-profit Parks & People Foundation to employ an organizer to work with community organizations and neighborhood associations to develop greening plans for vacant lots. Under the rubric of the Growing Green Initiative, the Division of Land Resources manages the Adopt-a-Lot program which licenses residents to maintain vacant lots, and the Office of Sustainability operates a number of other programs to encourage green reuse of vacant lots, and to coordinate the activities of the many organizations in Baltimore involved in this

⁴⁶ This is in contrast to use of federal Hardest Hit Funds, where stabilization is not a permitted use.

area. Their activities include competitive grants to community-based organizations for greening projects and preparation of a Green Pattern Book in partnership with the US Forest Service with detailed information for community residents on potential uses for vacant lots.⁴⁷ One indicator of the program's effect is that the City has increased the number of properties in the Adopt-a-Lot and other community managed open space programs from roughly 150 in 2011 to over 1,000 today. While an impressive increase, this represents only one-quarter of City-owned vacant lots, and less than 10% of the total estimated vacant lot inventory in the city, most of which is privately-owned.

Vacant lot maintenance

The City's Department of Public Works (DPW) maintains the entire citywide inventory of vacant lots and buildings. Lots are cleaned on an inspection- and complaint-driven basis, with requests for cleaning coming in the form of work orders principally from city Code Enforcement inspectors, as well as community organizations and individuals. The volume of lot maintenance activity carried out by DPW is substantial, as shown in Table III-31. In the most recent fiscal year, DPW cleaned a total of 17, 612 vacant properties representing over 1500 acres, or roughly 2.4 square miles.

As Table III-31 shows, there was a significant increase in the number of work orders from FY 2011 to FY 2013, and a parallel drop from FY 2015 to FY 2016. This reflects the fact that DPW went to a policy of "proactive mowing" between FY2012 and FY2015, and subsequently changed back to the complaint-driven system. While proactive mowing is widely considered preferable to a complaint-driven system of vacant lot maintenance, the Baltimore experience raises important questions. What is notable about that experience is *that under proactive mowing, the city did not clean significantly more lots; what they did was clean the same lots more often*. This is shown clearly in Figure III-19, which compares the number of lots cleaned, the number of work orders issued, and the median number of work orders per lot between FY2011 and FY2016.

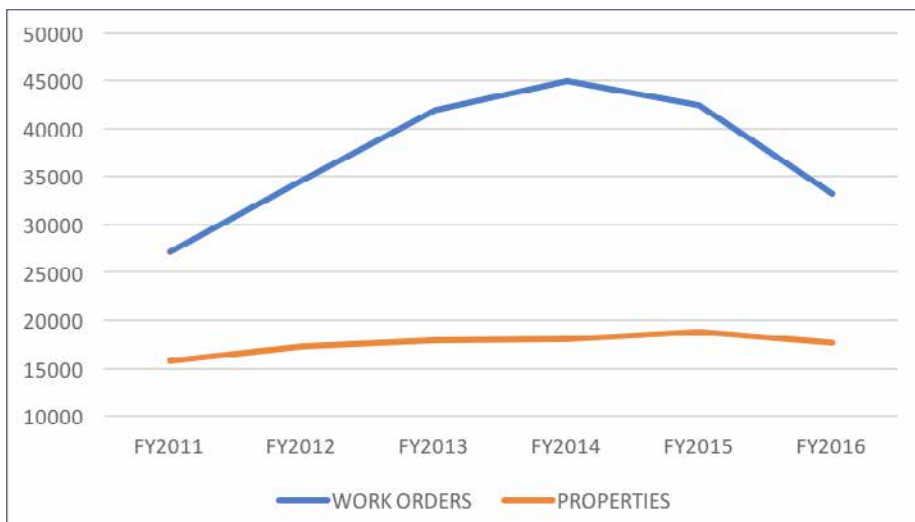
If, as appears to be the case, the city was cleaning the same lots, generally speaking, under the proactive mowing approach as under the complaint-driven approach, the greater frequency of cleaning under the former system suggests the possibility that crews were being sent to lots that did not need cleaning; or, put differently, were not enough of a concern to the neighbors to prompt them to call in to get the lot cleaned. This suggests that, *if a city has an efficient system for responding to resident complaints about weeds, high grass, trash and debris* – a critical caveat - it may be appropriate to re-examine the assumption that a proactive system is better than a complaint-driven one, particularly where, as is almost always the case, resources are severely limited.

⁴⁷ The Green Pattern Book is available at http://www.fs.fed.us/nrs/baltimore/local-resources/downloads/nrs_inf_32-15-green-pattern.pdf

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
TOTAL WORK ORDERS	17,142	11,579	27,715	22,776	26,873
Total properties	12,345	8,432	14,989	14,091	15,072
Total acreage	546	423	767	662	758
CLEANING TYPE					
High grass & weeds	6,454	3,870	11,401	10,382	13,177
Trash & debris	5,321	5,252	8,322	5,315	6,456
Trash, debris, high grass & weeds	5,361	2,451	7,982	7,076	7,221

**Table III-31:
Vacant Lot
Maintenance
Data FY 2006
to FY 2016**

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
TOTAL WORK ORDERS	27,096	34,554	41,884	45,003	42,460	33,231
Total properties	15,786	17,225	17,945	18,048	18,864	17,612
Total acreage	1,018	1,019	1,232	1,204	1,124	1,517
CLEANING TYPE						
High grass & weeds	12,477	17,506	26,996	32,669	29,356	15,689
Trash & debris	5,621	7,207	9,186	8,394	8,346	9,816
Trash, debris, high grass & weeds	8,963	9,775	5,659	3,934	4,732	7,659



**Figure III-19:
Comparing Properties
Cleaned and Work
Orders FY 2011 to
FY 2016**

In order to evaluate informally the level of maintenance activities, we carried out an informal Google Earth survey of 40 vacant lots in a cross-section of distressed neighborhoods in East and West Baltimore. Based on that survey, we would characterize the overall quality of the City's maintenance activities as between 'fair' and 'good'.⁴⁸ Most lots had been mown relatively recently, but we found that roughly one of four lots had tall grass and/or scrub vegetation at potentially unhealthy levels. While there was some trash on vacant lots – although less than we expected – it was made up of scattered 'consumer' trash, such as candy wrappers, food packaging, and paper (Figure III-20). We saw no cases of illegal dumping.



**Figure III-20:
Vacant Lot and
Building Maintenance
Challenges**

While most lots were unfenced, the few fences found were often not well maintained, and had fallen to the point where they had little effect on access to the property. These fences, which are generally chain-link fences were not erected by the City, whose policy is that it will (1) only put up either split-rail or imitation wrought iron fences; and (2) put those fences up only after a direct request by a neighbor or neighborhood organization. Inappropriate fencing not erected by the City or with City approval should be removed.

Sidewalks were generally in good to fair repair, with only three of the 40 lots having sidewalks that were potentially hazardous, while a substantially larger number showed recent sidewalk repair or replacement. Our observations were that vacant houses were generally secured – we found few that were completely open – but in many cases the quality of the materials and workmanship was poor, making it relatively easy for someone to gain access to the building's interior, as can be seen in Figure III-20. Again, this work was probably not done by the city.

Interview respondents suggested that, in addition to financial constraints, the effectiveness of the City's vacant property maintenance activity was hindered by inconsistent coordination between H&CD and Public Works, and intermittent conflict over how to deploy resources most effectively. The City may want to explore whether it makes sense to restructure responsibilities so that responsibility for demolition and maintenance are under a single managerial umbrella. Alternatively,

⁴⁸ Each lot was rated on five factors (1) grass and weeds; (2) trees, if any, and scrub vegetation; (3) fencing, if any; (4) presence of trash or debris; and (5) condition of sidewalk.

if there are meaningful synergies between the vacant property maintenance activities and other Public Works activities which potentially lead to more efficient use of personnel and equipment, a formal reassignment of the maintenance function to another department may not be advisable. In that event, the City should create a more formal structure to ensure better inter-departmental coordination.

It must be recognized that vacant property maintenance is in itself an inadequate response to the condition of widespread vacancy. Although our assessment suggests that the City of Baltimore is doing a credible job maintaining vacant lots, a maintenance system (whether proactive or complaint-driven) under realistic resource constraints is inherently incapable of maintaining lots at a quality where they become a neighborhood asset. The only way in which that is possible is when the lot is put to a productive use, such as a well-maintained community garden or side lot, something which is beyond the ability of the city government by itself either to mandate or provide.

G COORDINATED GREEN, HEALTHY AND SUSTAINABLE HOME AND NEIGHBORHOOD IMPROVEMENTS

The City of Baltimore, through the Division of Green, Healthy and Sustainable Housing (DGHSH), provides assistance to improve properties occupied by low-income households through a variety of different programs. Generally speaking, these programs fall into three categories:

- Energy conservation/weatherization assistance, provided in part with funds from the Federal Department of Energy and in part from state funds;
- Lead hazard reduction assistance, again provided in part with funds from the Federal Department of Housing & Urban Development and in part from state funds;
- Home repair and modification, provided in part through CDBG and in part from state funds.

The interplay of the different types of assistance, the different requirements of the various funding sources, and different levels of availability of funds in different ‘buckets’ creates a complicated mixture of program requirements and conditions, which must be navigated by City staff on behalf of program applicants. The fact that many of these programs are limited to specific types of improvement can create problems. City staff cited the frequent example of homes that could benefit from weatherization funds, but have roof leaks or other problems which make a weatherization investment inappropriate, while no funds may be available to address the other problems. As a result, roughly half of all weatherization applications are in effect placed on hold until or unless funds are found to address those problems. Table III-32 shows the number of houses benefiting from these assistance programs annually as estimated by City staff.

Program	Estimated Number of Houses Per Year
Energy conservation/weatherization	600
Lead hazard reduction	75
Rehabilitation, modifications and accessibility	120-150
TOTAL	795-825

**Table III-32:
Estimated Number
of Houses Receiving
Assistance Under
Green, Healthy Homes
Programs**

All of these programs are means-tested, in that the household income must be below a defined ceiling in order to be eligible, but the ceiling may vary. Depending on the program, eligibility is defined as either 200% of the poverty level or 80% of the Area Median Income. For a family of four in 2016, the former is \$48,600, while the latter is considerably higher, \$65,700. A large part of Baltimore’s population falls within these ranges. In 2015, 37% of all families in Baltimore had incomes under 200% of the poverty level, while the median income for a family of four in the city was \$71,100.

These funds are generally provided as grants. Some assistance for home repairs and modification is provided as deferred loans, where the owner has an estimated amount of equity in the home equal to or greater than the amount of the loan. These programs are all designed to assist low-income homeowners, although weatherization funds can also be made available to landlords housing low-income tenants. Under this option, DGHSH has provided weatherization funds to upgrade scattered site units owned and operated by the Housing Authority of Baltimore City (HABC) as well as units owned by some other subsidized housing providers. Funds are not provided, as a rule, to private landlords.

These housing improvement programs are provided on a citywide basis, with applications received and approved on a first come, first served basis. Recognizing the significant health implications of these programs, the City works closely with a number of social service and health care organizations to try to coordinate their respective activities, particularly in terms of helping seniors age in place. DGHSH also makes efforts to increase outreach to prospective program applicants in selected Community Development Clusters, either directly or by providing informational materials to developers or community-based organizations.

This is appropriate and desirable, since helping existing lower-income homeowners in areas where they are seeing vacant properties rehabilitated in their midst is not only beneficial for the neighborhood as a whole, but can counteract potential (and reasonable) feelings of being treated unfairly, as such owners may feel that they are being bypassed in favor of outside developers and newcomers. How much impact the outreach efforts may have is unclear, since the efforts are limited to increasing the number of applicants from the CDCs in the program pipeline, and do not include any fund set-asides or program prioritization. We were unable to obtain data on the extent to which these programs have actually been used in CDCs.

A few observations are appropriate with respect to the relationship between these programs and blight elimination. It is extremely unlikely that these programs have any larger effect in real time on neighborhood trajectories, in the sense of affecting property values or other metrics of neighborhood change. The volume of the program is small relative to the size of the city and its distressed neighborhoods, and most of the improvements being made are not visible outside the home, while resources are not targeted to specific neighborhoods or blocks to create the critical mass of activity that would be needed to trigger spillover effects.

That said, we do not consider that a defect of the program, nor do we suggest it should be changed to increase the potential spillover effects. *These programs are not principally neighborhood improvement programs but are designed to address specific health, safety and quality of life issues for whatever number of low-income families can be assisted with the means available.* As such, this program represents an outlier in the Vacants to Value strategic framework.

That said, we believe that these programs have a potentially significant blight-reduction impact in a different way, in the sense of preventing or reducing *future* blight. Without this assistance, the trajectory of many of these homes is likely to be one of future abandonment, particularly for those homes located in particularly weak market areas. This could take place either if the owner is forced to leave the home because of the unhealthy conditions involved, or if the house cannot be sold when the owner moves or passes away because of the condition of the property and the potential cost needed to make it habitable. *Thus, these programs provide a valuable function in preventing future blight, while providing tangible health and safety benefits to present owners.* It is not possible to quantify the number of homes saved from abandonment by the green, healthy and sustainable home improvement program, but it is likely to be a substantial number.

IV RELATING PROGRAM OUTCOMES TO CITY'S V2V OUTCOMES

As noted earlier, the Vacants to Value program was divided into seven strategy areas, and embodied seven goals or outcomes.⁴⁹ While there is no direct parallel between individual strategies and individual goals, clearly some relate more to certain strategies, and others to other strategies. Many of the goals, moreover, are not amenable to quantification and are couched in broad aspirational terms, making progress toward them difficult to measure. In that light, the discussion in this section – which is much more limited than that in the preceding section – will focus on our observations derived from both the quantitative and qualitative analyses. Where additional data can be presented to offer particular insight on progress toward these goals, we will do so.

A **REDUCE THE NUMBER OF [VACANT]⁵⁰ PROPERTIES IN TARGETED AREAS THROUGH DEMOLITION AND REHABILITATION**

This is clearly a critical goal. As we discussed in detail above, the analysis showed significant variation between the two types of target area: the number of vacant properties in the CDCs declined significantly, while the number in the SCENs increased over the same period, although in light of the research evidence of the economic impact of vacant properties, the number is most probably smaller than if the V2V strategies had not been employed. Thus, the evidence to date is that the city's

⁴⁹ We believe that the term 'goals' is more appropriate, in that the term 'outcomes' implies that the results have already happened, while the language used by the city – as well as the reality on the ground – indicates that these are the outcomes that the city is *seeking*, rather than already achieved.

⁵⁰ The city's RFP stated 'reduce the number of properties, etc.'. We assume that the meaning was to reduce the number of vacant or blighted properties, not the total building inventory.

progress toward this goal is partial, rather than consistent. As discussed above, this not only reflects the variation in market conditions between different parts of the city, but also reflects the limitations of a code-enforcement driven blight elimination strategy, particularly in many of the SCENs.

While the strategy has been highly effective in prompting the rehabilitation and reuse of vacant properties and thus reducing the number of such properties that were present in 2010 in many SCENs, it has been less effective in stemming the flow of previously occupied properties into vacancy since then. It is notable that five of the six SCENs highlighted in Table III-7 that saw a net decline in VBNs between 2010 and 2016 are those located in those sections of Baltimore undergoing the strongest real estate market improvement.

This goes to the heart of the issue. *While strong private market demand can change a neighborhood's trajectory, a blight elimination strategy in itself cannot address many issues that may be present in a neighborhood that are leading to the continued spread of blight, such as crime, drugs, out-migration, foreclosures, and so forth.* Thus, in order to significantly reverse the course of blight in areas impacted by those issues, it is necessary to address those issues directly, something which appears implicit in the seventh V2V goal, which is to create partnerships with other City agencies to target their services to V2V areas. As will be discussed below, progress toward that goal has been limited.

Finally, the fact that the great majority of houses rehabilitated through the V2V program have been put into rental occupancy rather than home ownership, while not a negative factor *per se*, means that the likelihood that the program will change these neighborhoods' trajectories is much less, because the program is not stemming the erosion of homeownership in these areas nor fostering the improvement that might well result from an increase in homeowners. As we discuss below, there are many reasons why homeownership is declining precipitously in the city. We believe that there are steps that can be taken within the framework of the V2V program to help address this concern.

B ATTRACT INVESTORS AND DEVELOPERS TO WORK IN SCENS AND CDCS

It is clear from our interviews and focus groups that the city has had significant success in drawing more responsible developers and investors, along with private resources that those developers and investors bring to the table, into the V2V target areas. It has significantly altered for the better the relationship between City government and at least some parts of the development community.

Three features of the V2V program activities in the SCENs and CDCs stand out in our interviews with developers and investors:

1. The extent to which the City's processes, both in general and with respect to disposal of City-owned properties and the receivership process in particular, are widely seen as straight and transparent.
2. The strategies the City has adopted which are responsive to the realities of what is involved in being able to develop inner-city properties successfully, in particular the need to maintain an ongoing, timely pipeline of property availability.

3. The high level of professionalism and integrity on the part of key City staff with whom developers and investors deal regularly.

The process by which developers gain access to properties for redevelopment, whether through sale of City-owned properties or through receivership, is widely seen as efficient, fair and transparent. The receivership process, although not without some challenges, has emerged as an effective vehicle for moving properties into developers' hands, although inevitably slower than many would prefer, with a minimum of legal and fiscal involvement by City government. The City's partnership with One House at a Time (OHAAT) is a model of synergy between a public and private non-profit entity based on execution of a clearly defined mission. As with disposition of city-owned properties, it is largely seen as a fair and open process. Issues about access to the receivership process raised by respondents appear to reflect problems of communication, which are discussed below, rather than inherent flaws in the structure or conduct of the process.

The overall level of communication and mutual respect between City officials and developers has improved. Many developers feel that they can talk to key City officials, and that decisions about properties and target areas – even when they disagree with the outcomes – are not made arbitrarily, but through a more consultative and thoughtful process. Certain City officials were frequently cited as being particularly responsive and open in working with the development community.

At the same time, some respondents raised concerns about the relationship between the city and the development community. Even though we found no concrete evidence of this, some people believe that there is a group of 'insider' developers that the City favors, and that it is difficult to break into this group; or that for-profit developers are favored over non-profit developers. Another issue which was raised was the sense that potential developers are not vetted as thoroughly as they should be, that properties are acquired by developers with inadequate ability or resources; and that subsequently, the City fails adequately to monitor those who have bought property from the City or through receivership, to ensure that the properties are indeed rehabilitated. While we believe that the city and OHAAT have improved their practices in both areas, we believe that better and more extensive monitoring continue to be needed, a subject which is discussed in detail in Section V(B)5.

Finally, despite these positive steps and the involvement of many stakeholders, one key group has yet to be significantly at the table, the financial services or lending sector. The absence of meaningful engagement with this sector is a significant problem, which will be addressed in detail in Section V of this report.

C MAKE BALTIMORE A MORE VISUALLY APPEALING AND WELCOMING CITY WHICH WOULD ATTRACT NEW AND RETAIN CURRENT RESIDENTS AND HELP INCREASE TOTAL POPULATION

Whether Baltimore is on the whole a more visually appealing and welcoming city than it was five years ago, is impossible for us to judge. There are individual blocks on which homes have been rehabilitated which are clearly more visually appealing, while there are blocks on which homes have been demolished which may or may not be considered more visually appealing, depending on the observer’s judgment and tastes.

It is worth exploring the second part of this goal; namely, the extent to which Baltimore is attracting new and retaining current residents, and increasing its population, a goal which reflects then-Mayor Rawlings-Blake’s official target of increasing the number of households in Baltimore by 10,000 over a decade. With data now available for the first half of the decade, we can see to what extent the city may be moving toward that target.⁵¹

While Baltimore is clearly well short of the 10,000 target, the news in some respects is quite positive. The city’s population decline appears to have been halted, and the population largely stabilized. as seen in Table IV-1. As a result, even though the growth in households in the first half of the decade has been minimal, the stage may be set for more substantial household increase from 2015 to 2020. While 10,000 was overly optimistic, it is not unconceivable that by 2020, Baltimore could see an increase of 2,000 to 4,000 households from 2010, a significant change for a city that consistently lost population from 1950 to 2010.

		2010	2015	Change 2010-2015
TOTAL POPULATION		620,583	621,849	+ 1,266
TOTAL HOUSEHOLDS		237,945	238,400	+ 455
Married couples	All	58,862	57,381	(-1,481)
	With Children	20,311	19,021	(-1,290)
All families with children		56,472	49,418	(-7,054)
Non-family households	All	107,564	114,898	+ 7,334
	Single individuals	87,771	91,452	+ 3,671

**Table IV-1:
Population and Household Change in Baltimore 2010-2015**

Other American Community Survey data shows a distinct shift in mobility patterns between 2010 and 2015, with a strong increase in those moving in, and a slight decrease in those moving out, as shown in Table IV-2.

⁵¹ The data is from the one-year American Community Survey for 2010 and for 2015, which have a margin of error of 3%-5%. Thus, some of the changes shown in the data fall within this margin of error.

As Table IV-1 shows, however, the growth is highly uneven. Between 2010 and 2015, the city gained large numbers of single individuals and other non-family households; e.g., unrelated individuals sharing a house or apartment. This reflects the in-migration of well-educated Millennials into Baltimore, a phenomenon that has been widely noted. During these five years, the city gained over 10,000 men and women aged 25 to 34 with BA/BS or higher degrees. At the same time, the city continues to hemorrhage families with children, losing 1 out of 8 of those families during only five years. Only 1 out of 5 households in Baltimore today is raising a child, and only 8% are married-couples with children compared to 19% nationally.

The extent to which Vacants to Value has contributed to this modest but significant shift is impossible to determine. We know, however, that many of the households who bought formerly vacant homes rehabilitated under V2V came from outside the city; specifically, of the 598⁵² V2V Booster incentives provided between 2011 and 2016, 216 or 36% moved into the city from outside, mostly from nearby Baltimore and Prince Georges counties. Thus, there is no question that the V2V program is drawing people from outside the city; as noted earlier, over half of our small sample of homebuyer interview respondents indicated that they would not have bought in that particular neighborhood without the incentives.

	2010	2015	Change 2010-2015
Moved into Baltimore during previous year	31,649	40,091	+26.7%
Moved out of Baltimore during previous year	41,697	39,208	(- 6.0%)

**Table IV-2:
Movement In
and Out of City
of Baltimore**

D IMPROVE QUALITY OF HOUSING FOR HOMEOWNERS AND RENTERS OF V2V PROPERTIES AND FOR EXISTING RESIDENTS ON V2V BLOCKS.

By the strictest interpretation of this outcome, V2V clearly improves the quality of the vacant housing that has been rehabilitated and reoccupied, which are the units generally referred to as the ‘V2V properties’. It is not clear, however, to what extent the program improves the quality of housing beyond those properties, or beyond those units occupied by households receiving green, healthy homes assistance for such activities as weatherization, lead abatement or other improvements. Similarly, although DGSHS (and assists others to conduct) outreach to low-income homeowners on selected V2V blocks, funds are not explicitly targeted to those blocks, and they do not appear to have data on the extent to which additional applications and grant awards result from their outreach efforts.

⁵² This was the number for which we were able to determine an identifiable previous address.

E STRENGTHEN HOUSING MARKETS AND INCREASE THE TAX BASE BY INCREASING THE MARKET VALUE OF PROPERTIES

The effect of the V2V program on strengthening housing markets is uncertain. While there is a relationship between successful performance in reusing vacant properties and stronger housing markets, the causal sequence is unclear. As discussed earlier, the greatest market improvement associated with V2V target areas tends to be in areas that had, relatively speaking, stronger markets during the period preceding the start of the V2V program. That said, we believe that the relationship is iterative; greater market strength encourages more housing rehabilitation activity, which is reinforced or complemented by the receivership strategy, which in turn leads to greater market strength. This is true, however, only in those areas that are in what can be considered the path of market demand.

A factor working against the V2V program's ability to strengthen housing markets is the fact that even after eliminating multiple-unit properties, nearly three-quarters of all properties created through reuse of vacant properties in CDCs and SCENs are rental housing, of which a large but undeterminable percentage are targeted by their owners to lower-income households through vouchers or other programs. Thus, the market impact of the program is likely to be uncertain. While it is not unreasonable to assume that reducing the number of vacant properties in an area should in and of itself have *some* positive market impact, that is far from certain; moreover, the magnitude and duration of the effect are unclear. Even where there is some measurable impact, it is likely to be modest, and may not be sustained over time.⁵³

The rehabilitation of properties for rental housing does not in itself create comps⁵⁴ that would in turn move the real estate market in the area. While our interviews suggest that at least a few developers working in V2V target areas are pursuing strategies designed to build stronger real estate markets in those areas, and are pricing their properties in ways designed to create higher comps that will support larger mortgages and higher future prices, the city does not have explicit measures in place to this end nor does it track such activity, so it is impossible to tell how widely such strategies are pursued by the development community as a whole.

As noted earlier, the evidence from the information provided on major development and redevelopment projects, while it may be too early in the process to reach conclusions about most of the major redevelopment projects, does not indicate that these projects, with the possible and most probably limited exception of EBDI, have had a significant effect on strengthening housing markets to date.

⁵³ See Section II above for a discussion of research findings on this point.

⁵⁴ The term 'comps' is common shorthand for the term 'comparable sales;' that is, the sales prices of similar properties in the same area used by appraisers to determine the appropriate pricing or market value of a property on the market.

F IMPROVE HEALTH, SAFETY AND QUALITY OF LIFE OF RESIDENTS IN TARGETED NEIGHBORHOODS

We see no reason to question the proposition that access to green, safe and healthy homes assistance has improved the health, safety and quality of those families that have received that assistance. The value of eliminating lead hazards in a house or weatherizing it, can be incalculable. We saw no indication, however, that these particular benefits have been directed to ‘targeted neighborhoods’, inasmuch as they are provided on a citywide first come first served basis. Moreover, we see no evidence that the value of these benefits has either been enhanced or diminished by their being subsumed into the V2V strategy. We do not see that, however, as a criticism of the program. On the contrary, these programs are more people-oriented than fundamentally property-oriented, even though they operate through peoples’ properties. As such, it is more important to direct them to households in need rather than treat them as a property enhancement program.

At the same time, it is reasonable to claim that the vacant property reuse and blight elimination activities in the SCENs and CDCs have improved conditions for residents of those areas, who no longer must contend with many of the vacant and often dilapidated properties formerly in their neighborhood. We do not, however, have explicit data to support this proposition, which flows from the extensive literature that documents the deleterious effects of vacant properties on their surroundings, and the benefits of either rehabilitating or demolishing them. As noted earlier, our analysis of both Part I crime data and 311 calls about trash dumping showed no consistent relationship to V2V performance either in the SCENs or the CDCs.

G CREATE PARTNERSHIPS WITH OTHER CITY AGENCIES TO TARGET THEIR SERVICES TO V2V AREAS

The relationships between the V2V program and other City agencies is critical to the impact of the program. Important as rehabilitating or removing vacant properties may be, stabilizing and rebuilding neighborhood markets involves far more than dealing with vacant properties. Both in the short and long run, public safety, school quality, public services and the quality of the public realm – streets, sidewalks, shade trees, and the like – all play critical roles. While some positive steps have been taken, this goal is still far from achievement.

First, *who* is V2V? There is no ‘Vacants to Value Division’ in Baltimore city government. Vacants to Value is first and foremost a program of the city’s Department of Housing & Community Development (Baltimore Housing or HCD). Within HCD, the responsibilities for the discrete elements that make up V2V fall in a number of different divisions, principally the Division of Permits & Code Enforcement (P&CE), the Division of Land Resources, and the Division of Green, Healthy & Sustainable Homes (DGSHS), as shown in Table IV-3. The picture is somewhat

more complicated with respect to demolition and greening, where responsibilities are divided not only between P&CE and DLR within Baltimore Housing, but shared with parts of two other departments, Planning and Public Works. Finally, the fifth element in the V2V strategy, that of supporting large-scale redevelopment, is the responsibility of Baltimore Housing, but is hindered by the absence of leadership and a clear administrative home in that department.

Strategy	Sub-Strategy	Agency Responsible
1. Streamline disposition process		Land Resources (HCD)
2. Streamlined code enforcement		Permits & Code Enforcement (HCD)
3. Facilitate investment in community development clusters		Permits & Code Enforcement (HCD)
4. Targeted homebuyer incentives		Green, Healthy and Sustainable Homes (HCD)
5. Support development/redevelopment activity		HCD (no specific division)
6. Maintain, clear, hold and identify non-housing uses	Demolition	Permits & Code Enforcement (HCD)
	Maintenance	Public Works
	Holding	Land Resources (HCD)
	Non-Housing uses	Planning Department
7. Green, healthy and sustainable homes		Green, Healthy and Sustainable Homes (HCD)

**Table IV-3:
Distribution of
Strategies by Agency
Responsible**

The picture is rendered more complicated by the fact that the sort of sustainable neighborhood improvement contemplated by the V2V program, to be fully successful, requires far more than the removal of blight and the rehabilitation of vacant houses.⁵⁵ Most directly, it may require improvements to neighborhood infrastructure, to public safety, and often to public education. Thus, the active cooperation of other local government entities which do not have direct line responsibilities inside V2V, such as Transportation, Police and Baltimore City Public Schools⁵⁶, becomes a matter of great importance. Where that coordination is weak or absent, it does not represent a failure of the V2V program as such, but may nonetheless compromise the City’s ability to leverage blight remediation for sustainable change.

Our interviews and observations suggest that the extent of partnerships and effective program coordination around the V2V strategies within City government falls short of the aspirations reflected in the program outcome quoted above, with respondents consistently identifying those V2V elements that were the direct responsibility and under the control of P&CE and DLR within HCD as being most successful.

⁵⁵ This observation highlights the underlying tension or inconsistency in the thinking behind the V2V program. While at one level, V2V is strictly a ‘blight elimination’ program, blight elimination may not be sustainable outside of a context of stabilizing or revitalizing the neighborhood in which the property is located. This issue is discussed further in the recommendations section of this report.

⁵⁶ Baltimore Housing and City Planning, both through V2V and the 21st Century School Program, try to coordinate their efforts with the school district, but there is little evidence of reciprocal coordination by the school district.

The place of V2V in the larger governmental ecosystem was characterized by one City official, who said “V2V is a *housing department* program, not a *mayor’s* program.” Our interviews suggested that little systemic support for V2V exists in other City government agencies except for Planning. Inter-agency coordination between Housing and Planning, particularly with respect to demolition and the treatment of vacant lots, is strong and productive. While there is a certain amount of ad hoc cooperation between V2V activities and Transportation, Police and other agencies, the ongoing, systemic relationships that are needed are largely absent. Neither the machinery nor the political will appear to exist to foster more meaningful partnerships across departmental lines to support the V2V strategy.

V PROGRAM ACHIEVEMENTS, ISSUES AND CHALLENGES

In the preceding sections, we have explored how each of the different elements of the Vacants to Value strategy have performed, and how that performance has been reflected in progress toward the program outcomes or goals that the City has delineated. This section will try to synthesize that information, in order to explore some of the significant achievements as well as particular challenges associated with the V2V program. While much of the previous sections of this report was specifically grounded in quantitative data, and in some cases in the responses of our many interview and focus group respondents, this section is an interpretation of that information in light of experience, and familiarity with public sector blight strategies around the country.

With respect to achievements, we focus particularly on those that represent significant innovations or departures from previous practice, in particular the market-driven approach to vacant property reuse. Activities such as the green, healthy homes programs, for example, are critically important and of great value, but the manner in which they and other elements of the overall V2V umbrella are administered in Baltimore is not materially different from customary practice in similar cities elsewhere.

The issues and challenges reflect the diversity of activities subsumed under the V2V umbrella. Most, such as improving communications or tracking outcomes, are operational; the last two, however, addressing capital access and equity issues, raise more fundamental policy questions.

A. MAJOR ACHIEVEMENTS

1. **Designing and implementing an effective market-driven approach to reusing vacant properties**

We consider the most notable achievement of the V2V program to be the system that has been put in place to maximize the reuse of vacant properties by private developers using private resources in the face of severe and growing resource constraints.

The approach that the City follows in its work with developers has a number of distinct facets, based on two core premises. First, that unless developers *want* to rehabilitate properties in a particular area, there is nothing that the City can do to make them do so; and second, that successful rehabilitation

and reuse of vacant properties scattered across a large part of the city is far more likely to be achieved not by working with a small number of major developers, but by empowering large numbers of small and medium-sized developers. These premises lead to several conclusions:

- The city should respect developers' judgment, rather than attempting to determine *a priori* where rehabilitation should take place;
- Rather than designate specific developers, the city should create a mechanism in which developers can productively compete with one another; and
- Rather than attempt to control the property inventory, the city should facilitate a process by which developers can obtain a predictable pipeline of properties at reasonable cost with clean title.

This is in contrast to the typical public sector approach, under which municipal government assembles a large site, or a large number of properties in a relatively narrowly-defined area, and selects a developer based on a Request for Proposals (RFP) process. As we discussed earlier in Section III.E, the RFP process has significant potential downsides in terms of its ultimate outcomes. In the light of the above discussion, it is worth again noting that an RFP process:

- Is largely driven by the City's judgment about market conditions, which is likely to be less sensitive to trends than that of the developer community.
- Creates a monopoly for a single developer, which in turn can potentially work to the City's disadvantage, rather than encouraging healthy competition.⁵⁷
- Requires the City to tie up significant resources to land assembly, much of which may never be recaptured.

This is not to suggest that an RFP process is never a sound choice, but that it is unlikely to be the best approach when dealing with a large mass of scattered vacant single-family properties.⁵⁸

The V2V model, as applied in the SCENs and CDCs, is designed to respond to the presence of multiple developers – most of whom operate at a small scale – willing to invest private funds in rehabilitating properties. The core of the strategy is the use of the receivership process to overcome what may be the single most significant impediment to scattered-site vacant property rehabilitation in areas where market conditions make rehabilitation feasible: the inability of developers to obtain a steady pipeline of properties at reasonable cost with clean title.

Many people unfamiliar with urban property markets tend to look at a neighborhood with large numbers of vacant properties and wonder why developers don't simply buy them and fix them up. Leaving aside the many neighborhoods where weak market conditions make that infeasible without large-scale infusion of public funds, it overlooks the severe difficulty of property acquisition through the private market. Properties are often in dispersed ownership, owners may be hard or impossible

⁵⁷ While it is true that an RFP process is competitive, in the sense that developers must compete to be designated, it is competitive only in terms of developers competing to tell the city what it wants to hear, rather than in terms of the actual development process, which is the real test of competition.

⁵⁸ Different city staff members also suggested that the responses to RFPs in recent years have frequently been poor, with respect to either or both the number of firms responding and the quality of the responses. This was notably the case in the recent RFP for a master developer for the Park Heights redevelopment project.

to find, those owners who can be found may be unrealistic or unreasonable in their demands, while titles are often clouded and uninsurable. The cost in time and money as well as uncertainty associated with property assembly is such that developers tend to avoid areas other than those where the market is so strong as to justify that cost. As noted, some cities have attempted to address this problem by assembling properties and packaging them through RFPs. As discussed above, that approach is problematic, particularly when the properties are scattered vacant houses, rather than a large, cleared, redevelopment site.

While the \$900 citation motivates many owners to restore their properties, the receivership program is the more significant innovation. By using that program, Baltimore's V2V program has fashioned what we consider the most effective approach of any United States city we know to address this problem, and unleash the capacity of private developers to rehabilitate and reuse vacant properties. It is aided by a critical difference in the way receivership works under the Baltimore ordinance compared to all other vacant property receivership statutes with which we are familiar. Under all other receivership programs, the court designates a receiver to restore the property *while title remains with the prior owner*. Once the property has been restored, title may pass to the receiver or to another entity, or the owner may regain control by making the receiver whole. Under the Baltimore process, title passes from the prior owner to a developer free and clear of liens through a process facilitated and managed by the receiver (OHAAT).

This means that, unlike other receivership programs, where the receiver has no control over the ultimate status of the property – and is acting not as an entrepreneur but as an agent of the court⁵⁹ – in Baltimore, title is conveyed to the entity that will rehabilitate the property before rehabilitation, thus placing on the new owner both the clear responsibility for the property⁶⁰ as well as the full opportunity to benefit financially. Moreover, the auction format used by OHAAT to dispose of the properties for which it is the receiver, which is open to any bidder meeting reasonable pre-qualification requirements, ensures that the process is competitive and that the price reasonably reflects the market opportunity represented by the properties.⁶¹

As City staff recognize, this model will not work everywhere. It works only where market conditions permit developers either to sell the property for a profit, or to make a reasonable cash flow from rental income along with the expectation that if and when they sell, they will be able to pay off their debt and recover all or a reasonable share of their investment.⁶² Where sales prices and/or rents are too low, and future expectations are also too low, the equation does not work. As we have discussed earlier, however, because of relatively high rent levels in many parts of the city with depressed sales

⁵⁹ Another problem with receivership is that, even where the statute gives the receiver's liens priority status, many lenders remain reluctant to provide loans to receivers who lack title to the property.

⁶⁰ The indirect nature of the Baltimore receivership process may suggest that the public has less ability to ensure that the work actually gets done. This is not the case. A receiver operating under the conventional structure always retains (and often exercises) the ability to return to court and relinquish her responsibility without penalty. By contrast, under the Baltimore model, the new owner has a strong financial motive to not abandon the property.

⁶¹ This condition could theoretically change, if market conditions in Baltimore heated up to the point where a bubble could develop; in that case, bidders could overbid irrationally. That situation is unlikely to arise, at least in the near future; moreover, in such an environment, it is unlikely that many property owners would allow their properties to go into receivership.

⁶² The latter is important, because our pro forma analysis of many rehabilitation projects suggests that the cash flow in itself, while offering a solid annual return, is not rich enough to allow the owner to walk away from the project without recovering a significant part of their investment. As a result, the majority of V2V investor-owners are likely to be responsible owners rather than milking their properties.

prices, the equation works more widely than might be expected based on market sales prices alone, and has led to considerable reuse of vacant properties *in areas that are far removed from Baltimore's gentrifying neighborhoods*, something which we are unaware of any other similar city having accomplished during the same period.

In that respect, targeting is an important element in the City's strategy. As we will discuss in Section V.B.2 below, the targeting of the market-driven strategy is more intuitive and subjective than it is rigorously grounded in either the Market Value Analysis (MVA) or other quantitative measures.

Finally, the manner in which Baltimore flags vacant properties and tracks their outcomes through the Vacant Building Notice (VBN) process is worth noting. While far from complete in its coverage – an educated guess is that it captures roughly 80% to 90% of the city's vacant properties – it serves as the framework for a much better tool for tracking vacant property outcomes than those applied by most cities.⁶³ In that respect, we would urge other cities to consider adopting procedures similar to Baltimore's VBN process, as a low-cost tool to both guide vacant property enforcement and track vacant property outcomes.

2. Putting in place an efficient, transparent process of municipal property acquisition and disposition

The second area in which the V2V program has made significant steps forward is in the way that the City has organized the process of land acquisition and disposition within the Division of Land Resources (DLR). There is no single aspect of this process that is innovative in the same sense as the market-driven reuse strategy described above. With respect to any specific feature of DLR's activities, one can point to one or more examples where similar activities are carried out, either by land bank entities or by agencies of city government, elsewhere. Rather, the achievement lies in the city's having created efficient, transparent and multifaceted systems for acquisition and disposition of public property, and having demonstrated over the course of the past six years that it can implement and manage those systems efficiently.⁶⁴ DLR operates as the city's land bank, performing the functions that are conducted in cities like Flint or Cleveland by land bank entities operating at a remove from local government.⁶⁵ As such, DLR carries out a variety of activities with respect to both acquisition and disposition.

DLR acquires 200-250 properties per year through acquisition of tax sale certificates, use of eminent domain, donations, transfer of properties from the Housing Authority, and arm's-length negotiation. While there are differences of opinion with respect to the extent to which these tools are used, those are issues of City policy, not questions that go to the capability and competence of DLR in using those tools.

⁶³ Over the past few years, organizations in many cities, including Detroit, Cleveland and a number of smaller cities, have conducted field parcel surveys that have yielded a reasonably accurate database of vacant properties. This information can easily be adapted to use as the starting point for a vacant property tracking process similar to that of Baltimore.

⁶⁴ A number of respondents suggested, referring back to the extensive discussion about creating a formal land bank entity in Baltimore between 2006 and 2009, that the city's initiative in this area came in response to that discussion.

⁶⁵ As noted earlier, however, the maintenance of the city's vacant property inventory is not under the control of DLR, but the responsibility of the city's Department of Public Works.

DLR disposes of properties through periodic RFPs and through an open bid list for those properties not included in RFPs, which make up the great majority of the City's inventory available for sale. Given the scattered nature of the City's inventory outside specific major redevelopment areas, it is not surprising that the great majority of properties sold by DLR are through the open bid process rather than RFPs.⁶⁶ They maintain sound practices for vetting the background and qualifications of those bidding for city-owned properties, including the bidder's financial capacity and the status of other properties the bidder may own in the city. They process applications in timely fashion, although, as noted earlier, there is some indication of a possible slow-down in processing in recent years. DLR tracks properties sold, with the principal job of a full-time member of the staff being to monitor disposition agreements for compliance. In addition to acquisition and disposition, DLR is responsible for relocation of families from properties acquired either for major redevelopment projects such as Park Heights or whole-block demolition, and for stabilization of vacant properties. On the average, DLR manages roughly 60 stabilizations each year.

As we noted above, DLR acts as the city's land bank. Its demonstrated ability to carry out those responsibilities effectively makes a strong case that the city does not need to establish a separate dedicated land bank entity.⁶⁷ Moreover, it is highly uncertain whether, if such an entity were established, it would be likely to maintain the close collaborative partnership that DLR has with other parts of Baltimore Housing which contributes significantly to V2V's overall success. That said, the success of DLR is closely tied to the V2V policy mandate and to the leadership currently in place. The challenge for the City, should it continue to conduct its land banking activities in-house, is to ensure that both the policy direction to Baltimore Housing in general and DLR specifically is clear, and that capable, dedicated leadership remains in place, to ensure that policy continues to be executed in an effective, transparent fashion.

3. Creating a strong partnership for greening vacant lots

Given the volume of demolition activity in Baltimore – which is likely to grow with the inception of Project C.O.R.E. – the number of vacant lots in the city, particularly in its lower-income areas, is steadily increasing.⁶⁸ The great majority of these lots are unlikely to see redevelopment in terms of new buildings for many years.⁶⁹ While resources are clearly inadequate, and far more needs to be done, the City has developed a strong partnership network to increase the extent to which vacant lots are turned into community assets through greening activities.

The key city partnership is between Baltimore Housing and the Department of Planning/Office of Sustainability.⁷⁰ The two work closely together to select target areas and priorities for demolition

⁶⁶ According to DLR Citistat reports, only 6 properties have been sold through RFPs since July 2013.

⁶⁷ One procedural advantage a land bank might have would be the removal of the need to submit dispositions to the Board of Estimate; that procedure, however, adds only 30-50 days to the total time of the transaction. Conversely, an independent entity might not be able to exercise the power of eminent domain, which is a highly important acquisition tool both with respect to major redevelopment projects and whole-block demolition.

⁶⁸ A recent estimate is that there are 14,000 vacant lots in the city of Baltimore.

⁶⁹ We hesitate to say 'if ever', since it is impossible to predict the future, but we would suggest that many are likely to remain without redevelopment for as many years as one can realistically plan ahead.

⁷⁰ Greening programs are managed by the Office of Sustainability, which is a unit in the Department of Planning.

and for potential post-demolition reuse, while 5% of the city's demolition funding is set aside for improvements to the vacant lots after completion of demolition. These funds are administered by Planning, which works in close partnership with the Parks & People Foundation (PPF) to foster greening of vacant lots. Planning funds a full-time organizer at PPF whose job it is to work with community groups to further post-demolition greening projects, and provides PPF with funds to make small grants to community-based entities for greening projects. PPF also runs the Community Greening Resource Network, a membership organization that provides a support system for individuals and organizations involved in community greening and gardening. Simultaneously, the city has provided leadership for greening activities, initially through the Power in Dirt program started in 2011, followed by its absorption – along with other projects – into its ambitious Growing Green Initiative launched in 2014.

In the course of this work, Baltimore has prepared two documents that are excellent models for other communities eager to support community-based greening activities. These are *A Guide to Greening Neighborhoods* (2002) published by the Parks & People Foundation, and the *Green Pattern Book* (2015) produced by the city in partnership with the U.S. Forest Service.⁷¹

As with Land Resources, the greening program may not be “innovative” in the sense that it does things that have not been done elsewhere, but it demonstrates a high level of sophistication as well as effective partnerships cutting across the public and private sectors to foster greening of vacant lots. The challenge is one of scale and capacity; although 1,000 City-owned vacant lots are now in community-managed open space, that is only a small part of the roughly 4,500 city-owned vacant lots, and less than 10% of the total vacant land inventory. The problem is not only one of financial resources – although that is significant – but also one of community capacity, with much of the vacant land located in areas where the neighborhood-level capacity to improve it and maintain those improvements over time is severely limited.

B. MAJOR CHALLENGES

1. Coordinating and integrating strategies

Vacants to Value can best be characterized as a blight elimination umbrella, encompassing seven strategies, each of which has been discussed previously in detail. Each of these strategies can reasonably be characterized as making some contribution to eliminating blight, or, as with respect to the green, healthy home improvement activities, potentially to preventing future blight. While in some cases, such as the reuse of vacant properties in SCENs and CDCs, the contribution to blight elimination is strong and clear, in others it is less certain or indirect, such as with respect to homebuyer incentives. The contribution of those incentives to blight elimination is a “but-for” question; that is, it is a function of the extent to which the availability of those incentives in turn makes owners or developers more likely to rehabilitate vacant properties by enhancing their ability to sell the finished product to a homebuyer. Whether that is indeed the case is highly uncertain.

⁷¹ Detroit Future City has also recently produced an excellent guide, entitled *A Field Guide to Working with Lots*.

Accepting that all of the V2V strategies share the objective of reducing blight, the question arises, however, to what extent should they be coordinated with one another; and also, to what extent characterizing them as a single City initiative dictates that they be coordinated with one another. The evidence suggests that the level of coordination between the different strategies varies widely. Disposition, streamlined code enforcement in SCENs and investment in CDCs involve close coordination between the Divisions of Land Resources and Permits & Code Enforcement in Baltimore Housing. Coordination with homebuyer incentives – with the exception of the V2V booster incentive – is more informal and uneven. Other strategies appear to operate even more independently.

This is not always a problem. In the case of the green and healthy home grants and loans administered by DGHSH, we have suggested that this should be treated primarily as a human service program to address people's needs, and that the current program structure, under which resources are provided to households in need rather than to targeted neighborhoods is an appropriate one. Similarly, the “maintain, clear, hold” strategy of demolition and green reuse of vacant lots is appropriately targeted to geographic areas other than the SCENs and CDCs, and within that framework, the entities that need to be at the table with Baltimore Housing, such as the Office of Sustainability, appear to be fully engaged.

The questions arise with respect to the relationship of the homebuyer incentives and the major redevelopment projects to the other V2V strategies. In these two cases, we believe that a more strategic and integrated approach to these two elements would be beneficial. As we discuss below under expanding access to capital, we see the limited extent to which the city's initiatives are leading to increased homeownership as a serious constraint on the program's impact. Current practices do not maximize the extent to which homebuyer initiatives actually increase homeownership. Since almost everybody will seek out such incentives if they are made available, whether or not they are truly “but-for” incentives, an across-the-board first come, first served approach is bound to include large numbers of people who would have bought the same or similar house without the incentives. One interview respondent characterized the city's incentives, as applied to certain neighborhoods, as “the icing on the cake”. The city should explore both adjusting the value of the incentives (similar to the way Johns Hopkins adjusts its LNYW incentives by target area) and targeting them to particular areas where sustaining or rebuilding homeownership may be of particular importance in terms of stabilizing neighborhood conditions.

The major redevelopment projects appear in many cases to be opportunistic rather than strategic. That is not necessarily inappropriate. City governments need to be able to take advantage of opportunities that present themselves, rather than march in lockstep to a grand design. The danger is that they absorb substantial public sector resources without serious consideration of the opportunity costs associated with those decisions.⁷² These developments require the use of substantial public resources to acquire land and relocate households, and may account for a significant part of the

⁷² The opportunity costs are those benefits or opportunities that are foregone by choosing to use resources in one way rather than another. Every resource allocation decision carries opportunity costs, something which is too rarely taken into consideration when making those decisions.

LIHTC and other subsidy funds that the city can access. In light of this, do these represent the most effective use of these resources, and are they taking place in the locations where developing LIHTC or other affordable housing will provide the greatest benefit?

We do not know the answers to these questions, which are complex and raise many policy issues. We think it is important, however, that the City evaluate the major redevelopment strategy to examine how it fits into the overall goals of providing affordable housing, creating mixed-income communities, and improving neighborhoods and the quality of life. In addition to evaluating what represent the optimal ways of using scarce affordable housing subsidy funds, the city should also look at the relationship between its targets for major redevelopment areas and the overall market demand for different types and price levels of housing over the coming years. Similarly, where the city does pursue major redevelopment projects, it should explore how they are coordinated with code enforcement and vacant property reuse, as well as other neighborhood stabilization efforts, in the adjacent neighborhoods.

2. Targeting

One of the most widely-known features of the V2V program, particularly with respect to the vacant property reuse strategies in the SCENs and CDCs, is the extent to which the program is intentionally targeted to areas where the market-driven strategy (see Section V.1.A) is seen as most likely to be both needed and potentially effective, based on application of the typology in the Market Value Analysis (MVA) prepared by The Reinvestment Fund (TRF) for the city of Baltimore. In practice, however, the targeting is much broader, and in some respects, more informal than advertised. Moreover, the respective processes by which CDCs and SCENs were selected are actually quite different.

Figure V-1 shows the overlay of SCENs and CDCs against the 2011 MVA map.⁷³ The figure shows that SCENs can be in any of many different categories, from fairly strong (C) to fairly weak (F). These categories include a substantial majority of Baltimore's neighborhoods. As a result, we find that conditions vary widely from one SCEN to the next, with respect to such key issues as sales prices, poverty and population change. Figures V-2(A) through 2(C) show the wide range of variation between SCENs on those three variables. What they show is that the SCENs run the gamut from areas with very low to moderately high sales prices, areas with very low poverty to areas of high poverty concentration, and areas with substantially greater population loss than the city as a whole to those that gained large numbers of people.

⁷³ The city has commissioned TRF to prepare market value analyses on four separate occasions, resulting in MVA maps for 2005, 2008, 2011 and 2014. We have used the 2011 map here for illustrative purposes because it more closely corresponds to the point when the SCENs and CDCs were designated, even though some were designated before this map was prepared.

Figure V-1: SCENSs and CDCs by MVA Typology

SCENS – green outline CDCs – blue outline

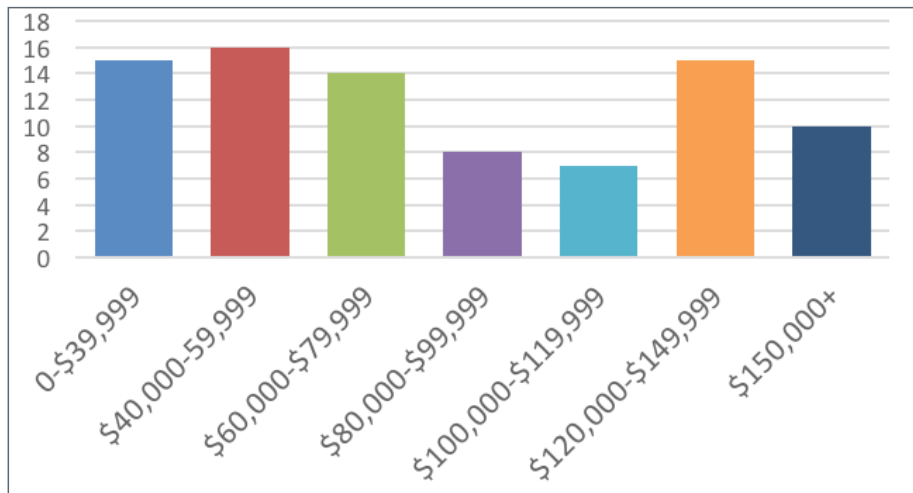
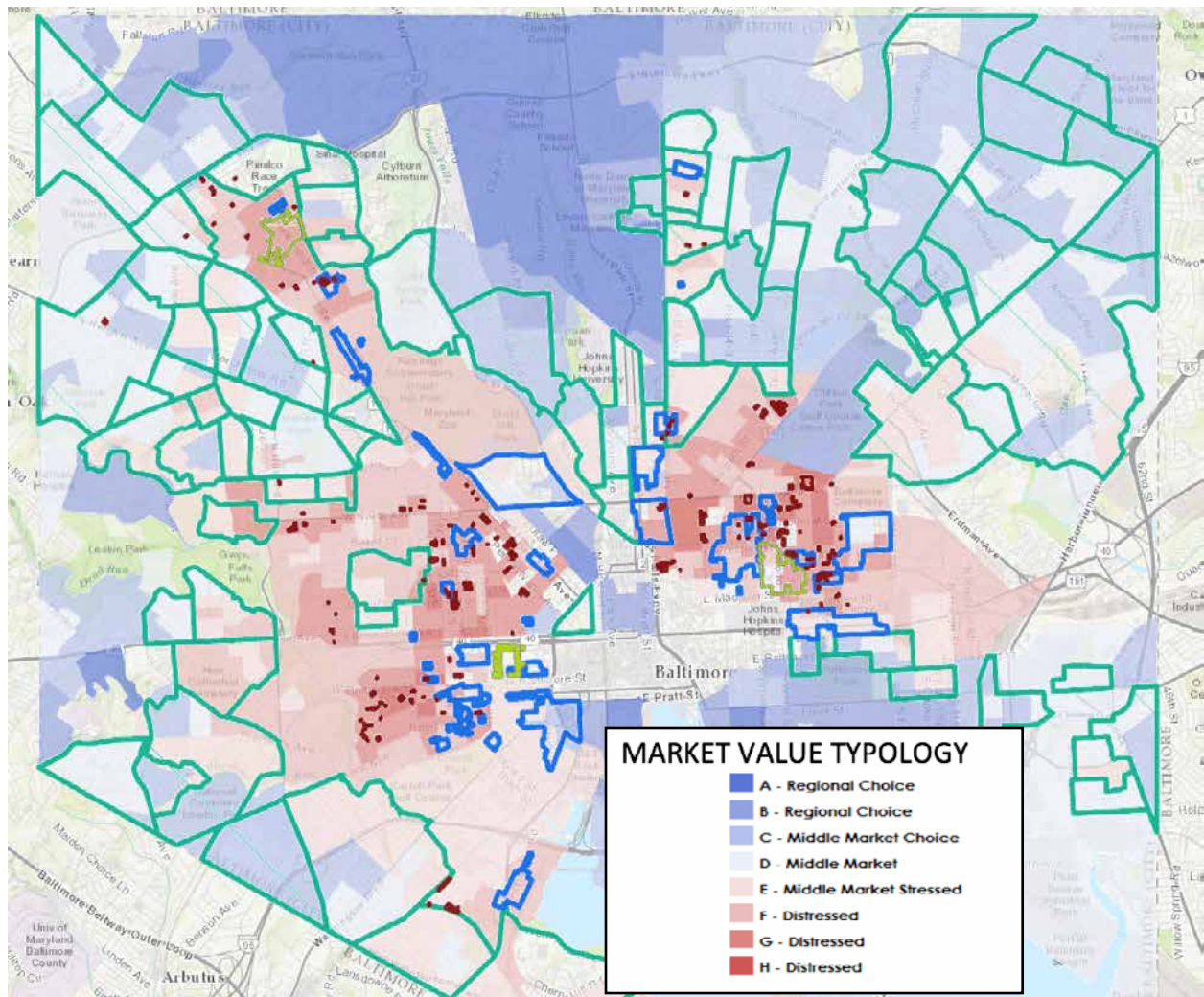


Figure V-2(A):
Distribution of
SCENSs by 2010
Median Sales Price

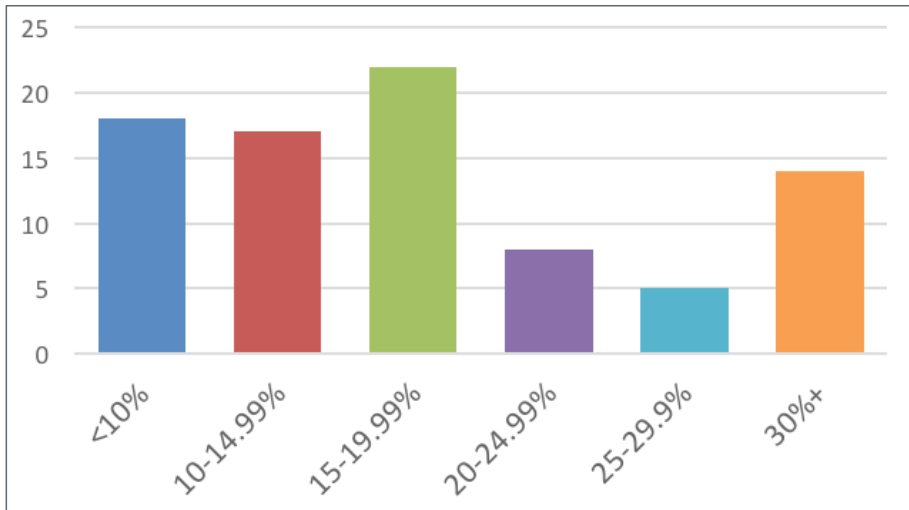


Figure V-2(B):
Distribution of
SCENs by % of
Population Below
Poverty Level

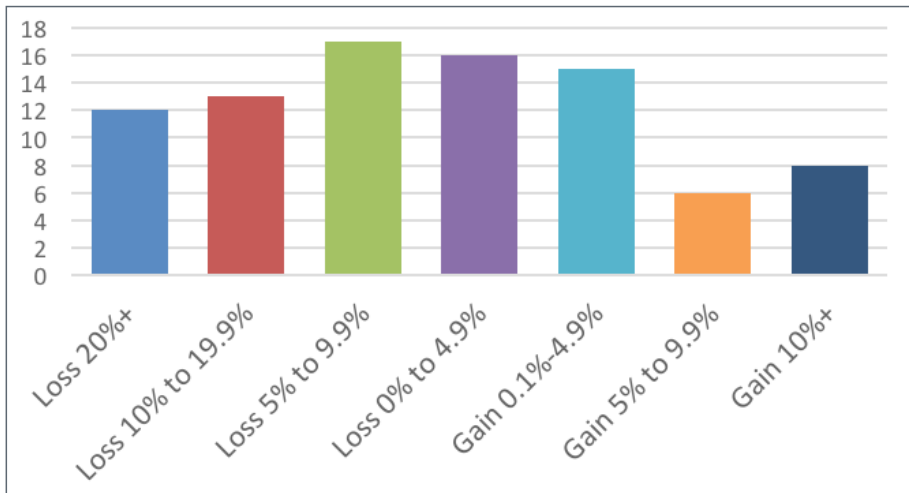


Figure V-2(C):
Distribution of
SCENs by
Population Trend
from 2000 to 2010

In order to determine the relationship between these factors and the relative success of the V2V strategy in fostering vacant property reuse, we compared them to the ratio of 2016 VBNs to 2010 VBNs for 19 of the 21 high-volume SCENs shown in Table III-10⁷⁴ in Table V-1. Since it is difficult to infer the relationships between these factors directly from the table, we have calculated the correlation between the ratio of 2016 VBNs to 2010 VBNs on the one hand, and each factor that may potentially affect that ratio. The correlations are shown in Table V-2.

Since the lower the ratio of 2016 to 2010 VBNs the better, a negative correlation means that that increase in that variable is associated with success. Thus, we find that VBN abatement is strongly associated with higher median baseline sales prices, but negatively affected by increases in poverty during the decade preceding V2V or by declines in the homeownership rate.⁷⁵

⁷⁴ Two SCENs shown in the table were excluded because of the lack of comparable demographic data.

⁷⁵ It logically follows, and is indeed the case, that there is a very strong positive relationship between sales prices and the homeownership trend, at the .99 significance level.

Table V-1: VBN Abatement and Social and Economic Variables for Selected SCENs

	2016 VBNs to 2010 VBNs	Permits Issued as % of 2016 VBNs	Median Sales Price 2014	Owner Occ Change 2000-2010	% Owner Occ 2010	% Poverty 2010	Poverty Change 2000-2010	Pop Change 2000-2010
Remington	50.80%	74.20%	\$94000	-5.4	52.6	14.5	-38.1	6.82
Patterson Place	58.10%	80.00%	191000	-1.5	42.3	45.6	3.3	-4.98
Harwood	59.80%	63.90%	80000	-0.3	45.8	21.4	-24.4	-11.67
Dorchester	78.70%	32.40%	50480	-15.8	58.1	7.3	-50.8	-6.49
Concerned Citizens of Forest Park	83.30%	45.70%	42000	-12.9	55.0	27	-28.0	-13.31
Hampden	86.80%	69.70%	200000	-0.9	66.7	8.5	-58.2	-6.69
Winston-Govans	100.00%	65.90%	26000	-13.3	58.1	4.9	-53.2	-7.77
Woodbourne-McCabe	100.00%	51.40%	16300	-8.0	48.2	NA	NA	-15.53
Central Forest Park	106.70%	71.90%	74276	-9.0	60.7	21.4	-39.3	-14.51
Allendale	112.50%	31.70%	23000	-13.9	63.9	11.6	-52.3	-4.40
Walbrook	116.70%	42.90%	40500	-17.9	59.1	4	-55.1	-51.14
Edmondson Village	117.60%	45.00%	40000	-11.2	64.2	17.7	-46.5	-11.14
Better Waverly	118.40%	37.90%	22500	-6.6	46.4	18.1	-28.3	-5.05
Irvington	124.20%	57.10%	35251	-9.6	64.3	22	-42.3	4.66
Howard Park	144.70%	42.60%	105000	-8.3	74.9	3.4	-71.5	-3.09
Belair-Edison	148.40%	34.80%	37650	-16.4	66.3	11.9	-54.4	1.01
Hanlon-Longwood	152.10%	43.80%	46950	-12.1	63.7	8.8	-54.9	-14.06
Morrell Park	160.50%	47.50%	42000	-8.7	72.2	15.5	-56.7	1.70
Cherry Hill	171.90%	20.00%	21950	-11.3	63.5	44.5	-19.0	7.66

Factor	Correlation	Significance ⁷⁶
Median sales price in 2010	-0.467331684	0.95
Change in homeownership rate 2000-2010	-0.454324955	0.95
Homeownership rate 2010	0.696247109	0.99
Poverty rate 2010	-0.082457316	NOT SIGNIFICANT
Change in poverty rate 2000-2010	-0.405240991	0.90
Change in population 2000-2010	0.115145289	NOT SIGNIFICANT

Table V-2: Correlations Between VBN Abatement (Ratio of 2016 VBNs to 2010 VBNs) and Selected Social and Economic Factors

⁷⁶ Significance refers to the probability that the relationship is the product of chance. A 95% significance level means that there is only a 5% likelihood that the relationship between the two variables is the product of chance. A negative correlation (shown as -) means that the relationship is inverse; that is, the values for one variable go up as those for the other go down.

Somewhat surprisingly, we found a strong *negative* relationship between the baseline homeownership rate and VBN abatement; in other words, the lower the homeownership rate, the greater the successful VBN abatement. This may suggest the possibility that, in light of the pronounced attrition of homeownership taking place in many Baltimore neighborhoods, a high homeownership rate may actually be a sign of future instability, a question worth investigating. Finally, there was no relationship between VBN abatement and either the baseline poverty rate or the trajectory of population change. The lack of relationship to population change may reflect the fact that populations can decline for many different reasons; they may decline because of out-migration and disinvestment that leave neighborhood properties vacant, but they may also decline if larger lower income families are replaced by more affluent but smaller families in the same housing units.

Designation of CDCs by the City is equally subjective, but in a fundamentally different fashion. In contrast to SCENs, the CDCs are consistently located in areas of distress (usually F and G areas in the MVA). However, as City staff pointed out, within those areas CDCs were only designated where the City had identified a credible developer willing to invest time and money in rehabbing vacant houses in that area. The presence of such a developer, rather than the MVA typology, is the critical factor in leading the City to designate an area as a CDC. This is a reasonable policy, since the MVA is a guide to existing market *conditions*, not market *potential*, and the judgment of entrepreneurs willing to invest time and money is likely to be the best measure of market potential.

The danger of that approach is that it runs the risk of giving – or being perceived as giving – the inside track on properties in the area to a seemingly favored developer. The safeguards built into the receivership process, in our judgment, are adequate to prevent those developers from directly benefiting from their role in designation of a CDC. More needs to be done, however, to remove the perception that certain developers have the ‘inside track’ to properties being made available through the V2V program.

As far as the SCENs are concerned, the above analysis suggests that more precise targeting, using such factors as market values and changes in homeownership rates, can identify those areas where the V2V strategy is likely to be more successful in terms of reducing the overall VBN inventory. That said, there is a stronger argument for *not* narrowing the criteria for selecting SCENs. The reason is that, as long as resources are adequate to manage the process of citations and receivership in all the SCENs, the outcomes in each SCEN are not dependent on one another, but operate independently. An example will help clarify this point:

Assume two SCENs, area A with a high probability of success, and area B with a much lower probability of success. Applying the current V2V criteria, implemented as efficiently as possible, 100 homes are rehabilitated in area A and 20 homes in area B. If the criteria for designating SCENs were tightened to exclude those with low probability of success such as area B, the 20 homes in area B would not be rehabilitated, but that would not change the 100 homes rehabbed in area A. Thus, the effect of narrowing the criteria would be to reduce the number of homes rehabilitated by 20. Thus, paradoxical as it may seem, *more rigorous selection criteria would improve the statistical performance of the V2V program, but reduce the actual number of vacant houses restored to productive use.*

This argument holds only as long as the City has the resources to manage the streamlined code enforcement and receivership process efficiently in all of the SCENs it designates. If the City reaches a point where resources are not adequate to do so, and that SCEN outcomes are no longer independent from one another, it should consider adopting a more strategic targeting process along the lines suggested above. In the meantime, the City should consider using a strategic screen not to reduce the number of SCENs, but to explore varying the reuse strategies being employed. One strategy that should be considered would be to increase efforts to see that rehabilitated properties in SCENs with stronger markets be sold to homebuyers rather than rented. As part of such a strategy, it may be appropriate to target some portion of the available homebuyer incentives to those areas.

3. Improving communications

However effective a program may be in achieving its goals, it will be constrained if those goals – and the achievements – are not effectively communicated, along with the limitations on what it can achieve. Similarly, the internal perceptions of what the program is for and what it is accomplishing should not be at odds with the community’s core perceptions of the program, or of their needs in their neighborhoods. Unfortunately, the effect of the Vacants to Value program is compromised by many such problems of communication, both at the level of specific technical information and at the level of broad policy and strategy. Some of these issues, although not all, relate to the manner in which V2V does or does not track activities or outcomes, which is discussed as a separate issue immediately below.

Defining Vacants to Value

Other than through the Vacants to Value website, the City does not convey a clear picture as to what constitutes the Vacants to Value program.⁷⁷ While the program is officially an umbrella of seven distinct strategies, we found in the course of our interviews and focus groups that many people, including both people who work closely with the City and others in responsible City government positions, have little or no idea that V2V includes all of these seven strategies; or are confused about which are V2V strategies and which are not. While we recognize the relationship between the seven strategies, the City has not clearly articulated a rationale for combining them, and the fact remains that placing distinct and sometimes largely unrelated programs under a single program umbrella ultimately can create confusion about the nature of the program. We also found that there are profound differences of perception over as fundamental a question as whether the City considers V2V to be a citywide strategy, or one that is limited to specific target areas within the city.

Generally speaking, almost all interview respondents identified the first three strategies – those involving land disposition, and the market-driven strategies pursued in the SCENs and CDCs – as being the ‘core mission’ of V2V. The other four strategies were often either not seen as part of V2V

⁷⁷ Providing passive information on a web site, whether with respect to general information about a program or specific technical information, is rarely if ever enough to ensure that that information actually reaches the people for whom it is intended, or for whom it would be useful.

or not recognized as distinct strategies at all. For example, while interview respondents were generally aware that the City provides funds for weatherization and lead abatement, many did not see this as a ‘strategy’ or as part of V2V.

Program information

While the procedures by which individuals can obtain City-owned properties, or acquire properties through the receivership process, appear to us to be sound and reasonable, they are not always perceived as such. A number of respondents suggested that certain developers have the inside track for properties, and are favored by the City, even though we found no evidence to support this. Similarly, there is a good deal of disagreement about whether the qualifications to bid on properties are appropriate (or what they are), what obligations winning bidders are under with respect to their properties, and so forth. As we discuss in the recommendations, the city needs to be more proactive in terms of getting programmatic information out to its present and prospective stakeholders, as well as taking more affirmative steps to be more inclusive in terms of the prospective developer pool.

Similarly, information about what is going on with the program – which rehabilitated units are being brought on line and where, when different areas slated for demolition are likely to be demolished, what the status of major redevelopment projects is, and more – can be either difficult to find on the City’s website, or completely unavailable.⁷⁸ While the demolition data on the city’s website has been upgraded to provide accurate mapping, it still lacks information on the critical issue likely to be of concern to neighborhood residents – what is the City’s timetable for demolition?

Clarity on program goals and constraints

A larger issue is that of communicating program goals and constraints, as well as that of understanding and appreciating different perspectives about what the City is or is not doing. A recurrent theme of our interviews and meetings with people from the City’s more distressed neighborhoods was “why is V2V working there, but not here?” That sentiment was expressed clearly by Robin Jacobs in a Baltimore Sun op-ed., where she wrote “For us, the problem with Baltimore’s Vacants to Value initiative is, quite simply, that it continues to leave behind these neighborhoods we know so well, despite their high concentrations of vacant properties.”⁷⁹ While this concern relates to the larger equity issue discussed later, it also reflects both inadequate communication as well as a fundamental divergence between how City officials perceive their work and how it is perceived in parts of the community.

To the extent that the most productive feature of the V2V program is the privately-financed rehabilitation of vacant properties in the SCENs and CDCs, that program’s effectiveness is dependent on the market conditions that exist in those areas, and do not exist in many more

⁷⁸ We would single out in particular the lack of information about the city’s major redevelopment projects. While a tab entitled ‘major redevelopment’ appears on the V2V website, when clicked, it takes the user to unrelated information. The information presented in this report on major redevelopment projects is not widely available, and indeed, was assembled at our request by a city staff member at considerable expenditure of time and energy.

⁷⁹ “The Problem with ‘Vacants to Value’ ”, Op-Ed, *Baltimore Sun*, Nov. 17, 2015.

distressed parts of the city. Difficult as it may be, it is important for City officials to explain, as persuasively and consistently as possible, why that makes it impossible to transfer that model to other areas.

That leaves, however, a significant problem. The City's position is that V2V is a citywide program, and that while the SCEN and CDC strategies may be targeted to areas with either moderately strong market conditions or strong market potential, other V2V strategies are addressing needs in more distressed areas, particularly the demolition and greening ('maintain, clear, hold') strategy. It appears, however, that there is a significant gap between how this strategy is perceived by the City, and how it is perceived by many in the community; as Jacobs writes, "In some struggling neighborhoods, Vacants to Value's strategy consists mostly of block demolition, leaving vacant lots behind that quickly become trash-strewn eyesores, while houses nearby continue their way toward demolition by neglect." While it is true that many residents welcome the demolition of nearby blighted houses, their satisfaction can wear off quickly if nothing constructive takes place with the vacant lots.⁸⁰

While City officials may, not unreasonably, take pride in the extent to which they are ridding neighborhoods of blight, and are constrained by limited resources and capacity from managing the vast inventory of vacant lots at a level that would make them community assets, many residents of the same neighborhoods may feel that the ultimate effect is one of continued neglect. We do not have a solution to this problem, but we feel it is important that city officials fully appreciate the legitimacy of these concerns, and recognize how others may see their efforts in very different terms from the way they do.

Finally, the problem is rendered more difficult by the tendency to treat V2V as more than it realistically is. Former Mayor Rawlings-Blake posted a blog late in 2015 in which she wrote that "the V2V program has received numerous national awards for its innovation and cutting-edge practices that are enhancing the quality of life, rebuilding our neighborhoods, and driving economic development."⁸¹ While not untrue, it conveys the impression of a program that is far more comprehensive and far-reaching than V2V actually is. In the absence of a comprehensive neighborhood revitalization strategy over and above V2V, however, V2V becomes such a program by default, which in turn raises perhaps unrealistic expectations.

4. Stimulating homeownership and expanding access to capital

Baltimore is historically a city of single family homes and homeowners, and in recent years, the erosion of homeownership has become a significant destabilizing factor in many of the city's neighborhoods.⁸² Current sales trends are reinforcing the decline. The ratio between the total number of home sales and the number of home purchase mortgages provides a sound, albeit rough, estimate of the split between homebuyers and investors in the market.⁸³ In 2014, while there were nearly 16,000 home sales in the city, only 3,600 purchase mortgages were reported under the Home

⁸⁰ And while scattered vacant houses in the middle of rows continue to exist in the same areas.

⁸¹ <http://mayor.baltimorecity.gov/news/blog/2015-11-13-vacants-value>

⁸² Baltimore today has a lower homeownership rate (47.2%) than it had in 1930 (51.5%).

⁸³ This is so because as a general rule homebuyers obtain mortgages from HMDA-reporting sources such as banks or credit unions, while investors generally finance their purchases with cash or through more informal sources.

Mortgage Disclosure Act, or slightly below 23%. Even if we recognize that some homebuyers bought with cash, this still suggests that 2/3 or more of the buyers in the city are investors. Moreover, as Figure V-3 shows, mortgages are heavily concentrated in a relatively small part of the city;⁸⁴ large areas, including most of West Baltimore, are lending ‘deserts’.

What does this have to do with V2V? As we have discussed earlier, the great majority of houses rehabilitated under the V2V program are being rehabilitated for rental, rather than for sale to homebuyers. While this has a positive side, in that it means that some houses are being rehabbed in areas where the rental cash flow justifies the investment but sale to a homebuyer would not, it nonetheless perpetuates the erosion of homeownership, even in areas where there may be prospective homebuyers willing to pay prices that would support the cost of rehabilitation.

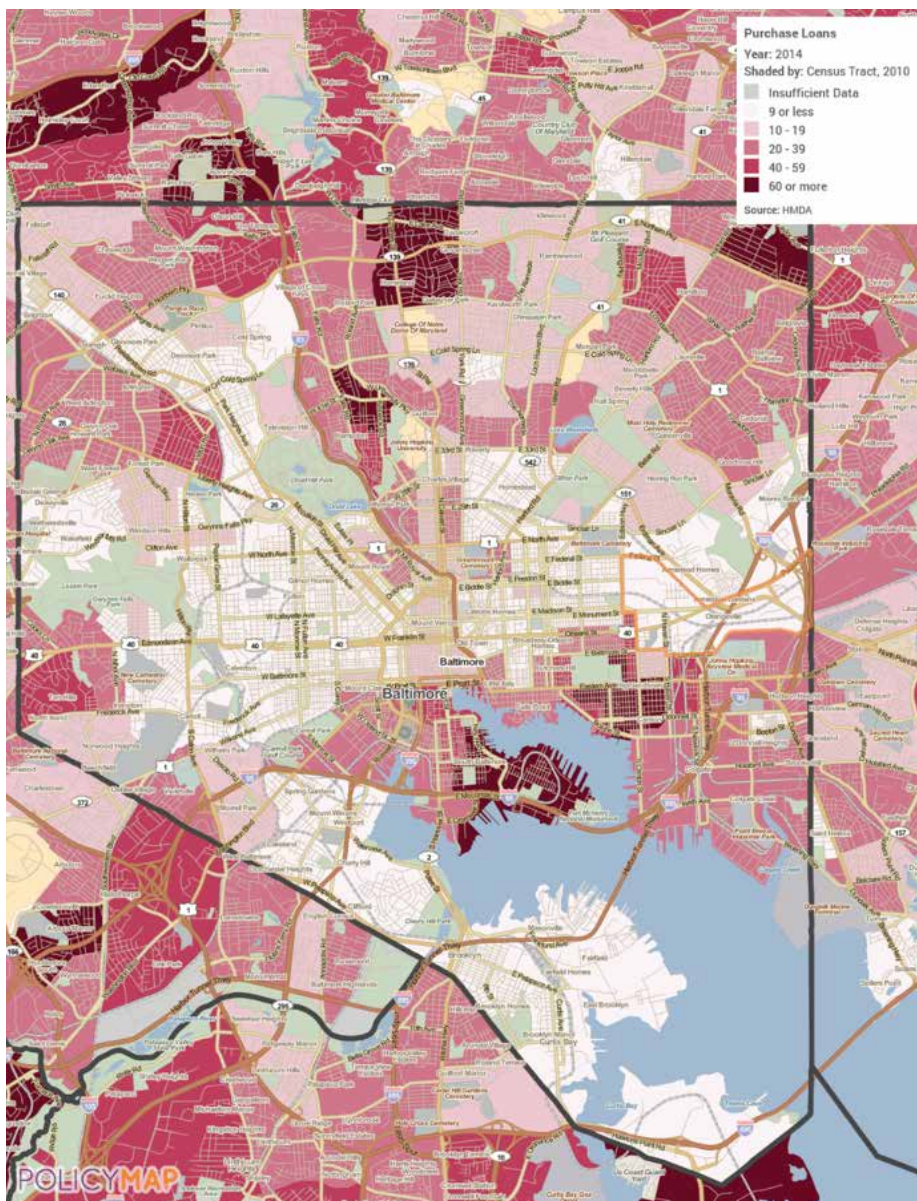


Figure V-3:
Home Purchase
Mortgages in
Baltimore 2014

⁸⁴ Almost 1 out of 3 mortgages made in Baltimore in 2014 were made in the area around the Inner Harbor.

The central problem underlying this challenge is access to mortgage capital, which represents one of the most significant, if not the most significant gap in the V2V strategy. This reflects a cluster of related issues, including the difficulty moderate and middle income buyers have getting a mortgage; problems with appraisals and comps in many urban neighborhoods; the need for large down payments; and a general reluctance of lenders to make mortgages for small amounts. The city has made some efforts to fill this gap by partnering with the Maryland Mortgage Program to bundle their mortgages with City homebuyer incentives. This was a small program, and has been fully subscribed. We believe that more can be done by working with private lenders, although it may require both substantial political effort as well as City financial involvement.

Ultimately, what is called for is a two-pronged approach; building a larger pool of households who want to become homeowners and can obtain a mortgage, and getting V2V developers to target a larger share of their product to homebuyers rather than investors. That, in turn, may require the program to provide incentives, whether in terms of the cost of acquiring property or other means, to developers who commit to sell to homebuyers. It may be worth exploring the idea of a pilot program in selected SCENs where market values make such an approach feasible, and where potential demand exists.

While the largest single capital gap is that affecting prospective homebuyers, there are two other gaps in capital access that are likely to have a significant bearing on the effectiveness of the City's blight elimination strategies. First, while it is clear that the developers rehabilitating houses under the V2V program have access to at least *some* capital (otherwise they would not be doing so), a number commented about the difficulty they had obtaining enough capital to maintain their production levels, while at the same time, it is likely that other would-be V2V developers have been constrained – either in terms of volume or participating at all – by lack of access to short-term or long-term financing. Second, both homeowners and landlords in areas where vacant houses are being rehabilitated could benefit from greater access to home improvement funds on reasonable terms to upgrade their properties.

5. Tracking outcomes

The extent to which both the activities and outcomes associated with the various strategies in the Vacants to Value umbrella are tracked varies widely. Some activities are carefully tracked, such as the progress of vacant properties in SCENs through the citation and receivership process, or the movement of city-owned properties through the disposition process. The system by which the city tracks progress of VBNs through the reuse process, as well as the incremental change in the number of VBNs over time by neighborhood, is outstanding. Other activities are not adequately tracked. The City does not maintain consistent records for activities in major redevelopment projects,⁸⁵ while data on DGHSH programs is extremely limited. *A first critical step is to establish a straightforward system of maintaining appropriate records for all activities being conducted as part of the V2V program.* Table V-3 offers suggestions as to what information should be tracked with respect to the homebuyer incentive programs administered by DGHSH.⁸⁶

⁸⁵ When we say 'does not maintain' we do not mean that these records do not exist (something we cannot know), but that they are not maintained in an organized form accessible either to decision-makers in city government or to outside investigators.

⁸⁶ This data is currently maintained by P&CE for properties receiving the V2V booster incentive.

Category	Datasets
Incentives	<ul style="list-style-type: none"> • Source(s) – which incentive or incentives were used • Dollar amount(s) • If LNYW, name of employer • Date lien recorded
Property	<ul style="list-style-type: none"> • Address • Neighborhood (NSA, SCEN, CDC, etc.) • Sales price • Seller • Former VBN (yes/no) • Mortgage amount and lender
Buyer	<ul style="list-style-type: none"> • Previous address • Household size • Household income • First-time homebuyer (yes/no)

**Table V-3:
Recommended
Homebuyer Incentive
Database Elements**

While information on activities is unevenly collected and maintained, information on outcomes – with limited exceptions – is not collected at all, despite the importance of knowing the results of the various V2V programs both for internal evaluation and for understanding the progress of the city toward its larger goals. While the City tracks progress on the reuse of vacant properties, its tracking system ends with the issuance of a use & occupancy permit, rather than gathering information from the developer on the post-rehab use of the property, including at a minimum:

- Is the property (1) maintained by the developer for rental housing; (2) flipped to another investor for rental housing; or (3) sold to a homebuyer?
- If rental, what rent is being charged?
- If sold, for what price?

The City may also want to obtain basic demographic data about the initial occupant of the unit, such as household size, income and previous residence by zip code, from the seller or landlord.⁸⁷

In addition to tracking initial use and occupancy, the City could track ongoing changes by periodically sending a simply return postcard to owners and occupants requesting information on changes in status; i.e., sale, change in tenantry, change from owner-occupied to rental status, etc. While some people may not return the postcard, it is likely that enough will be returned to provide the City with a useful picture of changes taking place in the housing inventory. Similar data should be maintained on housing developments completed and occupied in major redevelopment projects.

Ongoing tracking is particularly important if the City is to enforce the liens that are placed on properties when homebuyer incentives are provided. These are typically five year liens, where the amount of the lien is reduced by 20% for each year of continued occupancy by the buyer, and ‘burns off’ at the end of the fifth year. Currently, the City does not track the status of these liens. On occasion, it collects some amount on a resale within the five-year period where the buyer’s lender or title company has reached out to the City to obtain a release of the lien.⁸⁸ Comments from

⁸⁷ It is not clear whether this would raise privacy issues. This could potentially be addressed by the seller or landlord providing advance notice, and receiving approval, from the buyer or tenant that specified information would be shared with the city.

⁸⁸ According to city staff, this happens rarely.

informants suggest, however, that conversion to rental occupancy (which triggers repayment) appear to be substantially more common than resale within the five-year lien period, and is not tracked by the City. While the revenue loss to the City is not likely to be substantial, it is certainly enough to justify a modest, inexpensive, effort to keep better track of the status of these properties.

A further issue that makes it important to track housing production outcomes, not only with respect to those outcomes that are the direct result of City actions, but those which are driven by the private sector, is to understand market demand and absorption trends in the city. Between the properties reused in the SCENs and CDCs, properties developed in major redevelopment projects, and other activities – both affordable and market-rate housing – by non-profit and for-profit developers, a substantial volume of new and rehabilitated housing has come on line in recent years, and will come on line in the near future, including the massive Port Covington project currently going through the approval process.

The issue of market absorption is not only limited to the potential effect on city neighborhoods of all the market-rate housing in the pipeline, particularly Port Covington, coming on line, but is also relevant to affordable housing. The number of low income households in Baltimore has dropped significantly in the past five years; as Figure V-4 shows, adjusted for inflation, the number of households earning less than \$40,000 has dropped by nearly 6,000 or nearly 5%.⁸⁹ While much of the housing created in major redevelopment projects is being built under explicitly affordable housing programs, so that it represents a known quantity, it would be extremely valuable to know how many of the other V2V units – where the program does not impose income limits – result either in formally affordable housing, or are occupied by lower income households.

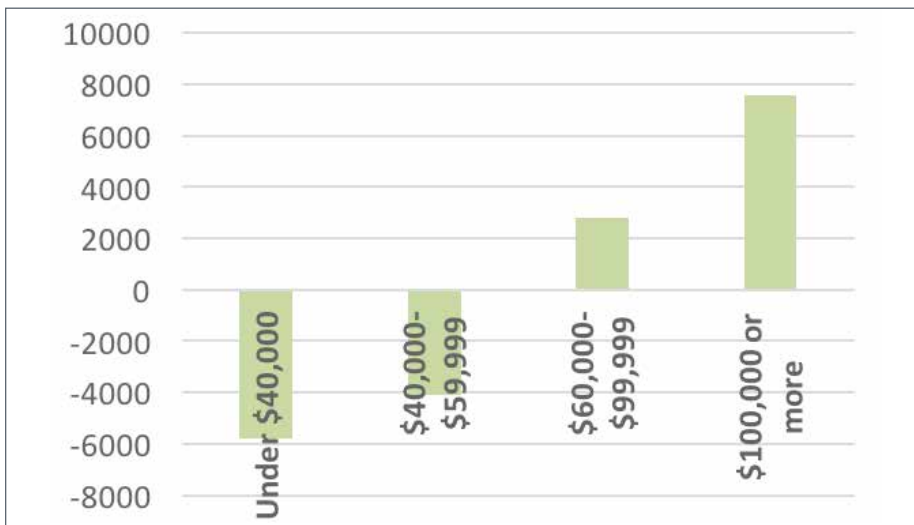


Figure V-4:
Change in Number
of Households in
Baltimore by Income
Range 2010-2015⁹⁰

While there is no question that more sound, affordable housing is needed in Baltimore, the continued production of large amounts of good quality affordable housing – including rehabs in SCENs and CDCs for voucher holders and LIHTC projects in major redevelopment areas – in light of the

⁸⁹ It is worth noting that the greatest decline *in percentage terms* took place in the \$40,000 to \$59,999 range, which roughly corresponds to what can be considered Baltimore's middle-income households. The number of households in this income range dropped by over 10% between 2010 and 2015.

⁹⁰ The 2010 data has been adjusted for inflation between 2010 and 2015 to ensure comparability.

declining number of households, is likely to lead households to move from areas of low income concentration, increasing vacancy in those areas. While this is likely to be a positive outcome for the households involved, it should be taken into account when looking at future neighborhood strategies.⁹¹

6. Confronting the equity challenge

We have referred above (Section V.B.3) to the disparity between how City staff perceive their activities, and how they are perceived by at least some of the residents and advocates in the city's low income communities. While the staff managing the Vacants to Value program appears to have good individual working relationships with many community leaders around the city, it is clear from many of our interviews that there are major differences between how City staff see their efforts and how they are perceived in much of the city. This is one manifestation of the larger equity challenge which is in many ways not only the greatest, but the most insoluble of the challenges facing the Vacants to Value program. Perceptions form one dimension of the challenge, as do Baltimore's underlying economic and social gaps and conflicts, and as do certain facets of the program itself.

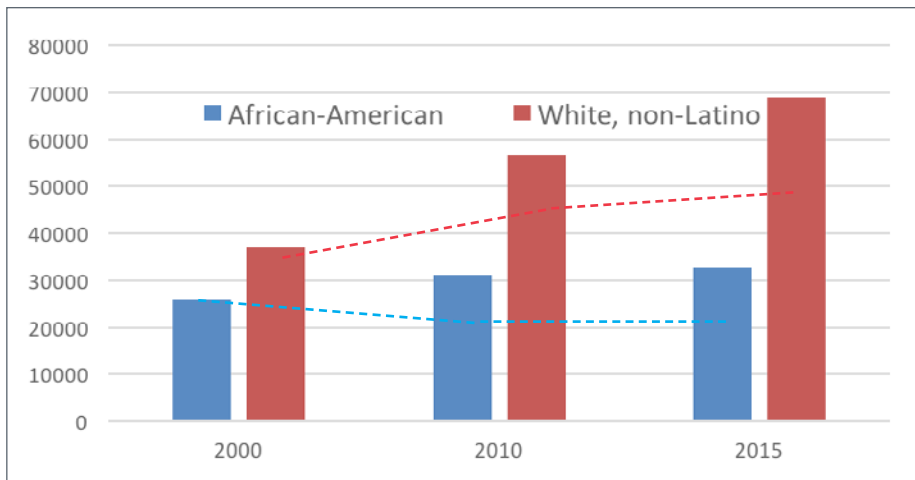
The high profile of V2V, coupled with the relative absence of a similarly visible overall housing and community development strategy, appears to have raised many people's expectations of the V2V program, and perhaps made them look to the program for things that it cannot realistically accomplish. That is not the only issue, however. A second issue is that *while the V2V staff believe that they are distributing their efforts between different types of neighborhood, including distressed areas, they are not perceived as doing so*; in other words, the fact that most of the V2V demolition activity is taking place in distressed areas is not seen by organizations in those areas as being part of a meaningful strategy to improve those areas,⁹² or that it bears any meaningful relationship to the rehab work taking place elsewhere.

It does not appear that the City has a systematic strategy for communicating with community groups in distressed areas, either for explaining the rationale behind the City's strategies or getting input from the community to identify possible changes in those strategies to reflect their concerns.

These issues exist in a larger context. The course of revitalization in Baltimore in recent years has been uneven and unequal. Some areas of the city have thrived, while others have stagnated or declined. This is not unique to Baltimore, but is a pattern that can be seen in every American city, particularly in those cities that have seen drastic population and job loss over the decades and are only recently seeing significant revival. In the course of that uneven revitalization, the gap between reviving and declining areas has increased, and the gap between the city's African-American and its non-Latino white population has also increased. As Figure V-5 shows, although the median African-American household income was 71% of the median white household income in 2000, that figure dropped to 55% by 2010, and 47% by 2015. Adjusted for inflation (dashed lines in Figure V-5), white households gained 31%, while African-American households lost 12% in real income.

⁹¹ 29 census tracts in Baltimore lost 25% or more of their population between 2000 and 2014, roughly evenly divided between tracts in West Baltimore and East Baltimore.

⁹² In that light we would suggest that the whole-block demolition approach pursued by V2V, while highly rational in terms of allocation of resources and overall planning strategies, as seen from the perspective of City government, may not be seen as optimal by community residents, where it is likely that residents concerned about the presence of a scattered blighted, vacant properties on their block may feel that the City is neglecting them. This is somewhat speculative, but it is likely that more people are affected by scattered vacant properties than by whole-block abandonment.



**Figure V-5:
Household Income
by Race in Baltimore
2000-2015**

These trends reflect national and regional economic and demographic forces, and are far from unique to Baltimore. They may seem unrelated to Vacants to Value, yet they are a central part of the larger reality from which vantage point people form judgments about the program. We heard from many interview respondents that the program is furthering the expansion of the “Gold Coast” rather than helping the city’s lower-income residents. Again, this reflects a combination of both the reality and how V2V is perceived, as well as the more limited visibility and scope of other housing and revitalization strategies, particularly those targeted to weak market areas. This is not a readily soluble problem, however. The essence of the central V2V strategies – the market-driven rehabilitation of vacant properties in the SCENs and CDCs – is dependent on its being applied only in areas which have either existing market conditions or market potential to make it work. While one can deplore the extent to which the city is dependent on the market in this regard, the subsidy funds that would be the only hypothetical alternative to a market-driven strategy are in extremely short supply. Moreover, we believe that Baltimore is already using whatever housing subsidy funds it can garner to support the creation of affordable housing in the city.

While the City makes a variety of efforts – not only in the realm of housing – to address the needs of its lower-income residents,⁹³ these perceptions also reflect the absence of an explicit, visible City strategy to foster change in the city’s lower-income and distressed neighborhoods that parallels the V2V commitment to stronger market areas.⁹⁴ Finally, it reflects the painful reality that the City’s ability to foster transformative change in its lower-income neighborhoods is constrained by the severely limited resources it has available and the inherent difficulty of the task, which is far from simply being a matter of housing development or physical improvement. That does not mean, however, that it should not aggressively tackle that goal. While a detailed discussion of this challenge is beyond the scope of this report, we offer some further thoughts in our recommendations for the City to consider.

⁹³ Among programs cited by the city in this respect are B’More for Healthy Babies, 21st Century Schools/INSPIRE, Baltimore Food Policy Initiative and Employ Baltimore.

⁹⁴ An Office of Neighborhoods exists in the Mayor’s Office, but this is a vehicle for responding to concerns and disseminating information rather than either a policy-making or service delivery entity.

VI RECOMMENDATIONS

INTRODUCTION

The new City administration must make many decisions about what existing programs to maintain in their current form, which to maintain but modify, and which to cut or eliminate entirely. As new programs and initiatives are developed, some existing programs are likely to be absorbed into those new initiatives, others will take new and different shapes, and still others may depart the scene. Not only vacant property reuse and blight elimination, but broader strategies to stabilize vital neighborhoods at risk and revive distressed ones will be major concerns of the new administration, as they have been of the outgoing one. While Vacants to Value, as a strategy for blight elimination, may be only one part of that larger picture of neighborhood stabilization and revival, it is a critical element in that picture, and needs to be seen in that larger context. For that reason, our recommendations include both matters to improve the effectiveness of the V2V program as it is currently configured as well as broader recommendations to further incorporate the best of the V2V program into new and more comprehensive strategies.

Vacants to Value has achieved much for the city of Baltimore and its residents over the past five years. While there is great value in preserving continuity in terms of the substance and leadership of the program, it is less important whether the new administration continues the V2V program under its current name, or necessarily in its current structure. What is important is that the administration retain those features of V2V that have generated significant benefits for the city and its residents, under whatever name, and in whatever organizational framework may be most effective and productive. What is equally or more important is that the City build on Vacants to Value to create a larger framework for neighborhood stabilization and revival within which the V2V strategies can make a major contribution.

We offer many recommendations, broken down by category as follows:

1. Building stronger internal program management and partnerships
2. Building stronger partnerships for blight elimination
3. Improving capital access for revitalization and blight elimination and neighborhood stabilization
4. Improving vacant property maintenance and greening
5. Acquiring property
6. Data, tracking and follow-up
7. Communicating program information
8. Implementing neighborhood strategies in middle markets (SCENs)
9. Stimulating home ownership
10. Raising the rental housing bar
11. Integrating affordable housing
12. Enhancing quality of life in distressed neighborhoods

We begin with more technical areas, such as program management, that are directed to specific aspects of the Vacants to Value program as currently structured. From there, we gradually move to areas that look at how one can build on the V2V structure in place to expand its scope into areas that are critical for the City's long term goals of blight elimination and enhancement of its residents' quality of life, and finally to exploring initiatives that, while recognizing the City's severe financial constraints, may nevertheless be able to help move the needle for at least some of the residents of Baltimore's many distressed neighborhoods that have yet to benefit from the market winds blowing elsewhere in the city.

Some of these recommendations clearly go beyond the scope of the seven V2V strategies. That is by design. We feel strongly that V2V addresses one slice of the larger goal of, as we quoted Mayor Rawlings-Blake's statement earlier "enhancing the quality of life, rebuilding [Baltimore's] neighborhoods, and driving economic development." While our recommendations do not cover every aspect of that goal, we feel strongly that V2V needs to be part of that larger picture. Thus, recommendations that address issues such as stimulating homeownership, improving rental housing, facilitating more affordable housing, and addressing neighborhood quality of life issues need to be addressed to the same extent as do technical changes to the existing program.

We recognize that some of our recommendations would require additional financial outlays, and that the City's budget constraints may limit their ability to implement them. That said, we do not feel that additional expense, in moderation, is a compelling reason not to make a recommendation which

we consider substantively justified and potentially important in terms of the benefits to the city and its residents. In approaching these recommendations, however, we recognize that the City may well have to pick and choose, pursuing them to the extent fiscal conditions permit.

The large number of recommendations should not be construed as a criticism of the Vacants to Value program. On the contrary, it is an outstanding program, which has accomplished much in its five years of operation. We see its achievements, however, as a foundation, from which we believe the City can build even more effective strategies to make the entire city of Baltimore a better place. It is in that spirit that these recommendations are presented.⁹⁵

1. Building stronger internal program management and partnerships

The City's departments and agencies, with some significant exceptions, are not working together to further a single strategy, while key external as well as internal relationships have never been adequately forged. While V2V has strong relationships with the development industry, as well as an extensive although perhaps less strong network of links to community organizations and CDCs, program links to other critical sectors of the community such as the financial sector need to be forged. Internally, management gaps and inconsistencies affect the effectiveness and integration of key program elements.

1.A. Formalize internal program coordination of V2V strategies within Baltimore Housing.

While current informal working relationships tend to work fairly well, issues that should be formally addressed – such as the extent to which DGHSH incentives should be targeted, and where; or the allocation of resources to major redevelopment projects – tend to be handled in an ad hoc rather than strategic fashion. To address this challenge, one HCD deputy commissioner could be designated *primus inter pares*⁹⁶ with respect to coordinating V2V strategies.

1.B. Evaluate the process by which major redevelopment projects are selected, planned and implemented, and set up a clear administrative structure for project management. Major redevelopment projects represent a significant commitment of limited public resources. They need to be managed more strategically, better integrated with other city strategies, and more transparent in terms of project goals and achievements. The position of deputy commissioner needs to be filled, and the administrative relationship between major projects and other departmental activities clarified.⁹⁷

1.C. Embed the internal partnership between city agencies for blight elimination in a formal organizational structure, not reliant on informal relationships and intermittent calls for engagement. While it may make sense to restructure or reassign certain functions, the critical and most challenging coordinating tasks will be between departments, including finance, police,

⁹⁵ One area where we do not offer any recommendations is with respect to the tax foreclosure process, which is the subject of a separate analysis that has recently been completed with the assistance of the Center for Community Progress.

⁹⁶ first among equals.

⁹⁷ The administration of major projects is not clear from the city's website. From the main HCD webpage, one can access the 'Office of Project Finance', which does not appear to have any connection to major projects. A webpage for the 'Office of Project Finance and Development' exists, but does not appear on the HCD webpage site map, and does not contain any information about specific projects.

public works, parks & recreation, transportation, planning, and housing. While there are many different models through which these agencies can be engaged to work together for neighborhood stabilization and revival, there are certain themes common to successful models: they must be formal, with written ground rules; they must be ongoing, not ad hoc; they must have ongoing high-level leadership; and they must be based on open information-sharing.

2. Building stronger partnerships for blight elimination and neighborhood stabilization

The following recommendations call for a rethinking of Vacants to Value in the context of a larger neighborhood stabilization and revitalization strategy.

2.A. Reconstitute Vacants to Value as part of a multifaceted citywide neighborhoods strategy rather than a self-contained blight elimination strategy. Blight elimination is part of the larger issue of neighborhood revival, not a self-contained issue. While in some areas, blight elimination by itself may unleash market potential that leads to neighborhood revitalization, those are the exceptions. A more comprehensive approach is likely to be a pre-condition to meaningful change in the many city neighborhoods which are either struggling to maintain their vitality, or need to regain vitality that has been lost.

2.B. Provide mayoral leadership to build a comprehensive “all hands on deck” approach by city government to stabilizing and rebuilding Baltimore’s struggling and distressed neighborhoods. Without a clear commitment by the mayor to provide the leadership to bring all of the relevant City agencies together – and to engage key actors outside City government – a comprehensive strategy is unlikely to materialize. The mayor’s commitment, however, needs to be more than rhetorical; it needs to be manifested in specific, clearly enunciated organizational commitments and procedures that ensure that all hands will indeed be on deck.

2.C. Enlist the region’s financial institutions as a critical part of the city’s neighborhood stabilization and revival strategy. Making this happen should be a personal priority for the incoming mayor. We identified the lack of engagement of financial institutions, and the provision of access to capital, as a significant – perhaps the most significant – gap in the Vacants to Value program. Unless this gap can be filled, the City will continue to fall short of its potential in terms of furthering homeownership, upgrading rental housing, and building a strong for-profit and non-profit development community. We believe that the process of closing the financing gap should begin at the top, with direct engagement between the incoming mayor and the CEOs of the region’s financial institutions to begin the process of building the partnerships that can lead in turn to creating the financial mechanisms the city needs.

2.D. Enlist the region’s philanthropic sector as critical parts of the city’s neighborhood stabilization and revival strategy. Baltimore benefits from a strong network of foundations and other institutions committed to working for the city’s betterment. As the city develops a comprehensive neighborhood strategy, they should be enlisted to become active partners with the

City, to leverage not only their financial resources, but their expertise and credibility. As with the financial sector, this too should begin at the top, with direct engagement between the mayor and the CEOs of the city's major foundations and institutions.

3. Improving capital access for revitalization and blight elimination

Once the City has established a working partnership with the region's financial institutions, the critical next step is to develop and make widely available a series of capital products that address the community's needs, while recognizing the legitimate risk management concerns of the financial sector.

3.A. Build city capacity to work with area lenders to develop more accessible mortgage products for homebuyers in neighborhood revitalization and stabilization target areas in Baltimore. In order to provide the full range of mortgage products that are needed, the city is likely to have to work with lenders – and potentially with philanthropic partners – to create a variety of credit enhancements, such as loan loss reserves, guarantees, or soft second mortgages. In order to do so, the City needs to build its in-house capacity in this area, so that it can act as a responsible partner to lenders and foundations it seeks to engage in this effort. At a minimum, this will require hiring a seasoned financial professional to work under the V2V program or its successor future organizational structure.

3.B. Work with area lenders, CDFIs and others to improve capital access for small for-profit and non-profit developers working in neighborhood revitalization and stabilization target areas. As with homebuyers, small developers and contractors seeking to rehabilitate or build housing in Baltimore's neighborhoods are often constrained by limited access to pre-development funds, construction loans and working capital. Improving capital access can expand the pool of small developers and contractors working in the city, and, carefully pursued and combined with training and technical assistance programs, create meaningful job and small business opportunities for lower-income and minority residents.

3.C. Work with area lenders, CDFIs and others to create affordable loan products for low- and moderate-income homeowners, and landlords owning properties in lower-income areas, to make necessary repairs and upgrade their properties. While the city provides some assistance to lower income homeowners, it is modest compared to the need; moreover, with extremely limited exceptions, the City offers no assistance to landlords seeking to upgrade their properties, even though they represent a majority of property owners in many of the city's distressed neighborhoods. Programs to assist responsible landlords, particularly if implemented in conjunction with focused landlord regulatory strategies as recommended below, can make a significant contribution to improving the city's neighborhoods.

4. Improving vacant property maintenance and greening

4.A. Better integrate vacant property maintenance with HCD vacant property strategies, including exploring the possible relocation of property maintenance operations to HCD.

The separation of property maintenance responsibility from other vacant property responsibilities weakens the effectiveness of the City's overall vacant property strategies. If there is evidence that situating property maintenance in Public Works provides operating synergies or other public benefit it should remain where it is, but subject to a formal operating agreement between Public Works and HCD to ensure effective direction and coordination.

4.B. Develop a vacant lot database to parallel the VBN database currently maintained by HCD. A reliable database on all vacant lots, not just those owned by the City, is a pre-condition to effective management of this key city resource.⁹⁸

4.C. Provide information on City web site about vacant lot property maintenance. The city's web site provides no useful information for residents, community organizations or others to understand the nature and scope of property maintenance activities. These are matters of direct and immediate concern to large numbers of community residents, and should be made more transparent.

4.D. Develop minimum treatment model for vacant lots similar to Philadelphia LandCare program. The LandCare⁹⁹ program has been proven to be a cost-effective way of improving the appearance of vacant lots and making them a community asset. The City should explore the extent to which this model can be adopted within the framework of property maintenance activities, and seek the funding necessary to implement it more widely.

4.E. Increase both public and philanthropic support for community-based activities to reuse vacant land for greening. We believe that with concerted strategies in place, it may be possible to substantially increase the resources available, including adapting the LandCare model, for greening activities. The City should consider increasing the level at which it supports community-based greening activities, while making particular efforts to raise non-public funds to support activities in areas where neighborhood-level resources are limited, to support community-based efforts that build in job training and creation for community residents, including ex-offenders and at risk youth.

4.F. Explore creating a land trust to provide long-term stewardship of 'greened' land parcels. A major deterrent to the City's ability to make long-term commitments of vacant parcels to greening is uncertainty about the long-term viability of potential sponsors and users. Creating a dedicated green land trust in the city – perhaps as a partnership between the City, key community-based organizations, and philanthropies – could be a key step to building a long-term greening strategy.¹⁰⁰

⁹⁸ At present, the city relies on property tax assessment data from SDAT as a proxy for tracking privately-owned vacant lots.

⁹⁹ see <http://phsonline.org/programs/landcare-program>

¹⁰⁰ We should stress that this recommendation is completely different from the recommendation for an affordable-housing oriented land trust that is currently under discussion in Baltimore.

4.G. Expand the side lot program and provide incentives, such as free fencing, for homeowners to acquire side lots. Compared to many other cities, Baltimore has had only limited success with offering side lots to adjacent homeowners. This is a valuable program, and it is worth exploring whether offering more incentives to prospective side lot buyers could expand the ‘take-up’ of this program.

5. Acquiring property

5.A. Explore the possibility of expanding the use of spot blight eminent domain in order to accelerate transfer of key vacant properties. The receivership process, although effective, is inherently slow. The spot blight eminent domain machinery works more quickly, making it potentially a more effective tool in situations where vacant properties are actively blighting an area and their acquisition is time-sensitive. The city needs to evaluate, however, whether this will result in higher costs for property acquisition which may offset the benefits of the faster process.

6. Data, tracking and follow-up

6.A. Create a data and analysis unit in HCD that cuts across operating divisions to provide comprehensive information and tracking of all related programs. As discussed earlier, the quality of information and analysis of different V2V elements ranges from excellent to very poor. This unit should not only be a passive data gathering entity, but should be engaged – working with outside partners such as university research centers and others – in ongoing analysis of the information being gathered. One initial task of this unit is to develop data gathering protocols for each program, including DGHSH programs and major redevelopment projects.

6.B. Develop an inter-agency data sharing protocol with mayoral leadership to ensure that data from HCD, Police, Finance and other relevant city agencies can be linked into a single system to enable effective tracking of property and neighborhood conditions and outcomes.

6.C. Track V2V and other HCD property-related outcomes including tenure, sales prices, rent levels, etc. Property tracking should not end with issuance of a Use & Occupancy Permit, but should include use outcomes in order to understand how programs affect neighborhood market conditions, as well as measure the performance of individual developers and owners.

6.D. Monitor performance of purchasers of properties, developers and landlords of V2V properties, including timeliness of rehabilitation and quality of post-rehab rental maintenance/management. Performance levels inevitably will vary widely among the many developers, contractors and owners involved with V2V programs. The large number of V2V units being reused as rental housing raises potential downstream problem property condition and maintenance issues. The City should track outcomes over time to ensure that reused properties are well maintained, and to be able to expeditiously flag and address problems that arise. This information can also be used to identify which developers and owners should receive priority access to properties either from the City or through the receivership process in the future, and to collect on homeownership incentive liens when due.

6.E. Improve quality and detail of data provided on City website with respect to progress and outcomes of property-related activities, including receivership, rehabilitation, demolition, etc. In order to enable community-based organizations, as well as individual community residents, to understand what is taking place in their communities, the V2V web site should provide better ongoing property tracking information and do so in a user-friendly fashion.

7. Communicating program information

7.A. Improve information available for prospective developers on the City's web site, and make the relationship between the city and developers, particularly with respect to activities in the CDC clusters, more transparent. It is not enough for the City to have an open-door process for developers, it needs to communicate that to the larger community more effectively, and undo any impression of favoritism or insider relationships.

7.B. Create an on-line marketing portal and require V2V developers to list properties for sale or rent on the City website (in addition to whatever other marketing they may be doing), and use as clearing house for individuals seeking to buy or rent homes in V2V target areas. This could be done in partnership with Live Baltimore.

7.C. Make property tracking data readily accessible and interactive on the City website. The material on the V2V website and the manner in which it is organized and presented should enable any community resident or other stakeholder to understand clearly what is happening with respect both to individual properties and target areas.

See also 6.E. **Improve quality and detail of data provided on the City website with respect to progress and outcomes of property-related activities, including receivership, rehabilitation, demolition, etc.**

8. Implementing stabilization strategies in middle markets (SCENs)

8.A. Explore program modifications to reflect variations in market and other dynamics in different SCENs based on a careful analysis of market and other trends and outcomes. The V2V 'model', based on the \$900 vacant property citation and the use of receivership, is highly effective in some SCENs, but less so in others. Without reducing the scope of the program, the City should explore ways to modify the program to increase neighborhood impact in area where the program is effective, and increase effectiveness on other areas, based on a detailed area-by-area analysis.

8.B. Integrate code enforcement and receivership into more comprehensive multi-faceted stabilization strategies for the city's middle market neighborhoods that reflect neighborhood dynamics. We see this as a critical issue to be addressed. In contrast to many of the CDCs, where vacant property strategies may drive the change in those areas, vacant properties are but one of a cluster of inter-related challenges for most of Baltimore's SCENs, its struggling middle-market neighborhoods. If the City is to stabilize these areas, and reverse trajectories that in many cases are

leading to their decline, multifaceted strategies that address their complex challenges need to be put in place, not only by HCD but by other key departments, including the police department and the school district. These strategies should include, but not be limited to:

- public realm improvements (streetscape improvements, greening, enhancing public spaces)
- public safety improvements and community partnerships
- Support for civic/neighborhood association marketing/branding activities and for building stronger neighborhood organizations
- Strategic rental regulation (see #9 below)
- Strategic homebuyer incentives (see #8 below)
- Assistance to existing homeowners
- Community/school partnerships

9. Stimulating home ownership

As noted earlier, the erosion of home ownership in Baltimore, particularly in the city's historically working-class and middle-class neighborhoods outside the center, is a major challenge, which contributes to neighborhood decline and to the continuing vacant property crisis. While the city government and key local stakeholders have made major efforts over the past decades to encourage people to buy in the city, far more is needed to reverse the trend, including redirecting aspects of the V2V program to focus more explicitly on home ownership as a goal of vacant property reuse.

9.A. Improve access to mortgage financing for homebuyers (See 2.A above), and create website to support Baltimore homebuyers (or link to Live Baltimore website). As discussed above, greater access to mortgage financing for moderate and middle income homebuyers is a critical element in any strategy to stimulate homeownership in the city.

9.B. Explore ways in which the V2V program can be structured to incentivize developers who rehabilitate properties for owner-occupancy rather than rental occupancy. The V2V program should not be tenure-neutral, but should use its tools to identify and support home ownership, while recognizing that economic considerations, particularly in low-value neighborhoods, dictate that much rehab activity will continue to lead to rental occupancy. We would suggest that the program set a realistic but ambitious target for the percentage of future vacant property rehabs that should be owner-occupied.

9.C. Partner with locally-based homeownership counseling agencies to create a pipeline of pre-qualified homebuyers for V2V properties. Small developers often find it difficult to focus on homeownership, because of the challenges – as well as extended time periods – associated with securing qualified buyers. This initiative is designed to relieve them of that pressure.

9.D. Design strategies to foster more homeownership outcomes from the receivership process. For vacant property reuse to become a consistent force for stabilization in these areas, a higher percentage of the restored vacant properties need to be moved into homeownership rather than rental occupancy. The receivership process should be designed to prioritize homeownership outcomes, both in SCENs and CDCs. One approach might be to offer a rebate of a substantial part of the purchase price post-rehab where the developer shows that the house has been sold to an owner-occupant.

9.E. Develop outreach and support system to expand use of city's tenant right of first refusal law. The city has had a law on the books for many years requiring landlords of single family rental properties who put their properties up for sale to give their tenants the right of first refusal to buy them (Article 13, Subtitle 6). This law is not widely known, and in any event cannot be productively implemented unless the city also has an effective system in place to both inform tenants of their rights under the ordinance, and help qualified tenants obtain the necessary financing to purchase their units. The City should work with one or more qualified local organizations to develop this support system. City staff should also review the existing law to ensure that it is appropriately drafted to be workable, and to the extent needed recommend amendments to City Council.

10. Raising the rental housing bar

Blight is not limited to vacant properties. As a number of respondents noted, in many neighborhoods the problem of substandard rental properties and exploitative landlords is as or more serious than the vacant property problem. An effective blight elimination strategy calls for effective rental regulation strategies. Such strategies are also likely to have a direct positive effect on the lives of many lower income Baltimore residents.

10.A. Amend local law to require licensing and regular inspection of 1 and 2 family rental properties. These properties make up 50% of all rentals in the city, and 93% of the increase in rental housing citywide over the past decade. In many areas, particularly in East Baltimore, 80% to over 90% of the rental stock is 1 and 2 family properties. By excluding these units from the licensing system, the City is effectively permitting abusive landlords to operate in many of the city's most distressed areas. Licensing these properties, particularly in the context of a data-based performance-based system, can be a critical tool to benefit not only thousands of lower-income renter families, but help stabilize distressed neighborhoods.

10.B. Create a database of city landlords to use to track performance, including code compliance, nuisance and criminal complaints, and tax compliance. An effective licensing system needs to be grounded in a solid data base, which should contain not only information on code-related complaints, citations and compliance, but include other areas directly relevant to the activities of the owner and the impact of the property, including nuisance complaints and whether the property is current on taxes and fees. These data sources, which already exist, but in different city departments, need to be integrated into a single database managed by the office responsible for rental regulation.

10.C. Develop a performance-based approach to rental licensing to incentivize responsible landlords, and focus City enforcement on problem landlords. The city should revise its licensing program to provide for performance measurement of landlords, similar to programs in Minneapolis and other cities, in order to both incentivize responsible landlord behavior and enable the city to focus enforcement resources on the minority of serious problem landlords.

10.D. Establish a dedicated rental housing compliance unit in the Department of Housing & Community Development. Having such a dedicated unit is needed in order to successfully carry out all of the tasks associated with an effective, data-based, performance licensing system, including building the landlord support system discussed immediately below.

10.E. Work with local landlord associations, non-profits, and others to build a landlord support system, including training and technical assistance, and increased access to capital for improvements and upgrading. Building a stronger, more responsible landlord community requires more than enforcement, it requires affirmative measures to reward good landlords and a support system to improve landlord performance. This system should be developed with the active engagement of the City's landlord community and other key stakeholders.

11. Integrating affordable housing into the V2V program

Subsidy resources for affordable housing are limited, and the number of incremental units that can be created over the coming years is defined by those limits. While the V2V program may indirectly contribute to creating subsidized housing, by providing units to nonprofit developers who build under subsidy programs and by creating high-quality housing for Section 8 voucher holders, it may be able to accomplish more, in terms of helping to integrate affordable housing into areas where it might not otherwise be located. At the same time, markets in many V2V target areas are still fragile, and may be adversely affected by excessive affordable housing development. While some of these recommendations may not appear to relate directly to the V2V program as presently constituted, we feel that it cannot but influence, and be influenced by Baltimore Housing's larger responsibility to address affordable housing needs.

Baltimore contains a large affordable housing inventory. According to the National Housing Preservation Database, the city contains nearly 38,000 subsidized housing units, roughly 16% of the city's total housing stock, and 29% of its rental housing. These units, however, are heavily concentrated in the city's high-poverty areas. We believe that Baltimore Housing, both through the V2V program and other areas of departmental responsibility, can take productive steps to foster a fairer distribution of affordable housing into areas of opportunity, based on existing market strength or ongoing market growth. At the same time, the City should explore additional ways of generating resources for affordable housing citywide.

11.A. Track market change in CDCs and SCENs and develop strategies to incorporate affordable housing units into areas where market is moving strongly upward, in order to capitalize on market growth for the benefit of lower income households. As neighborhoods improve, and prices rise, it is important to have strategies to incorporate affordable housing in those areas. This is unlikely to happen, however, without an intentional strategy.

11.B. Review the Baltimore inclusionary housing ordinance in order to determine whether, and if so how, it can be made more effective and productive. We believe that market conditions may have improved to the point that more obligations may reasonably be imposed on developers, particularly those receiving zoning or other incentives from the City. The review should include an examination of the offset provisions, and whether and to what extent they are still needed, particularly in strong market areas in the city, as well as the potential of cash contributions to a housing trust fund in lieu of providing affordable housing units.¹⁰¹

11.C. Develop and apply neighborhood benefit criteria to the use of public sector affordable housing subsidies, including allocation of HOME funds and City support for LIHTC applications, to ensure that affordable housing development maximizes benefits both for lower-income residents and for city neighborhoods. While public funds for affordable housing are a valuable resource, they are a limited one. Moreover, development of subsidized housing can lead to widely varying neighborhood outcomes, depending on how and where it takes place. An overall strategy for using public subsidies, which can enable the City to anticipate how they will affect neighborhoods and how they will be linked to other neighborhood initiatives, and direct those resources to the areas where the benefit is greatest is needed if the city is to maximize the value of this limited resource.

12. Enhancing quality of life in distressed neighborhoods

Although it is unlikely that the City will be able to identify large-scale new financial resources to devote to its distressed neighborhoods, there are some things that the City can do within the scope of existing and potentially available resources that can make a major difference in these areas. Some of these are already under way, such as the City's greening efforts, as well as the INSPIRE program to integrate neighborhood improvements to the School District's 21st Century Schools program. The City has other programs as well, many of which have been mentioned earlier, although mostly operating at modest scale. Others, such as the rental housing strategy described below, can be implemented and have a major impact without, at most, more than modest additional resources.

12.A. Focus through the Green Network Plan and other activities on vacant lot strategies that maximizes greening and minimum treatment similar to Philadelphia LandCare program, beyond basic property maintenance, in distressed neighborhoods (See 4.D)

¹⁰¹ It is worth noting that the Philadelphia Housing Trust Fund generates \$10 to \$12 million per year through dedicated mortgage and deed recording fees. In addition, the trust fund has recently been the beneficiary of a substantial developer contribution made in lieu of creating units under the city's inclusionary housing ordinance. Baltimore may want to explore similar strategies. http://www.philly.com/philly/news/20160625_One_Water_Street_developer_pays_to_get_out_of_affordable_housing_promise.html

12.B. Target enforcement of the expanded rental licensing program as described in #9 above in city's distressed neighborhoods. Given the extent to which the majority of the unsubsidized rental housing in many distressed neighborhoods is comprised of single-family housing, this can make a major contribution to improving the quality of life in these neighborhoods. Moreover, the rent/sales price ratio for landlords in these neighborhoods is low enough that they can afford to invest more in their properties, and still earn a decent return on their investment through rental income. This will only happen, however, through a concerted enforcement strategy that sets clear minimum standards for rental properties. If possible, it should be combined with incentives for responsible landlords, as well as access to financing on reasonable terms for improvements to rental properties.

12C. Identify additional micro-market areas, small areas within larger distressed areas with particular assets or concentrations of home owners, for concerted stabilization and revitalization strategies. The City has initiated some such projects, but should expand this approach and frame it as an explicit strategy, either within V2V or a successor entity. Areas should be identified in partnership with neighborhood-based organizations, and specific revitalization strategies developed for those areas, which can become a focus for larger neighborhood improvement.¹⁰² These areas, which may include some of the INSPIRE areas (see below), can be focus areas for greening strategies as described above.

12.D. Continue INSPIRE model of school-based micro-area planning, and engage school district as active partner in community revitalization in INSPIRE project areas. Those INSPIRE areas that are in distressed neighborhoods can become models for the micro-market strategy. For them to be successful, however, more engagement from the leadership of both the school district and the individual schools, in order to make the new schools truly *community* schools, will be needed.

One final observation, which may appear to be far afield from the focus of this report, should be made. *The central problem in the city's distressed areas is the poverty, unemployment and lack of meaningful opportunity for large numbers of those areas' residents, as well as for the children growing up in those areas.* Baltimore has a large and growing pool of jobs, yet as time goes on, more and more of those jobs are held by suburban commuters rather than city residents. Baltimore has an extensive network of schools, pre-K programs, community and four-year colleges, training and workforce development programs, yet there does not appear to be a systematic, integrated effort to bring all of these resources – as well as the jobs and business opportunities that the city offers – to bear on the city's distressed neighborhoods and people in greatest need. In the end, a strategy that does just that is the only strategy that is likely to lead to the transformation of those neighborhoods. That does not mean that other steps, whether physical improvements, public safety improvements and more, are not needed; it does mean that without a strategy to address education, training, employment and opportunity in a systematic fashion, the likelihood of other strategies leading to sustainable change in the city's lower-income neighborhoods is small.

¹⁰² This approach is being pursued in Youngstown, Ohio, through the work of the city and the Youngstown Neighborhood Development Corporation.

APPENDIX

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