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Alice Kennedy
Commissioner, Department of Housing and Community Development
Sent via email

RE: LO 24-0058 Fixed Price policy for disposition of vacant properties

Thank you for the opportunity to provide feedback regarding the Fixed Price policy that is being considered by the Board of Estimates. Also, thank you for agreeing to come before the City Council's Economic and Community Development Committee to review the policy, take questions from members, and hear from practitioners.

I would like to request, again, that the agenda item be pulled from the March 6th agenda. It is clear that there will be a lot of necessary discussion and changes requested. DHCD needs time to perfect the policy. It is only fair to the public that this disposition policy is as effective as it can be for the benefit of our communities. Our goal here is not to suspend progress but to make progress through improved and thoughtful policy that will successfully move the city forward.

I understand there are over 300 city-owned vacant properties and lots in waiting to be sold with this policy. While we want them to be rehabbed, waiting for a few more weeks until this policy is perfected is important. I also am requesting a map of the location of these properties when you get a moment.

It is exciting that we now have In Rem and soon In Rem 2, tools which will enable the City to acquire privately owned vacant properties and lots at a greater number and scale than ever before. More importantly, In Rem provides us with the opportunity to ensure that the City and our neighborhoods can control the outcome of the properties. We do not need to auction properties to the highest bidder. The ability to be intentional in our revitalization work is exponentially better with the use of In Rem.

The policy before us, and the entire discussion, points out a challenge that we all face when looking at the best policies for disposition of vacant properties and lots. There is an inherent tension between the urgency needed to address the vacant property crisis, and the work needed to address this crisis intentionally - with community input, an eye toward truly mixed income communities, and maximizing scale. However, all can exist simultaneously and must do so. The work that has been done in Detroit shows that these tensions can exist together.

During a recent meeting between us, you let me know DHCD was seeking only two changes to the disposition policy in our city to expedite disposition of vacant and abandoned properties and lots:

- Create a fixed price to sell vacant properties, eliminating the appraisal and lengthy negotiation process for the price of the property, and
- Change the bid and qualification process to allow for a first come-first served basis rather than a lengthy bid process.

These are important changes to examine. This is also a great opportunity to review the entire disposition process so that stakeholders are clear about expectations and community and stakeholder input is considered. This memo outlines my feedback and questions on the policy document that was provided to the BOE and now is in review by the City Council. My feedback is based on the work of several years advocating for a solution to the vacant property crisis, and on-going conversations with community members, stakeholders and practitioners about every aspect of the work.

I also want to acknowledge that DHCD sent out two solicitations for feedback on the fixed price. However, the stakeholders that I engaged with directly for comment on the document had not seen it, were not consulted, and did not provide comment as a result. In the future, intentional outreach is essential for making a successful policy that has buy-in from the community and practitioners who will be impacted by that policy.

Positive Feedback:

Fixed Price: Moving to a fixed price policy is the right way to go. The policy lists several price points depending on the purchaser, and that the amount is the lower of the assessed value or the fixed price that is outlined in the policy. It is essential to speed up the disposition process by not requiring an appraisal and lowering the prices so that the emphasis can be on the capital for the rehabilitation. This fixed pricing is exactly what we need to address this crisis. There is some input about the various price points, but in general, this is a good development for disposition.

Opportunities for Individuals and Community Land Trusts: Providing properties for \$1 to residents and Community Land Trusts allows for them to put their capital behind the rehabilitation of the property. While this is important progress, this price alone raises more questions that I have outlined further below.

Concerns:

First Come-First Served: This policy is brand new, and while intended to dispose of properties quickly, there are some significant concerns:

- **Whole Block Solution:** Mayor Scott, BUILD, and GBC all came together to work to raise the funds needed to truly attack the vacant property problem at scale. One of the tenants of the agreement, and something that DHCD, BUILD, and I have been speaking about throughout our advocacy, is to ensure a whole block solution to the vacant property crisis. This means that communities would work to figure out the outcomes they want to see, and the City would work with residents to acquire the properties and achieve those outcomes. Also, the greatest positive impact to a neighborhood is to renovate and rehabilitate an entire block, not just one house on that block of vacant properties. The first come-first served policy does not consider the outcomes in the communities and does not consider the broader context of the entire neighborhood.
- **Intentionality and Scale:** While the policy does state that DHCD has the right to remove properties from this disposition policy and you have confirmed it will be for this whole block approach, it is not clear what the criteria are, how and when this will occur, and under what circumstances. Implementing In Rem to its fullest potential, and adding In Rem 2, means that Baltimore City will have a lot of properties in the inventory. Ensuring they are disposed to entities that will do the work is important, while also looking at the entire scale of the issue and how an entire neighborhood can be transformed strategically and intentionally should be the goal. There are ways to ensure individuals can be part of a scaled approach in a neighborhood. Disposing one house in the middle of a block of vacant properties that have yet to be acquired disadvantages the purchaser, and is a policy most of the City Council opposed two years ago.
- **Equity:** There are considerable concerns regarding the equity of a first-come first-served policy related to disposition of vacant properties and lots. DHCD has said in its documents and words that it is important to prioritize disposition and investment into development entities that are lead by people of color. Equity is

nowhere listed in this policy. Properties will therefore be sold to anyone who watches the website every minute to see what properties are available. Moreover, because equitable development means intentionally working to transform neighborhoods which have been ignored, we cannot randomly make properties available to just anyone to meet the goals of the neighborhoods.

- **Land Disposition Agreement (LDA) Default Clause:** Without implementing the default clause in the Land Disposition Agreement, the first-come first-served basis is going to be unworkable. According to the Baltimore City Law Department, the City has never exercised the right to take back a property after it was sold and the LDA was not followed. In fact, data SDAT shows that since 1990s, 420 vacant and abandoned properties were once owned by the City, and have since sold one to five times. These properties are still vacant and abandoned. See [this link](#) and the attached map. This is a significant number. How does DHCD plan to hold the developers / individuals accountable for doing the work needed to the properties?
- **Affordability:** The need for affordable housing is substantial in our city. Half of our renters are paying more than 30% of their income on rent and housing costs. We must be very intentional in our disposition to ensure that there are true mixed income communities. The non-contiguous TIF financing mandates that a home that is rehabilitated using that financing must be affordable. Community Land Trusts provide permanently affordable housing. There are additional ways to achieve affordable homeownership. The first-come first-served policy does not allow for such thinking about how affordability fits into revitalization.

The issue of affordability speaks to the larger issue of knowing our goals. While Maryland needs 96,000 more housing units, a significant percentage must be affordable to various incomes. Understanding what our goals are will provide the opportunity for intentionality. This disposition policy under review does not allow for the intentional care that mixed income communities need.

Criteria: While the criteria are designed to ensure that purchasers of the properties have the capacity and track record to complete the work, there are several questions relative to the criteria:

- **Track Record of Success:** The current criteria do not include track record, other than making sure the person/entity does not have any VBNs older than 2 years old on previous properties. The criteria should include successes and properties with Use and Occupancy permits and the outcomes of their work, and proof of execution.
- **Background Check:** The criteria review should not be characterized as a “background check.” A “background check” has a specific meaning related to criminal cases, and while we do not want to have anyone who might have a record of scams (like ABC Capital), we certainly want to provide opportunities for residents who may have had a run in with the criminal justice system and are now making their living doing the good work for the City. The technical review is important for qualifications.
- **Funds Immediately Available:** The criteria currently lists that any purchaser has to have \$90K available for the rehabilitation. This is for corporations, individuals, and LLCs. If an entity is going to get 12 properties, they should be able to show they have more than \$90,000 per property cash. In addition, the corporations should have to show more assets than the individuals.

Residents as Purchasers: There is a current debate about residents purchasing the vacant properties. While there are residents who want to purchase properties and rehabilitate them, they have the capacity, contractors, and capital to purchase the property. However, there are residents interested in purchasing a city owned property that need more support. There should be a program that supports residents who want to purchase the properties but may need additional capital and support. No aid to a resident with little experience may not be the right outcome. It is vitally important to ensure residents have the same opportunities to purchase and renovate properties. DHCD must have that support available, and an entire program should be dedicated to that with the whole block approach. Residents purchasing vacant properties in the middle of a block that has vacant properties puts the resident at a great disadvantage.

12 Properties at a Time: The policy states an individual or entity can obtain up to 12 properties at one time and cannot get more properties until those have Use and Occupancy (U and O). While I understand the need to limit the number of properties that they can acquire so that properties are not sitting, moving in a direction similar to what One House At a Time does with receivership may be better. As one property receives the U and O, then the developer is allowed to request another property. If the developer does three, then another three can be made available, so that there are always 12 properties, but more can be acquired as the others are finished.

Disposition of the properties should also be provided based on experience. We want to build the capacity of nonprofit and small developers of color and residents to do this work, and so starting from a place of one or two properties at a time to build that track record of success (and DHCD to support) may be necessary. The policy does not have any description of what growing the list of development partners looks like. Building capacity and workforce capacity is a critical component of any acquisition/disposition policy.

LLC Transparency: There should be a very clear provision that any LLC purchasing a property must have the owner sign the LDA and disclose their contact information so that if there are any problems or concerns, action can be taken accordingly. Maryland has single member LLCs, and our analysis shows that several LLCs are owned by the same person. How does this fit with the 12 properties strategy? Is it 12 properties per LLC? Or 12 properties per owner / individual name? The last thing we need is a person owning multiple properties under multiple LLCs and not doing the work to improve our communities—which is what is occurring right now.

Restriction to Residential: The policy states that all properties disposed in this way must have a residential component. While I agree with this, there may be times where a commercial use, or even a nonprofit use would be better and is what the applicant is asking for. Allowing some flexibility here is key, while ensuring the community's outcomes are kept front and center.

Land Disposition Agreement Use Statement: The LDA should include a statement where the owner declares what the use of the property will be. The LDA can have a clause where if the use changes, then the owner has inform DHCD. The most important part is that if the owner says they will be renting the property, they must certify they will get the proper licensing. If the property ends up not being properly licensed after a certain time period, this can be grounds for recapture (if the previous point is resolved). We continue to see significant numbers of rental properties not licensed, which is to the detriment of the residents and communities.

Community Development Organizations: Community Development Organizations work directly with community members to realize their visions. Many of them purchase properties and work with development partners to enhance the communities in which they work, with the neighborhood vision in mind and seeking quick outcomes. Their biggest challenges have been accessing properties, and access to capital. The fixed price policy should be modified to allow them the lowest prices on the toughest properties that they take on. CLTs and CDOs are put at a disadvantage with the first-come first-served policy because they may not have capacity to continue to look at the website for available properties. CDOs should be working hand in hand with DHCD to identify the properties they need, and move through In Rem for acquisition.

Side Lot Policy Challenges: The fixed price policy also outlines a new way of addressing vacant lots by solidifying the side lot program. The side lot program allows for an owner that lives next to a lot to have priority to own the lot for \$1. While the city should be making it easier for a resident who has been taking care of the lot next to them to acquire it, there is a concern about the vetting process, making sure that a community is not already taking care of the lot. The Office of Sustainability has a policy for side lots that has been used for over 17 years. How does the new policy fit with that one? [Here](#) is that policy.

In addition, the policy outlines the price of properties for Community Land Trusts for permanently affordable units but does not acknowledge the Conservation Land Trusts that have been in existence for decades in Baltimore to preserve land for community use. How will vacant lots be dispersed to communities that are working with a conservation trust to preserve the land?

Other Points:

Reporting: DHCD should report monthly to the Baltimore City Council the properties acquired through In Rem, results of disposition through the fixed price policy, including the purchasers, the uses, and the properties taken out of the first-come first-served process (if not changed) and the reasons.

Page 3: Appraisal Policy Update: On the list of the goals of this policy, the goals listed are “A”, “B”, “C”, and “E”. The letter “D” is missing, and the formatting is off. What was letter “D” that was eliminated? If that is not relevant, then the document should be corrected for formatting purposes.

Page 5: Award Schedule: Will the board also approve the LDA associated with the purchased property? There is no mention of approval of the LDA here, or even that an LDA is needed before the property can be approved for purchase by the Board of Estimates.

Conclusion:

This examination by the City Council is meant to be transparent about the vast work we are about to embark on and provide an opportunity to work together to shape a policy that will be effective at tackling this vacant property crisis. We have an opportunity to turn back the impact of our racist housing policies of the past. The momentum is exciting and necessary. We have to get it right.

Thank you for the opportunity to comment, and I look forward to the hearing.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Odette', with a stylized flourish at the end.

Odette Ramos
Baltimore City Councilwoman, District 14