


The Baltimore City Department of
**HOUSING & COMMUNITY
DEVELOPMENT**

MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Michael Braverman, Housing Commissioner 

Date: October 19, 2017

Re: **City Council Bill 17-0037R – A “Dollar House” Program for the 21st Century**

The Department of Housing and Community Development (HCD) has reviewed City Council Bill 17-0037R for the purpose of calling on the City to develop a 21st Century “Dollar House” program that could revitalize marginal neighborhoods by matching construction ability at the grass roots of Baltimore to production of affordable housing for workers’ families and neighbors.

The Dollar House Program was a successful short-lived initiative which began in 1973 that helped revive a handful of neighborhoods with a concentration of unoccupied, city-owned properties. The neighborhoods that most benefitted from the program were Otterbein, Barre Circle and Stirling Street. The success of the Dollar House Program could be attributed to a few key factors that included:

- Contiguity of houses in self-contained whole blocks
- Property located close to downtown
- Property unoccupied for only a few years
- Availability of low interest city backed loans
- Dedicated and well-staffed city office that provided renovation guidance

While the Dollar House Program garnered much positive publicity, it was a product of its time and place and circumstances have changed. Most particularly, the federal and local financial and technical support that made the program possible is no longer available, Baltimore’s population has declined by over 250,000 persons since the program’s inception, and the number of unoccupied properties in the city with a Vacant Building Notice (VBN) has risen to some 16,500 from the approximately 5,000 that existed in 1973. While the City remains willing to sell properties for a dollar, it no longer owns large concentrations of properties in proximity to the downtown. Fortunately, the City has developed new programs and tools with which to rehabilitate and reoccupy structures with VBNs, and has used them to revive many times the number of properties achieved by the Dollar House Program. While the Program

should be fondly remembered, and serve as an inspiration of what concerted joint effort can bring about, it is a misuse of the past to make it a model for current action when viable successors are in place and working.

The Mayor and City Council (MCC) currently owns approximately 10,540 properties that are the responsibility of various city agencies. Approximately 7,500 of these properties are the responsibility of HCD. The Land Resources Division of HCD uses different strategies to market Baltimore's vacant properties and lots to homeowners, investors and businesses through the Open Bid Program, an annual surplus sale and the side yard program. The listing of available MCC owned property and the application to purchase property is located on HCD's website. All properties have a *suggested* offer price, but interested buyers can offer any amount they deem fair to pay, along with their project scope and rehabilitation estimates. Negotiated sales prices are established after factoring in scope of the project, community impact and impact on surrounding blight and often result in a nominal final sales price, even at times \$1.00. Once sold, Land Resources staff monitor the progress of the rehabilitation and compliance with the Land Disposition Agreement.

To assist with neighborhood revitalization, HCD uses code enforcement and land resource strategies to mitigate blight and spur development. These strategies take into account a market analysis carried out every three years by the Reinvestment Fund, the Department of Planning and HCD that assesses the strength of Baltimore's housing markets. Based on that analysis, targeted approaches are developed for addressing blight neighborhood by neighborhood.

- **Streamlined Code Enforcement neighborhoods (SCENs)** – In areas of the City that have relatively healthy housing markets, but scattered vacant and blighted properties threaten the strength of some blocks we use code enforcement tools. Housing inspectors will issue \$900 citations – like parking tickets – when owners of boarded up buildings don't respond to Vacant Building Notices, and \$250 citations when owners of occupied homes don't respond to violation notices (e.g., for overgrown grass or overflowing trash). The fines that come with citations rise quickly if no action is taken to abate the citation so owners are pushed to take action right away. If \$900 citations do not spur action, legal action is pursued to remove the property from the current owner – receivership, which allows the courts to assign the property to a “receiver” who can auction the property to a new owner for rehabilitation. While these strategies cannot fully combat the effects of clusters of foreclosures or the trajectory of larger market forces, they do ensure that blighted properties are not “stuck” in the hands of unresponsive owners in neighborhoods where there are buyers willing to fix and reoccupy those properties. **Since 2010, the work undertaken in SCENs has helped contribute to the rehab of more than 2,500 vacant properties.**
- **Community Development Clusters** – In designated footprints near anchors of strength, HCD partners with non-profit and for-profit developers committed to rehabilitation in distressed markets with many vacant and blighted properties on a block or set of blocks. HCD “receivers” and auctions privately-owned abandoned properties, and transfer any City-owned board-ups to developer partners. At the same time, HCD has programs to assist long-time residents make improvements to their properties. In addition, the city supports improvements to these neighborhoods more broadly, undertaking strategic demolition, repairing poorly maintained streets and sidewalks, and planting new trees. Given the opportunity to transform entire

footprints, developers are willing to make significant investments in these distressed neighborhoods and continue to expand areas of strength within them. **Since 2010, the work done in Community Development Clusters has helped contribute to the rehab of more than 1,400 vacant properties.**

- **Proactive Code Enforcement and Demolition** - Given that Baltimore has lost significant population, rehabbing and reoccupying every vacant properties with a new resident simply is not consistent with the number of people seeking housing in Baltimore. In distressed markets where there is not resident interest (by far the majority of these types of markets), HCD is committed to a proactive code enforcement approach to ensure that board-ups are continually inspected and emergencies are addressed. HCD also targets these distressed neighborhoods for whole-block demolition that helps transform vacant, blighted properties into green spaces that are assets, instead of detriments, to communities.

It is important to note that this resolution calls for dedicating a percentage of the City's demolition budget to the proposed dollar house program, an aspect of the proposal that would be extremely detrimental for Baltimore City neighborhoods facing blocks of severely blighted properties. Even if properties are purchased for a dollar, it could cost way over a \$100,000 per property to rehabilitate and are located in neighborhoods where there simply have not been the population trends needed to reoccupy them. The current demolition budget is \$10 million annually from the City and \$7.5 million annually from the State, while the total funding need for demolition exceeds \$500 million. Current residents reach out every day to ask for demolition, and every cent of the demolition budget is essential to address both emergency and strategic blight elimination needs in impacted communities.

- **311 Service Requests** - In addition to the strategic efforts mentioned above, **Code Enforcement Inspectors respond to nearly 80,000 311 requests each year with an average close time of 5 days.**

HCD's code enforcement strategies have been successful in neighborhoods across the City. For example, in 2008, the Barclay and Greenmount West neighborhoods together held nearly 500 vacant and abandoned buildings. In the last 9 years, there has been a 68% reduction (down to 151), and 41% of current vacants are under permit. In addition, hundreds of millions of dollars have been invested in these neighborhoods, including the renovation of two schools—one, a public charter design school—and a state of the art maker space. (Permitted construction has totaled \$167 million.) Wealth is being built for longstanding homeowners, and their feedback indicates quality of life is rising for all. As Barclay and Greenmount West continue to improve, it is important that housing for low-income households be retained. The City and its federal, state, and private sector partners have invested tens of millions of dollars in building new affordable rental housing units and preserving existing units over the past decade. Over 700 units have been built or substantially rehabbed, the majority of which are new construction. HCD's work in these neighborhoods is representative of the successes realized through the initiatives now being utilized by the City to strategically target vacant properties.

The Dollar House Program was a great program for its time and place and should be fondly and respectfully remembered. Baltimore has changed in the intervening years and so have the strategies by which blight is combatted, building on the lessons learned from efforts such as the Dollar House Program. Acquisition cost should never be the impediment to redevelopment. We will continue to see that it is not.

The Department of Housing and Community Development welcomes the opportunity to attend the public hearing on October 25, 2017 to discuss Community Development Initiatives in Baltimore.

MB:sd

cc: Ms. Karen Stokes, *Mayor's Office of Government Relations*
Mr. Kyrion Banks, *Mayor's Office of Government Relations*