



MEMORANDUM

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

From: Alice Kennedy, Acting Housing Commissioner

Date: November 27, 2021

Re: City Council Resolution 21-0065R Investigative Hearing - Vacant Residential Properties - Requirement for Homeowners Insurance

The Department of Housing and Community Development (DHCD) has reviewed City Council Resolution 21-0065R for the purpose of inviting the Director of the Department of Housing and Community Development, the City Administrator, the City Solicitor, the Maryland Insurance Commissioner, the Baltimore City Comptroller, and the President and CEO of the Baltimore Development Corporation to testify regarding requiring owners of vacant residential properties to obtain homeowners insurance.

City Council Resolution 21-0065R calls on the Director of the Department of Housing and Community Development, among other agencies, to testify regarding requiring owners of vacant residential properties to obtain homeowners insurance.

DHCD recognizes the blighting influence privately-owned, vacant residential properties have on our communities and the hardships they can impose on adjacent residential properties. Presently property owners of Baltimore City have legal recourse if a person's neglect of a vacant property leads to physical injury or property damage by filing a claim against a property owner in Civil Court or by filing a claim with the City's Law Department for city owned vacant properties. Vacant properties are not presently required by the City or the State to obtain private homeowner's insurance.

While DHCD supports the intent of this Resolution the agency would not be able to speak to the feasibility of requiring private homeowners to obtain insurance for vacant properties. Obtaining insurance may be difficult because many properties needing to be insured don't have a responsible party that would be able to take out an insurance policy, for example a deceased owner or a defunct entity. Additionally, if there is a responsible party that was able to apply and pay for insurance, it is unclear who they would buy the insurance from. Insuring a vacant dwelling, from the standpoint of an insurance company, may be more challenging than insuring a primary residence because there are more risks involved. It is reasonable to think that obtaining insurance on a vacant property may be difficult and costly to attain amongst the pool of available insurers and impossible to enforce without additional staff and resources.

While 100s of vacants are rehabbed and returned to productive reuse every year, new vacant building notices continue to be issued every day. Sometimes those vacant building notices are quickly abated by a responsible property owner, others can languish for years only to be complicated by other factors such as tax sale, foreclosure and property owner death.

Based on analysis by DHCD's Research & Analytics team looking at the total universe of Vacant Buildings across the City, of the more than 15,000 registered VBNs, only 1,285, or 8%, are owned by the City and the majority of the properties, 13,606, or 90%, are privately owned. Of the 13,606 privately owned vacants, 56% of the VBNs were issued at least 5 years ago, 21% were issued between 2-5 years ago and 12% were issued less than 2 years ago. Of the 13,606 privately owned vacants, 11% are under permit and making their way towards use and occupancy. ([Link](#) to DHCD Key Stats Dashboard.)

While enforcement is not mentioned in the Resolution this revolving door of new and rehabbed VBNs, in addition to abandoned vacants where no responsible party can be found, it would be difficult for any agency of City Government to enforce and monitor this requirement.

Conclusion

DHCD has practical and organizational capacity concerns around the complexity of overseeing any future requirement that owners of vacant residential properties obtain homeowners insurance. Should DHCD be tasked with administering the mandate, the agency would need to hire four additional staff including (1) supervisor, (2) Office Support Specialists and (1) investigator, to oversee yearly verifications, provide ongoing technical assistance to participants, monitor compliance and take enforcement action against property owners that fail to observe the requirement.

DHCD **does not object** to the intent of this resolution but would recommend further discussion before the introduction of future legislation.

AK/sm

cc: Ms. Nina Themelis, Mayor's Office of Government Relations