



BALTIMORE
HOUSING

SHEILA DIXON
Mayor

PAUL T. GRAZIANO
Executive Director, HABC
Commissioner, HCD

MEMORANDUM

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

From: Paul T. Graziano, Commissioner

Date: February 19, 2009

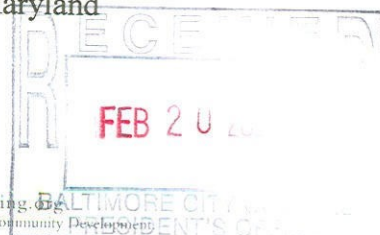
Re: **City Council Bill 09-0261 Land Bank Authority**

The Department of Housing and Community Development (DHCD) has reviewed City Council Bill 09-0261, which was introduced for the purpose of establishing the Land Bank Authority of Baltimore City; providing for the Authority's powers, duties, and limitations; providing for a Board of Directors, for the selection and terms of the Board's members, and for the powers and duties of the Board; providing certain immunities; providing certain tax exemptions; and generally relating to the establishment and operation of a Land Bank Authority, as authorized by State law.

The proposed Land Bank Authority will be a non-profit public entity charged with the primary responsibility for acquiring, maintaining, and selling the thousands of abandoned properties that blight our City. The core powers of the proposed Land Bank Authority will be, but are not limited to:

- Taking ownership of vacant property currently titled to the Mayor and City Council of Baltimore.
- Conducting regular inventories of vacant properties and providing the public efficient access to a listing of this inventory.
- Acquiring delinquent properties at tax sales for which there is no bid tendered for the minimum bid.
- Efficiently marketing and strategically conveying properties to third parties in order to return the derelict properties to productive use.
- Ensuring that the properties of the Land Bank Authority are maintained in a clean and secure condition.
- Establishing an acquisition fund and pledging assets to leverage private investment to rehabilitate and remove blighted properties.

Additional powers of a Land Bank Authority will be the capability of providing acquisition, management, and sales services to the city for government owned property as well as the ability to enter into joint ventures, partnerships or other agreements in order to develop property to maximize marketability. The Land Bank Authority would be required to operate in conformity with the Maryland



Open Meetings Act and would be prohibited from exercising either eminent domain, condemnation authority, or levying taxes.

Why do we need a Land Bank Authority?

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

In Baltimore City, there are nearly 30,000 abandoned properties (structures and lots) which comprise nearly 13% of the total property in the City. The City currently owns nearly 10,000 vacant properties, or 1/3 of all vacant property in the City. These buildings are uninhabitable and many are either beyond repair or are too costly to repair.

A Land Bank Authority will be better able to manage and maintain vacant properties by consolidating the inventory into a single entity, the responsibility for which is currently spread among agencies. Success could be measured by reducing the time it takes to dispose of property due to increased efficiency and elimination of duplicate functions currently performed by several agencies throughout the City.

The Land Bank Task Force

In crafting the ordinance to establish a city Land Bank, Mayor Dixon decided that this project could not be the lone initiative of one branch of City government. To address the significant challenge of returning these properties to productive use, Mayor Sheila Dixon, joining with her colleagues in government, Council President Stephanie Rawlings-Blake and Comptroller Joan Pratt, invited interested community, philanthropic, and business leaders to participate on a task force charged with making recommendations for the creation of the Baltimore Land Bank Authority. This unprecedented level of cooperation by the elected officials is testament to the importance of this endeavor.

The Task Force of more than twenty citizens, city and state officials began its work by gaining an understanding of the impact and order of magnitude of vacant and abandoned property in the City. Participants included former Councilman Joseph "Jody" Landers (Greater Baltimore Board of Realtors), the Honorable Cheryl Glenn (45th Legislative District), Michael Mitchell (Chesapeake Habitat

for Humanity), and Frank Coakley (Maryland Department of Housing and Community Development).

To begin this process the group met with consultants from the National Vacant Property Campaign, Dan Kildee of Genesee Institute and Frank Alexander from Emory University, shared their expertise and knowledge of other land banks across the country. Their presentations helped the group focus on a narrow set of goals.

How will the Land Bank Authority be set up?

The creation of a LBA requires City Council passage of a local ordinance. During its 2008 Session, the Maryland General Assembly passed Senate Bill 911 (Chapter 468, Acts of 2008). This enabling statute, which became effective on October 1st, gave the City the authority to establish by ordinance a LBA. This is the same process that led to the creation of the Parking Authority of Baltimore City.

How is this process different from business as usual?

The LBA will increase efficiency by consolidating operations and inventory into a single entity. Responsibility for management and disposition of properties owned by the Mayor and City Council (MCC) is currently dispersed among a number of city agencies including, among others, Housing and Community Development (HCD), the Comptroller's Office, Department of Public Works (DPW), Recreation & Parks and Department of Transportation (DOT). This can make negotiations cumbersome for developers seeking to aggregate lots for a project.

With properties under the authority and responsibility of a single entity, consolidated in a single inventory, negotiations and disposition will be more efficient.

The LBA's Board of Directors will draft disposition and sales policies that will allow the majority of routine conveyances to transact without further review by the Board of Estimates. The policies could not be implemented without Board of Estimates approval. They would also be subject to recall and review by the Board of Estimates.

With a targeted and well-defined mission, the LBA will operate more efficiently. Its function will not get lost amidst an agency's sometimes conflicting goals, and its staff will be focused on the singular work of the LBA.

What does this mean for current disposition programs?

The majority of the LBA's transactions will be functionary level conveyances of vacant and abandoned property. They will be consistent with established area plans and Urban Renewal Ordinances. The transactions will be guided by the policies set by the LBA's Board of Directors.

The SCOPE and Rolling Bid programs currently are the predominant methods of disposition. As the LBA's Board of Directors adopts disposition policies it will look to these programs for their best practices. For instance, the vetting of potential purchasers should continue in a manner similar to that used by SCOPE. Rolling Bid could be expanded to function as a continuous bid, whereby properties designated for disposition would be available at any time, not just bi-monthly.

Redevelopment deals requiring significant site assemblage and major public subsidy will proceed in accordance with the current practice. Baltimore Housing would issue a Request for Proposals (RFP) and the Board of Estimates would approve the disposition agreement. In a deal of this magnitude, the staff of the LBA will be responsible only for the acquisition of the properties necessary to support the deal.

The LBA could issue an RFP for the disposition of individual or bundled properties that do not require significant site assemblage or major public subsidy. The Land Bank's Board of Directors should adopt policies to clearly articulate the threshold at which a disposition would be subject to an RFP.

How will the Land Bank Authority's performance be evaluated and how often?

The LBA will report on its activities quarterly to the Mayor and City Council and annually to the General Assembly. These reports will include summaries of the following:

- Property acquisitions, including costs of acquisition;
- Property dispositions, including proceeds from dispositions;
- Status of compliance with disposition agreements; and
- Status of administrative and judicial review of disputed decisions.

How will the Land Bank Authority be managed?

A Board of Directors consisting of eleven members will govern the LBA. The Board should include the Mayor, the City Council President, City Comptroller, the Commissioner of Housing and Community Development, the Director of Planning, and the Director of the Finance, or their designees. Importantly, it should also include five citizens approved for nomination to and confirmation by

the City Council. These citizens should have appropriate experience in real estate, finance, property management, community planning and development and/or be the representative of a community-based organization.

The Board of Directors should meet monthly. All meetings should be open to the public and be subject to all applicable open meetings laws. Six members of the Board constitute a quorum. No measure should be allowed to pass without an affirmative vote of at least six members in which at least two of the citizen members are voting with the majority.

How will the Land Bank Authority be staffed?

The Board of Directors should conduct a national search for an Executive Director. This will assure not only that the LBA best serves the citizens of Baltimore, but also that it becomes a model for land banks across the country.

To begin its operation, the LBA will likely have staffing levels similar to that now performing the same functions in HCD and the Comptroller's Office. That staff is nearly 70 positions, including Division Directors, Project Managers, attorneys, paralegals, real estate officers, and support staff. The transfers of current city employees into the LBA should be done with the collaboration of the Department of Human Resources and consistent with its conversion policies and practices.

How much will it cost to establish and operate the Land Bank Authority?

The establishment of the LBA is expected to be budget neutral. The operating budget for FY09 is just over \$5MM. Current operations, as provided by HCD's Land Resources and Disposition Divisions and the Comptroller's Real Estate Office, are funded through a variety of sources including sales proceeds, general and bonds funds, as well as Race Track funds. These funds should be made available to the LBA until such time as it can be self-sustaining. Though the housing market is sluggish, enhanced operations and efficiency should allow the LBA to increase sales proceeds, which averaged \$2.67M per year from FY05 through FY08.

The Department of Housing and Community Development supports the adoption of City Council Bill 09-0261.

PTG:pmd

cc: Ms. Angela Gibson
Mr. Andrew Frank
Ms. Diane Hutchins