Baltimore Efficiency & Economy Foundation, Inc.

Economic Impact of Project SCOPE:
An Update through 2010

prepared for:

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September, 2011

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Table of Contents — *Page*

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Executive Summary

At the end of 2010 Project SCOPE had been operating slightly more than seven years. Starting in the fall of 2003, Project SCOPE (standing for "Selling City-Owned Properties Efficiently") has been Baltimore City's effort to harness the professional skills of the local real estate industry to deal with the city's serious problem of thousands of vacant houses.

In various neighborhoods around the city with some level of market appeal, vacant residential units owned by city agencies have been identified as candidates for sale through private real estate brokers, entered into a publically-advertised inventory and put on a path to sale, rehabilitation and occupancy by new homeowners.

By the end of calendar year 2010, 439 residential units had been placed in the Project SCOPE inventory. A total of 284[1] of the units (64.7 percent) were sold, with an additional seven units under contract and one more awarded, awaiting contract approval. For various reasons 53 units were removed from the inventory. The remaining 94 units in the inventory (21.4 percent) are still listed as available for sale.

A few summary statistics provide a very basic picture of the project's economic impact:

- The total sales of the 284 units yielded nearly $7.2-million in revenues to the city before commissions to brokers; those revenues represented a 12 percent premium over the listing prices, which totaled $6.4-million.
- The sold units also represented some $42.3-million in anticipated rehabilitation costs, an average of about $148,900 per unit.
- In fact, a total of 156 vacant units had their renovations completed and had certificates of occupancy issued. If initial construction cost estimates are correct, the renovations for these units totaled $23.8-million, an average of $154,600 for each rehabbed residence.

[1] A handful of units sold were, for various reasons, subsequently taken back by Baltimore City.

These investments have follow-on impacts in the form of new real property taxes, sales taxes on materials purchased in Maryland and potential gains in state and local income taxes if homeowners are new to Maryland. Beyond these direct fiscal effects, there are spin-off economic benefits from the initial spending on home renovation. In an illustrative example based on the peak year of Project SCOPE activity (2006), we show that $9.2-million of property renovations have the potential of generating a total regional economic impact of nearly $13.8-million and 115 jobs.

In fact, Project SCOPE has not been operating at anywhere close to that reported peak level of activity. The collapse of the housing market, regionally and nationally, combined with administrative changes within Baltimore City government has led to a much reduced role for Project SCOPE.

Discussions with representatives of Baltimore Housing indicate that they are committed to retaining the program, even as they implement a new initiative aimed at reducing the inventory of city-owned vacant homes: -- Vacants to Value. The city officials see the need for enhanced incentives for the private real estate brokers, once the housing market has reached a sustained recovery.

Introduction

Five years ago the Baltimore Efficiency and Economy Foundation (BEEF) commissioned Urban Information Associates, Inc. to estimate the economic impacts of Project SCOPE. This particular initiative of Baltimore City's housing department was based on a partnership with the local real estate industry, working through the Greater Baltimore Board of Realtors (GBBR). Project SCOPE was based on the idea that the expertise of private residential real estate brokers would be the most effective way of moving vacant City-owned homes into new private ownership. The program included requirements that, once homes were sold, improvements needed to make the properties ready for occupancy by new residents be completed within 18 months.

The study prepared in 2006 covered the first two and a half years of Project SCOPE's operation, from mid-2003 to the end of 2005. In addition to developing estimates of the economic impact of the program, the study tried to draw lessons that could be applied to all City property disposition efforts, involving both commercial and residential properties. The current study covers the subsequent five year period, reviewing all SCOPE listings made from 2006 through the end of calendar year 2010. This study takes place in a very different economic environment than the one that existed in 2006. The current analysis also comes after some significant administrative changes within the city's housing department in recent years. The effects of a very different economy and a new approach – "Vacants to Value" – to dealing with the city's large inventory of vacant residential properties are reflected in the more recent performance of Project SCOPE.

Recap of 2003 – 2005 Experience

In summarizing the initial years of Project SCOPE, the 2006 report stated:

> *By the end of 2005, 174 residential units had been placed in the Project SCOPE inventory; 98 of those units were sold, with one additional unit under contract.*
>
> *At its current pace, a total of some 240 units will have been a part of the program, with a projected 133 housing units sold in its first three years.*
>
> *Project SCOPE is helping to spur some important reinvestments in a small portion of the city's housing stock. These investments are leading to significant improvements in individual blocks and raise the potential for transforming some larger neighborhoods.*
>
> *The effects of Project SCOPE are by no means uniformly positive. Some buyers have not met their obligations to complete the necessary renovations within the program's required 18-month timeframe. …*
>
> *In those cases where improvements have gone forward, there are indications, from property reassessments and listing prices of renovated units now on the market, some notable increases in property values have been realized. While the evidence is limited to a small number of cases, it suggests that real benefits to the city and to the area economy can begin to be identified.*

This generally positive assessment of the impacts of Project SCOPE has to be tempered by the experience of the past five years. Most analysts of the housing market, except for a few who were concerned about sub-prime mortgages, did not anticipate the bursting of the housing bubble in 2007, followed by the general economic decline now known as the Great Recession. Certainly, few expected the collapse in housing prices that has altered the economic landscape over much of the past five year period.

This economic reality of a much more challenging housing market overshadows attempts to rehabilitate vacant houses in Baltimore City, by any means. The current assessment of Project SCOPE has to be seen through this prism.

Project SCOPE Experience, 2006 through 2010

If one were to look at the raw numbers of Project SCOPE property listings and completed sales over the last five years, one might conclude that the program is being phased out.

Table 1.

Summary of Project SCOPE Property Listings, 2006 - 2010					
Year of Listing	**No. Listed**	**No. Sold thru 2010**	**Listing Prices**	**Estimated Renovations**	**Total Sales**
2006	106	74	$1,933,000	$13,881,034	$2,250,035
2007	41	21	$410,000	$3,022,015	$250,000
2008	34	13	$368,900	$1,416,139	$261,000
2009	39	6	$195,000	$1,226,060	$90,000
2010	30	2	$30,000	$380,000	$30,000

Sources: Baltimore Housing, Office of Real Property Disposition; Urban Information Associates, Inc.

From a high of 74 sales resulting from 2006 listings, the totals dropped precipitously to 21 for the following year's listings until only two sales were recorded for 2010 listings. Also, the actual selling price of the average SCOPE sale associated with the 2006 offerings was 16.4 percent higher than the listing price. That changed in the following years; for the 2007 listings the average sale price was 39 percent below the listed price. Over the full 2006 – 2010 period, the average sale price was 26 percent below the originally listed price. (Note that Table 1 presents properties in the year they are first listed. Sales can take place in that initial year or any subsequent year.)

Most striking in the information presented in Table 1 is the absolute decline in activity from 2006 to 2010, with sales from the 2006 listings totaling $1.9-million and falling to under $200,000 just three years later.

In an interview with Deputy Housing Commissioner Julia Day and her senior staff[2], the housing department indicated a continued commitment to Project SCOPE under the appropriate circumstances. Ms. Day noted that there were two principal reasons for the reduced level of activity of Project SCOPE at the present time:

1) **Administrative Changes**

   Whereas SCOPE was designed to enlist the private real estate community in selling vacant properties, the city has moved ahead to implement the Mayor's "Vacants to Value" initiative, discussed further in a following section. In doing so, Baltimore Housing has recruited new professional staff with private sector real estate experience. Thus, it is believed by the housing department, that much of the hoped for advantages of working through Project SCOPE can be accomplished in-house.

2) **Market Conditions**

   A second very obvious new element has been the completely changed real estate environment, affecting Baltimore and the rest of the nation, since the design of Project SCOPE early in the previous decade. With the collapse of residential real estate prices in many sub-markets, the original market model underpinning SCOPE no longer holds up. While the Baltimore Housing officials did not say this explicitly, it seems clear that in many city neighborhoods the costs of acquiring a vacant property *plus* the typical costs of renovating the property to make it ready for occupancy would now be well above the prevailing market prices for that neighborhood. The following section provides a brief summary in the change in the local market in recent years.

Another key player in Project SCOPE is Walter Horton, Real Estate Office for Baltimore City. In a telephone interview with Mr. Horton[3], he indicated that he still saw a place for Project SCOPE. In particular, he valued the role

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[2] In-person interview with Deputy Commissioner Julia Day and Land Resources staff members Anthony Bedon and Wendi Redfern on August 5, 2011.

[3] Telephone interview with Walter Horton, Real Estate Officer, Office of the City Comptroller on September 6, 2011.

played by the private real estate brokers who were motivated to make sales. Mr. Horton attributed the current low level activity to the fact that the early years of the program selected the “cream of the crop” to be included in the SCOPE inventory. Once the housing market declined it was much more difficult to identify appropriate properties. There were other issues relating to the selection of properties that he cited. In particular, he saw a problem in selecting vacant city-owned properties for SCOPE when there were other vacant properties, not city-owned, in the same block. An effective strategy would have to deal with the privately-owned properties as well.

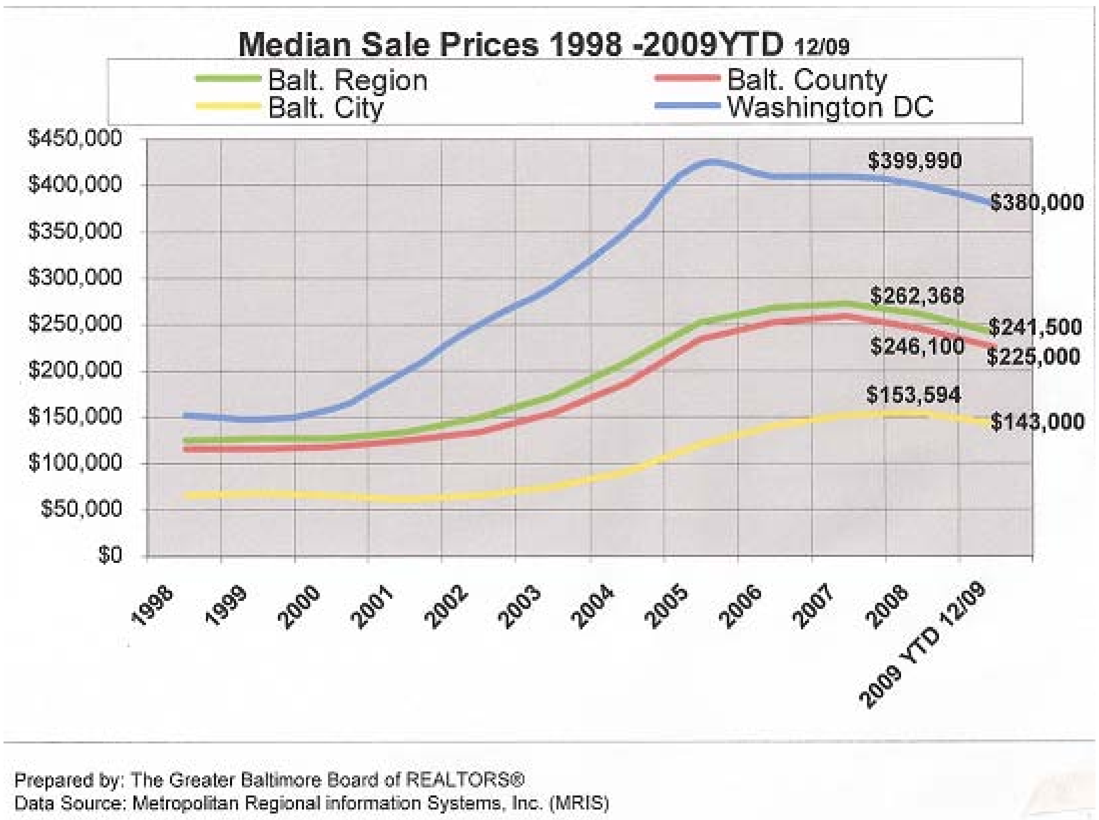
Mr. Horton also advocated for searching out vacant properties, perhaps a single house, in neighborhoods on the periphery of the city (he mentioned Forest Park, by way of example.) and adding them to the SCOPE inventory.

In sum, under the right economic circumstances and with the right incentives, he saw a value in continuing Project SCOPE. But, he emphasized, there needs to be a “cheerleader” for the program to sustain it.

The Economic Meltdown / Adjusting Some Assumptions

In the early years of the previous decade, after a brief recessionary period (2000 – 2001), housing prices began to move steadily upward in Baltimore City, in the surrounding region and in many markets across the nation. The chart below, prepared by the Greater Baltimore Board of Realtors based on data from Metropolitan Regional Information Systems, Inc. (MRIS) shows the steep rise in local housing prices following the recession of a decade ago.

Figure 1 – Median Sale Prices, Baltimore City / Region, 1998 - 2009



While prices in the Baltimore region (green line) began their climb in 2001, housing prices in Baltimore City (yellow line) began to move up a year later. Regional median housing sale prices peaked in 2007 at just above $260,000 before falling to a median of $241,500 by year end 2009. City median housing sale prices rose to over $150,000 in 2008 and then fell to a median of $143,000 in December 2009.

The latest available data from MRIS show that this downward trend in housing prices in Baltimore City had sharply accelerated. In July 2011 the city's median housing sale price was $96,000, a 16.5 percent decline from the prior year. The average sold price was $144,400. For the same reporting period, the comparable figures for the Baltimore region were a median sales price of $225,000, a decline of 10 percent from July 2010, and an average price of just under $279,000.

These numbers make clear that the collapse in housing prices following the nation's financial meltdown has not yet hit bottom. All of this presents a very challenging economic environment for purchasing homes in many of the neighborhoods where Project SCOPE properties are to be found. With few exceptions, the costs of bringing vacant properties up to building code standards will exceed the market values for occupied homes in the neighborhood. This was not the situation when the economic impact of Project SCOPE was first studied in 2006.

In the following section we examine the actual experience of Project SCOPE in the 2006 – 2010 period.

Economic Impact of Project SCOPE

In 2006, while some lonely voices were beginning to express concerns about a "housing bubble", most of those active in the residential real estate market – buyers, sellers, realtors and brokers – saw the upward trend lines in housing prices that were evident in Baltimore City and nationally. With that background, the year 2006 was a very strong one for Project SCOPE. Indeed, there were a total of 74 SCOPE homes sold from that year's listings.

Table 2,

Project SCOPE Sales, by Year, 2006 - 2010

Sold in:	2006		2007		2008		2009		2010		TOTALS	
Listed in:	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
2006	8	481,500	48	1,494,785	11	184,750	6	75,000	1	7,000	74	2,243,035
2007	--		--		16	200,000	4	35,000	--		20	235,000
2008	--		--		4	141,000	6	67,000	2	45,000	12	253,000
2009	--		--		--		--		5	80,000	5	80,000
2010	--		--		--		--		2	30,000	2	30,000
TOTALS	**8**	**$481,500**	**48**	**$1,494,785**	**31**	**$525,750**	**16**	**$177,000**	**10**	**$162,000**	**113**	**$2,841,035**

Sources: Baltimore Housing, Office of Real Property Disposition; Urban Information Associates, Inc.
Note: Variations in number of sold units from Table 1 are due to a few units taken back by the city.

In the following table, estimated rehabilitation costs are presented by year in which property was first listed under Project SCOPE and the year in which the property sale was completed. For properties listed in 2006, a total of 74 were eventually sold; the peak year was 2007 when 48 homes were sold. The total cost of rehabbing these properties would be nearly $14-million, with an average estimated cost of slightly more than $186,000.

The table also shows the precipitous decline in these estimates of property renovations. The 20 properties sold from the 2007 inventory of listings yield just under $3-million in projected rehabilitation costs. As fewer listings are posted and fewer sales are made in the subsequent years, the estimated rehab costs dwindle to $380,000 for the two sales from 2010 listings.

Of course, these projected costs assume that all properties sold will be rehabilitated to meet the standards for issuing a certificate of occupancy.

We know both from the 2006 study and from the more recent data that this does not take place. For a variety of reasons, buyers with the best of intentions may find that it is not possible to complete their plans. With the change in market conditions, not only depressed housing prices, but also the much tighter underwriting standards by which lenders are now operating, make it difficult to secure rehab loans at the level of earlier expectations.

Table 3. Potential Rehabilitation Costs

Project SCOPE Estimated Rehabilitation Costs, by Year, 2006 - 2010

Sold in:	2006		2007		2008		2009		2010		TOTALS	
Listed in:	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
2006	8	1,255,742	48	9,394,254	11	1,550,769	6	1,437,100	1	138,064	74	13,775,929
2007	--		--		16	1,840,745	4	1,116,014	--		20	2,956,759
2008	--		--		4	400,061	6	804,327	2	146,660	12	1,351,048
2009	--		--		--		--		5	1,176,000	5	1,176,000
2010	--		--		--		--		2	380,000	2	380,000
TOTALS	**8**	**$1,255,742**	**48**	**$9,394,254**	**31**	**$3,791,575**	**16**	**$3,357,441**	**10**	**$1,840,724**	**113**	**$19,639,736**

Sources: Baltimore Housing, Office of Real Property Disposition; Urban Information Associates, Inc

The chart indicates that, if all the sales of these homes were followed by renovations resulting in certificates of occupancy, nearly $20-million would be invested in these 113 residential properties over and above the $2.84-million in total purchase prices.

In fact, not all planned renovations are carried out and only about half of all SCOPE properties were receiving certificates of occupancy in the early years of the program. That percentage has dropped in more recent years, first, because to time to complete the renovations has not run its course and, second, the economic rewards are not as strong as they were five years ago before housing values began to fall.

If we look at all properties listed in the initial 2003 – 2005 period, of 189 units listed a total of 168 were eventually sold, 89 percent – a very high percentage, even if the properties were not purchased for several years after the initial listing. Of those 168 residences, only 83 or just under 50 percent had their planned renovations completed and had certificates of occupancy.

These renovations totaled $11,987,106 based on the estimates prepared at the time of the properties' listing under Project SCOPE.[4] Using this estimated total, about 54 percent of the renovation costs associated with complete renovation is accounted for by residences ready for occupancy. We also know that work may have started on other units, but not completed for a variety of reasons. Making allowance for that, we assume that about two-thirds of all estimated renovation costs are actually incurred by SCOPE buyers/ developers and should factor in the program's economic impact.

In accounting for the overall economic impacts, it is appropriate to consider the net proceeds to Baltimore City as the result of moving the vacant properties from its rolls into new private ownership. The gains to the city are estimated in the following table.

Table 4.

Project SCOPE Sales Proceeds to Baltimore City, 2006 - 2010

Year of Initial Listing:	**2006**	**2007**	**2008**	**2009**	**2010**
Gross Sales:	**$2,250,035**	**$250,000**	**$261,000**	**$90,000**	**$30,000**
Number of Sales	74	20	10	5	2
Fees to Brokers 1/	241,321	54,300	32,580	21,400	5,000
Boarding of Structures @ $450	33,300	9,000	4,500	2,250	900
Est. Administrative Costs 2/					
Net Proceeds to City	**$1,975,414**	**$186,700**	**$223,920**	**$66,350**	**$24,100**

Sources: Baltimore Housing, Office of Real Property Disposition; Urban Information Associates, Inc.
NOTES:
1/ Fees calculated at $2,500 minimum and 8% for sales above $31,250.
2/ Administrative fees were estimated at $100,000/ year in 2006 study; with lower level of activity, we assume that administrative costs are much reduced in recent years but could exceed net proceeds.

In Table 4 we see that, at its peak, Project SCOPE was generating almost $2.0-million in revenue for the city from the listings in a single year. (Note

[4] There was no attempt to independently estimate the actual cost of the renovations. Construction professionals provided their best estimates in evaluating the properties for sale.

that for convenience the calculations are based on the year in which property is listed, although the sale can take place in ensuing years.) At the level of activity noted for sales associated with 2010 listings, it is doubtful that the proceeds recover the direct costs to the city of operating the program.

Beyond the sales of the vacant properties, Baltimore City will benefit when the buildings are rehabilitated and the new home owners are paying city property taxes. Assuming the average rehabbed unit is appraised at $220,000, each unit will yield nearly $5,000 at the current tax rate of 2.268 per $100 of valuation. Even a modest level of SCOPE activity of 40 to 50 units per year (a capacity demonstrated in the first years of the program) would result in a new revenue stream of $200,000 to $250,000 each year from what were previously derelict properties. Of course, this stream of revenue would cumulate with each additional cohort of newly rehabbed residences in future years. In contrast to the 2006 report, we will not speculate about the prospects for additional revenue as the result of anticipated appreciation in real estate values.

There are additional economic benefits to the city and the larger regional economy from the construction activity involved in rehabilitating the vacant structures. Rather than attempting to provide the full picture of economic impact across a number of years of the program, we present figures that are illustrative of the program when running at a demonstrated peak capacity. We used the figure of $13,775,929 of rehab costs associated with properties listed in 2006 and assumed that two-thirds of those estimated costs would result in actual expenditures, resulting in direct construction costs that round to $9,200,000. As in our 2006 study, we use an economic impact model based on input-output economics, developed by the National Association of Homebuilders. The resulting impacts are summarized in Table 5.

Table 5.

Regional Economic Impacts, Project SCOPE - Illustrative					
	Total		Direct		Indirect
Rehabilitation of Vacant Homes	13,832,667		9,200,000		4,632,667
Local Income	6,553,112		4,331,718		2,221,394
Local Business Owners' Income	1,917,177		1,227,483		689,693
Local Wages and Salaries	4,635,934		3,104,234		1,531,699
Local Government Revenue 1/	726,445		536,565		189,881
Local Employment	**115**		**75**		**40**
Source: Urban Information Associates, Inc. estimates, September 2011,					
based on National Association of Homebuilders Model.					
1/ Estimated taxes for generic jurisdiction					

At its peak level of activity, Project SCOPE is estimated to have generated a total economic impact for the Baltimore region of nearly $14-million. Construction and the sale of goods and services to accomplish the rehabilitation of the vacant properties provided direct employment of 75; another 40 indirect jobs were generated by the added funds circulating in the regional economy.

Place of SCOPE within the "Vacants to Value" Initiative

Project SCOPE began in 2003 under the administration of Mayor Martin O'Malley. After Mayor O'Malley moved to Maryland's governor's office in 2007, his successor in Baltimore, Mayor Sheila Dixon maintained the program. In reviewing the program data, it's clear that program activity reached its peak in 2007 when 66 SCOPE properties were sold -- 48 of those out of the properties listed in 2006 and 18 from the inventory of properties remaining from 2003 – 2005 listings.

As the overall number of vacant residential structures remained frustratingly high[5], city officials were looking for other approaches to reduce the vacant housing inventory. Based on the experience of some other communities, the establishment of a land bank, operated as a nonprofit entity with authority to acquire, maintain and dispose of vacant properties on behalf of the city, was pursued. The aim was to consolidate the management of city-owned properties, now the responsibility of multiple city agencies, and to streamline the process for managing, marketing and selling abandoned real estate.

Mayor Stephanie Rawlings-Blake, who succeeded Dixon in February 2010, had while serving as city council president expressed reservations about the land bank approach. The new mayor directed the housing commissioner to devise an alternative strategy that could accomplish to objectives of the land bank program within the structure of city government.

The result is the Mayor's initiative, identified as "Vacants to Value", which is intended to accomplish the goals of the proposed land bank, but without the need to create a new nonprofit agency.

The map on the following page helps put the challenge of reducing Baltimore City's inventory of vacant housing units in context. The red dots on the map represent the 16,000 vacant residential structures overlaid on the City's housing typology. That typology, which characterizes Baltimore neighborhoods by their relative market strength from competitive (violet) and emerging (blue) through distressed (lighter tones), is described in somewhat greater detail in Appendix A.

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[5] Using a count of residential structures, as opposed to more than 40,000 vacant housing units reported by the U.S. Census Bureau, there were 15,578 vacant structures in January 2007, according to Baltimore Housing.

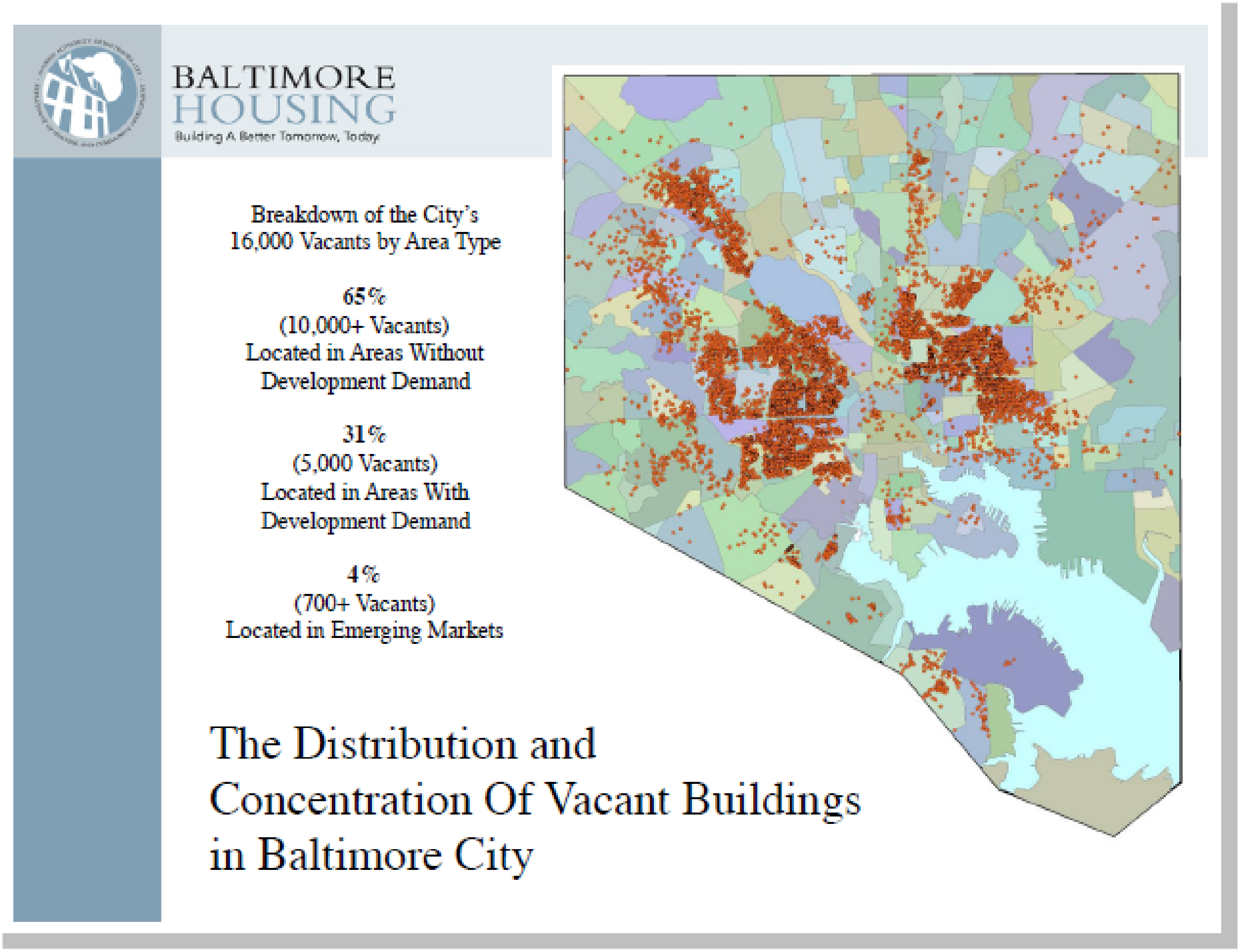

Figure 2 – Vacant Housing Units by Area Type

Source: Baltimore Housing

Of the nearly 16,000 vacant residential structures, more than 10,000 or 65 percent of the inventory are located in areas considered to have no development demand. Another 5,000 or 31 percent are located in areas identified as having development demand. The remaining 4 percent, amounting to somewhat more than 700 units, are located in emerging markets.

As described by Baltimore Housing this new initiative, the latter two categories would constitute those areas of the city where the Vacants to Value program would operate. Of course, those areas of the city with greater market appeal are also the very ones where Project SCOPE would be most successful.

The Vacants to Value program also comes with some important incentives that have not been available to Project SCOPE homebuyers and developers. To sweeten the opportunities under Vacants to Value, the current city administration has created a package of targeted incentives for homeowners and developers who renovate vacant properties, including an allocation of $500,000 to a new incentive called the Good Neighbors Program, which provides a $5,000 five-year forgivable loan. Originally targeted to one hundred city police officers, firefighters, and teachers who purchase a vacant property in Baltimore, it has now been opened to all city employees. This incentive is intended to assist buyers with down payment and closing costs.

These indications from Baltimore Housing suggest that the Project SCOPE exists nominally, but may not be expected to play a significant role in the future. At the same time, the housing officials suggest that it may be worth re-examining the commission structure for brokers participating in SCOPE. This possible enhancement of the incentives for brokers may be appropriate once housing prices move upward in the future.

Conclusions

At this point, the future of Project SCOPE is very uncertain. It was once seen as a pioneering effort to transfer vacant, city-owned properties into the hands of new owner-occupants, either directly or indirectly through the intermediary of qualified developers. The program today is seen, at best, as a small component of the city's newer Vacants to Value initiative.

It is appropriate to review the contributions of Project SCOPE to date:

- Project SCOPE accounted for a total of 284 property sales from inception in late 2003 though year end 2010.
- Of these 284 units, about two-thirds have received certificates of occupancy.
- The property sales from 2003 through 2010 amounted to another $7.2-million in gross revenue to the city.
- The rehabilitation costs associated with the sold properties amount to nearly $20-million; based upon economic impact model assumptions that represents about 179 person-years of employment.
- If the average value of the completely rehabbed homes is $220,000, an estimated new revenue stream of $940,000 annually in the form of real estate taxes is now flowing into the city's coffers.

With improved conditions in the real estate market in years ahead, it would be appropriate for the city to once again consider harnessing the expertise of private real estate professionals in the selling of city-owned properties. Indeed, Baltimore Housing indicates that it is considering enhancing incentives for private brokers to participate in transferring these vacant properties into private as market conditions warrant.

Appendix A. - Description of Housing Market Typology Map

Competitive

Neighborhoods in this category, like Federal Hill, Canton and Homeland, have robust housing markets with high owner-occupancy rates and high property values. Foreclosure, vacancy and abandonment rates are all very low. Most direct market interventions are not necessary in the Competitive market. Basic municipal services such as street maintenance are essential to maintaining these markets. While densities do vary single family detached homes predominate and these areas typically don't have a mix of housing types.

Emerging

Neighborhoods in the "Emerging" category, such as Abell, Hampden and Mt. Vernon, have robust housing markets but with homeownership rates slightly below the citywide average; this category appeals to property owners interested in tapping into a strong rental market. Median sales price is above $244,000. Additional incentives for development and investment in the Emerging market would recognize its potential for growth. There is more variety in housing types and more commercial areas than in the competitive cluster.

Stable

This cluster includes neighborhoods such as Reservoir Hill, Lauraville and Violetville. Median sale price is around $160,000 and the rate of foreclosure is just below the City average of 5%. In Stable markets, the City should consider stabilizing and marketing any vacant houses. Traditional housing code enforcement is also essential to maintain the existing housing stock. Homeownership is still significant at 55%.

Transitional

Neighborhoods in the "Transitional" category, such as Allendale, Belair Edison and Kenilworth Park, are found typically at the inner edge of the stable neighborhoods. These neighborhoods have moderate real estate values with median sale prices between $80,000-$100,000, with higher median sales in areas with commercial land uses. Foreclosure rates are slightly higher than average, but occupancy rates are still higher than average. This cluster also has the highest rate of rental subsidy. The City should support homeowners who may be facing economic hardships due to the national economy.

Distressed

These neighborhoods, which include Middle East, Penn North and Westport, have nearly 4 times the levels of vacant homes and vacant lots as found in other categories. Sale prices typically range from $36,000 - $40,000. Distressed markets tend to rely on comprehensive housing market inventions, such as site assembly and tax increment financing. One of the six criteria for identifying the Growth Promotion Areas includes neighborhoods located in distressed markets. Demolitions in the Distressed markets should be clustered to create potential for greater public safety as well as marketability. The housing type here is predominately rowhouse.

Source: Baltimore Housing

Appendix B. – Vacants to Value Six-Point Strategy

Strategy 1: Streamline the Disposition of City Property

"First, City Government will get its own house in order so that we can efficiently dispose of City-owned property and get it into the hands of those both willing and able to renovate and invest," Rawlings-Blake said. The mayor announced a total restructuring of Land Resources staff and business processes at Baltimore Housing, including a new Deputy Commissioner for Land Resources and a newly-hired team of experienced real estate marketing professionals. Mayor Rawlings-Blake also said the team will launch a new website to help market and sell vacant city property more effectively.

Mayor Rawlings-Blake unveiled new policy reforms approved by the City's Board of Estimates today, including: a new uniform appraisal policy, a new sale by live auction process, consolidation of property inventory into one agency, and an expedited lien abatement process. Taken together, the policy reforms are expected to reduce transactional time by at least two-thirds.

"Markets and investors need and deserve more transparency and predictability with these transactions. With these new policies in place, they will have it," Mayor Rawlings-Blake said. "This strategy alone will increase the number of city properties marketed and ready for purchase and ultimately increase the number of city properties sold."

Strategy 2: Streamline the Code Enforcement on Transitional Blocks

Mayor Rawlings-Blake said the administration has improved code enforcement efforts on "Transitional Blocks", areas that are mostly occupied but challenged by a number of scattered vacant structures. Of the 16,000 vacant buildings in Baltimore, almost a third, 5,000, are located in these areas, according to a Baltimore Housing market analysis. Baltimore Housing will implement an automated enforcement regime issuing $900 fines to promote rehabilitation of vacant structures instead of pursuing costly and slow legal battles with landowners by taking each case to court.

Mayor Rawlings-Blake said the new targeted code enforcement effort "will pressure absentee landowners and speculators to do a cost/benefit analysis and either reinvest in their properties to avoid more fines or sell them to someone who will. Because this effort is primarily targeted in areas with development demand, when properties turnover or if a landowner chooses to reinvest, there is an existing market for the properties."

Strategy 3: Facilitate Investment in Emerging Markets:

The "Vacants to Value" program will deploy expert code enforcement attorneys to facilitate investment in emerging markets near areas of strength. There are roughly 700+ vacant buildings in emerging markets, according to a Baltimore Housing market analysis. "Emerging markets are areas where smaller private and nonprofit developers believe they can make a difference." Mayor Rawlings-Blake said. "The City will work in partnership with committed and capitalized developers to leverage reinvestment, block by block, without major taxpayer subsidies."

Strategies 2 and 3 alone will promote rehabilitation of more vacant, boarded buildings than any previous blight elimination program to date and will trigger the rehabilitation of more than a thousand vacant buildings in the first year of the program, according to Baltimore Housing projections.

Strategy 4: Homebuyer and Developer Incentives

The Rawlings-Blake administration has created a new package of targeted incentives for homeowners and developers who renovate vacant properties, including an allocation of $500 thousand to a new incentive called the Good Neighbors Program, which provides a $5000 five-year forgivable loan for 100 City Police Officers, Firefighters, and Teachers who purchase a vacant property in Baltimore. This incentive will assist buyers with down payment and closing costs.

Additionally, Baltimore Housing has packaged four more homebuyer incentives, totaling roughly $1 million, for individuals who purchase vacant or newly-rehabilitated homes. "In total, the programs will provide up to 300 homebuyers a real, tangible incentive to invest in Baltimore," Mayor Rawlings Blake said. Baltimore Housing will also establish a new $1 million revolving loan fund to provide short term liquidity for small developers and contractors who rehabilitate vacant properties in emerging markets and transitional blocks.

Strategy 5: Support Large-Scale Redevelopment in Distressed Areas

Over the past decade, the City, working with private and public partners, has embarked on a number of large scale redevelopment such as EBDI, Uplands, Barclay, Poppleton, and Orchard Ridge that are transforming Baltimore's landscape for the better. Major redevelopments are important because they have a ripple effect that goes beyond their individual boundaries and spur reinvestment in surrounding neighborhoods.

"Neighborhoods that were once called the 'badlands' are now shining beacons of hope, brimming with new investment," Mayor Rawlings-Blake said. "My administration will continue to support large-scale redevelopment efforts in very distressed areas without current market demand. This is a strategy where smart planning, government intervention, and private/public partnerships are absolutely necessary."

Strategy 6: Maintain, Clear and "Land Bank" for Interim, Future Use

In areas where the scale of blight far exceeds development demand for housing for the foreseeable future, Baltimore Housing will focus on maintaining, clearing and holding—or "land banking"—vacant property for future use. The strategy includes targeted demolition, boarding and cleaning, and creative interim uses including creating new community green space where demand for housing doesn't yet exist.

Mayor Rawlings-Blake said local government and local investors alone cannot address large scale urban blight and support of state and federal government is critical. Mayor Rawlings-Blake pledged to use her position on the U.S. Conference of Mayors Task Force on Vacant and Abandoned Properties to lobby the federal government for capital support for acquisition and demolition of vacant houses and blight in American cities.

Source: Press Release, Office of Mayor Stephanie Rawlings-Blake, November 3, 2010