

EXECUTIVE SUMMARY

WHOLE BLOCKS, WHOLE CITY

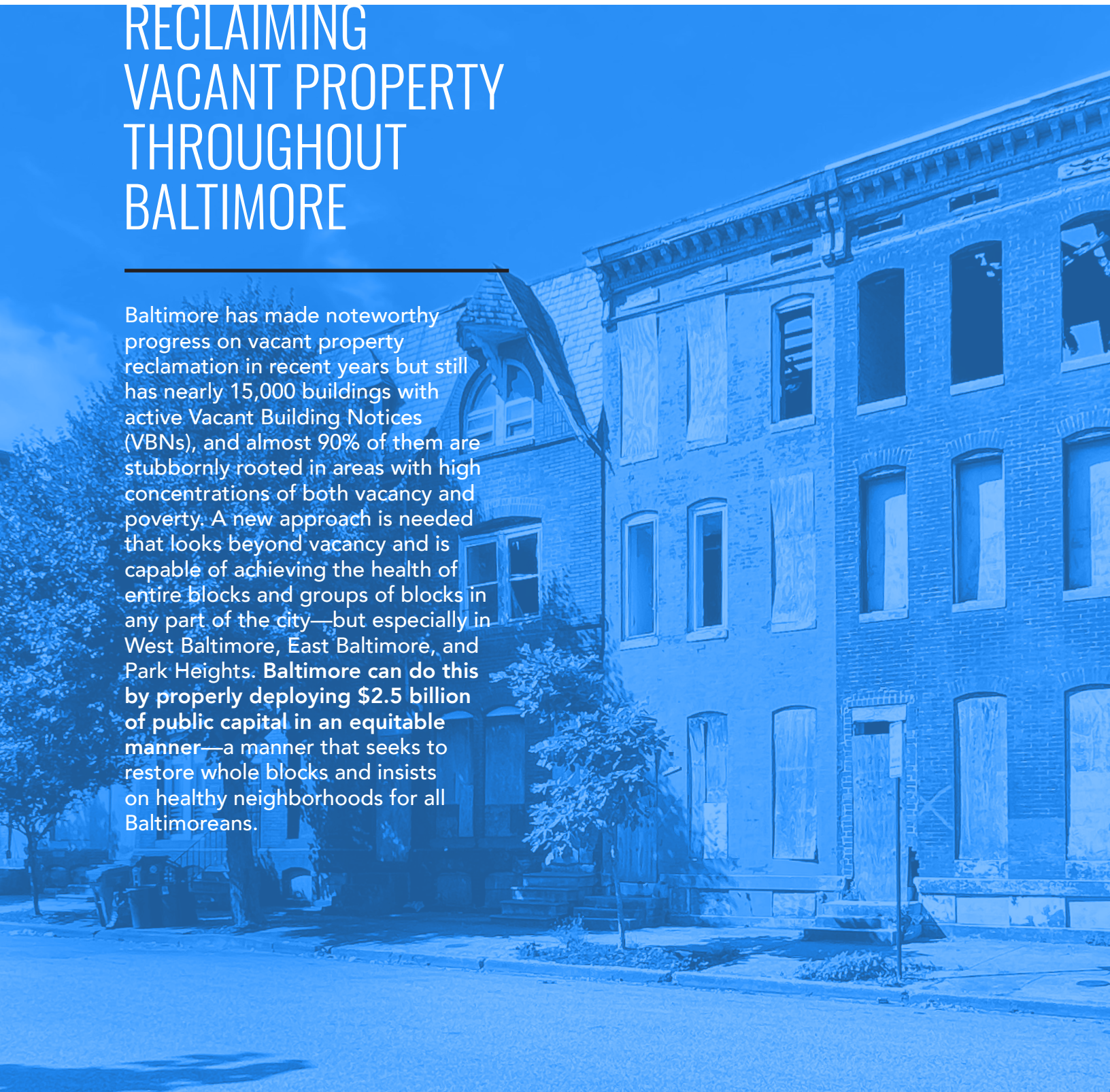
RECLAIMING VACANT PROPERTY THROUGHOUT BALTIMORE

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Prepared by czbLLC for ReBUILD Metro and BUILD

Baltimore has made noteworthy progress on vacant property reclamation in recent years but still has nearly 15,000 buildings with active Vacant Building Notices (VBNs), and almost 90% of them are stubbornly rooted in areas with high concentrations of both vacancy and poverty. A new approach is needed that looks beyond vacancy and is capable of achieving the health of entire blocks and groups of blocks in any part of the city—but especially in West Baltimore, East Baltimore, and Park Heights. **Baltimore can do this by properly deploying \$2.5 billion of public capital in an equitable manner—a manner that seeks to restore whole blocks and insists on healthy neighborhoods for all Baltimoreans.**



Having lost population continuously since 1950, 95% of Baltimore's population today is too young to have been alive when the city last grew. Left in the wake of those 70 years of shrinkage is a persistently large volume of vacant buildings, vacant lots, and other nearby properties negatively affected by vacancy.

Commissioned by ReBUILD Metro and Baltimoreans United In Leadership Development (BUILD), *Whole Blocks, Whole City* is part analysis and part strategy. It contains a systematic analysis of Baltimore's nearly 15,000 VBNs (structures with vacant building notices), some 20,000 vacant lots, the thousands of additional properties immediately near and therefore imperiled by proximate vacancy, and the underlying market conditions on all blocks that can either lead to or ward off additional vacancy. It also presents a strategy for how to address these problems and what that will cost.

Whole Blocks, Whole City is a sobering reality check.

- It definitively asserts that Baltimore's vacant property problem is not the mere equivalent of a series of vacant buildings that need to be addressed except in the rare instance when a vacant property emerges on a strong block in an otherwise vibrant neighborhood. Instead, what the city has on its hands are dozens of long-distressed neighborhoods that are overwhelmed by poverty and disinvestment. In these neighborhoods, the problem to solve is vacancy as both symptom and cause. Contiguous areas of whole blocks need to be stabilized; the disposition of any one building is but a component part of a much wider set of work that must be undertaken.
- It estimates that the public sector will need to invest approximately \$2.5 billion to attract and leverage \$4.4 billion in private capital to properly address this structural problem in the city's residential real estate market. It is clear that public sector capital must be spent first, be spent smartly, and remain patiently invested for the long haul.
- It outlines a course of work that will take more than a decade to do, relies on significant public-private partnerships, and will probably require the creation of entirely new systems and organizations.

This report also comes on the heels of two important recent studies that note the substantial costs of the status quo, and the benefits of decisive intervention and success. The first, released in September 2022 from the Johns Hopkins 21st Century Institute,

demonstrates that vacant housing is directly and indirectly costing Baltimore City \$200 million per year.¹ The second, a 2020 study conducted by ESI for the Baltimore Development Corporation, highlights the positive economic effects of attracting more households to Baltimore City with a range of income levels.²

As *Whole Blocks, Whole City* makes clear, if Baltimore can control and stabilize vacant properties in its distressed neighborhoods it stands to make valuable gains on many important fronts for which stability is an absolute prerequisite. By addressing not just vacancy but the conditions that make vacancy more likely, Baltimore will finally be able to build a firm floor in its housing market. If not, the bottom of the city's housing market will continue to weaken, precipitating even more vacancy and abandonment.

The reality is that while Baltimore has been both creative and aggressive, and sometimes successful, in tackling vacant properties in neighborhoods that are not abjectly distressed, 85% of the vacant property problem in Baltimore is in distressed neighborhoods where a different approach and far greater resources will be needed.

Whole Blocks, Whole City shows that 15% of the city's vacancy problems are scattered in neighborhoods where there is enough residual market strength that the emergence of a vacant property almost never triggers a domino effect. This is because vacancies that are scattered on relatively high value blocks generally present the market with opportunities to buy-low, fix, and sell for a profit with manageable levels of risk. On those occasions where such buy-low opportunities are present but deemed beyond market tolerance, the public sector can often bridge appraisal and other gaps with the right blend of incentives.

But block and neighborhood conditions where 85% of the city's vacancy problems exist defy interventions that are not sufficiently comprehensive and patient, and are not also geared towards resolving the underlying market weakness at the root of ongoing disinvestment. The essential truth of the city's weak market dilemma is that about nine in ten of Baltimore's vacant properties are in neighborhoods most impacted by persistent poverty and by racial segregation. In these parts of Baltimore, vacancy never just goes away; a much more strategic approach will be needed.

¹ Mary Miller and Mac McComas, (2022), *The Cost of Baltimore's Vacant Housing*.

² ESI (2020), *The Power of Residential Growth*. See also Caitlin Furio and Richard Voith (2016), *The Economic Case for Fixing Blight*.

Creating a different, more strategic approach that considers the importance of the people who currently live in these communities is particularly important in Baltimore City. Baltimore has a well-documented history of disparate treatment of neighborhoods and communities based on race. The “quarantining of Baltimore’s black population in isolated slums” was long the norm, first formally pioneered in Baltimore in 1911 when the City Council passed “the first housing segregation ordinance directed at Black people.” This continued through the 1930s when the Federal Housing Administration institutionalized practices that furthered segregation and disinvestment. According to the Urban Institute, “neighborhoods [in Baltimore] that are less than 50 percent African American receive nearly four times the investment of neighborhoods that are over 85 percent African American.”³

This report shows that it is possible and necessary to respond in a different way to the city’s vacant property problem—relying on investment and inclusion as guiding principles. The only way to tackle this problem is to acknowledge that where problems like vacancy are most entrenched and intractable—in the city’s most distressed neighborhoods—is exactly where public energy and resources must go. And if energy and resources are deployed in distressed areas, then a “build from strength” approach within those areas is imperative.

- **Whole Blocks, Whole City** argues for a bold departure from business as usual in Baltimore, while also tapping into successful elements of past efforts. In average and stronger market areas, Vacants to Value (V2V) demonstrated that a package of incentives can stimulate the market, but is insufficient in weak markets with entrenched vacancy. Additionally, in these same stronger market areas, Healthy Neighborhoods has shown the power of combining resident leadership development with



home ownership and wealth building opportunities. In the weaker areas, EBDI leveraged the inherent strength of important institutions to advance large-scale redevelopment. HOPE VI showed that deconcentrating poverty in public housing can help surrounding blocks become more vibrant. Both strategies created dramatic changes but required significant community dislocation to achieve sought-after outcomes. Following these two large-scale efforts, ReBUILD Metro’s work from Greenmount West to Oliver and Broadway East, defined by the comprehensive whole block & whole area approach recommended in this report, is a real-time example of what can work throughout Baltimore’s most distressed neighborhoods without massive relocation or displacement. Going forward, it is conceivable to dramatically increase the scale and comprehensiveness of this whole block approach, without displacement, to address the entrenched vacancy in other, similarly distressed parts of Baltimore.

³ Urban Institute (2019), ‘The Black Butterfly:’ Racial segregation and investment patterns in Baltimore. (<https://apps.urban.org/features/baltimore-investment-flows/>). See also “The Fruits of Government Sponsored Segregation by Richard Rothstein (2015) Working Economics Blog, Economic Policy Institute (<https://www.epi.org/blog/from-ferguson-to-baltimore-the-fruits-of-government-sponsored-segregation/>)

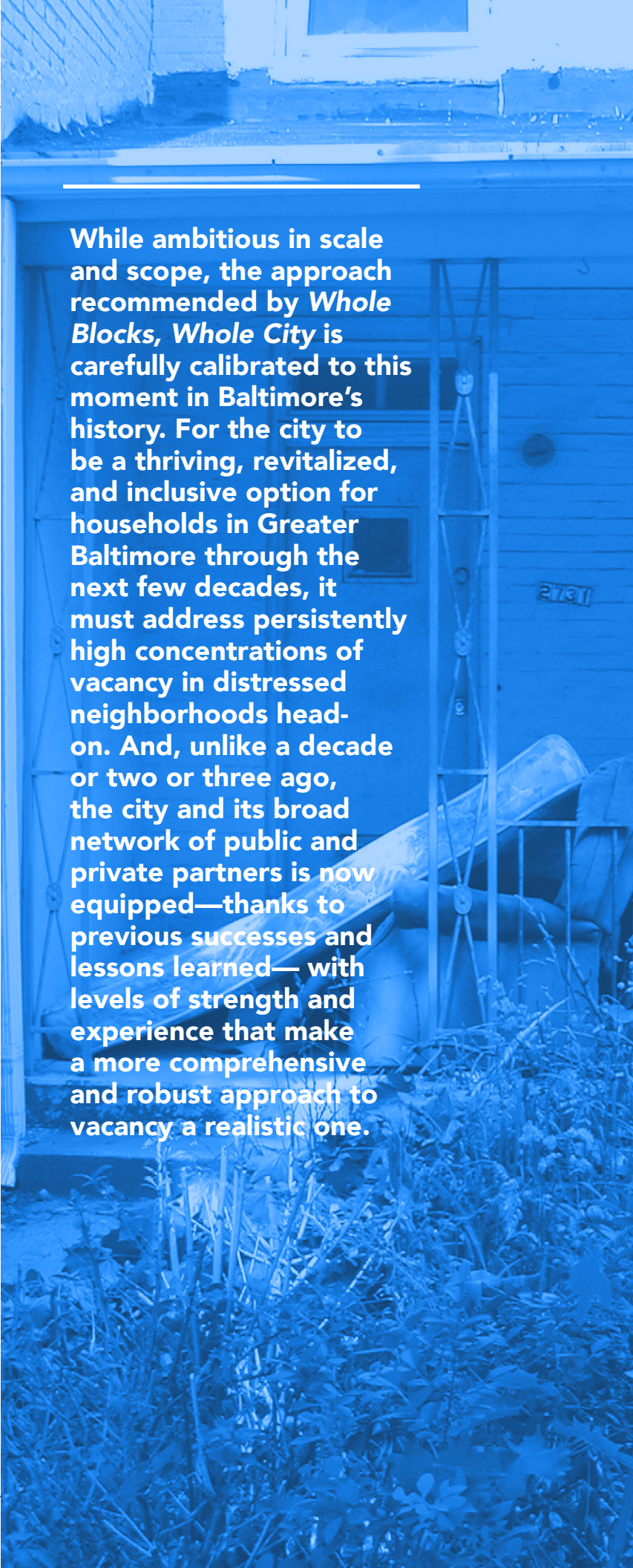
- **Whole Blocks, Whole City estimates that Baltimore has roughly 70,000 properties that require attention.** Vacant buildings, vacant lots, and nearby properties infected by vacancy will not fix themselves, are not fixable through a series of small-scale efforts, and are overwhelmingly in the city's most distressed neighborhoods.

- **Whole Blocks, Whole City has projected that properly fixing these problems will require a public investment of roughly \$2.5 billion.** Over 20 years, that is an average of \$125 million per year in patient, public funding.

- **Whole Blocks, Whole City recommends that whole areas of Baltimore's most distressed neighborhoods become targets for reinvestment.** In these areas, control of vacant property will be an essential first step towards stability. Home ownership rates need to rise and poverty needs to fall, and as *Whole Blocks, Whole City* makes clear, that simply will not happen if a critical mass of stability, comprising hundreds of properties spanning many contiguous blocks, is not first obtained and then buttressed with a range of ambitious community development work.

- **Whole Blocks, Whole City also makes clear that activating the strategic work needed will require overcoming five key challenges** along the way.

1. Legal tools to gain control of properties outside the private market will be needed.
2. Demand will have to be sustained, and this cannot happen without a strategic focus on making whole blocks attractive to the market.
3. A range of financial tools will be needed, from patient equity to affordable debt.
4. Implementation capacity will need to grow.
5. And genuine community partnership must be the ultimate basis for all decisions.

A blue-tinted photograph of a dilapidated building with a fire escape and overgrown vegetation. The building has a brick upper section and a wooden lower section. A fire escape is attached to the side. The foreground is filled with tall, wild grass and weeds. The overall mood is one of neglect and urban decay.

While ambitious in scale and scope, the approach recommended by *Whole Blocks, Whole City* is carefully calibrated to this moment in Baltimore's history. For the city to be a thriving, revitalized, and inclusive option for households in Greater Baltimore through the next few decades, it must address persistently high concentrations of vacancy in distressed neighborhoods head-on. And, unlike a decade or two or three ago, the city and its broad network of public and private partners is now equipped—thanks to previous successes and lessons learned—with levels of strength and experience that make a more comprehensive and robust approach to vacancy a realistic one.