

VACANT BUILDING RECEIVERSHIP

In Rem Code Enforcement for
Stabilizing Urban Neighborhoods

**Turning Around Vacant Properties in Greater Richmond
Federal Reserve Bank of Richmond- August 20, 2010**

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Outline

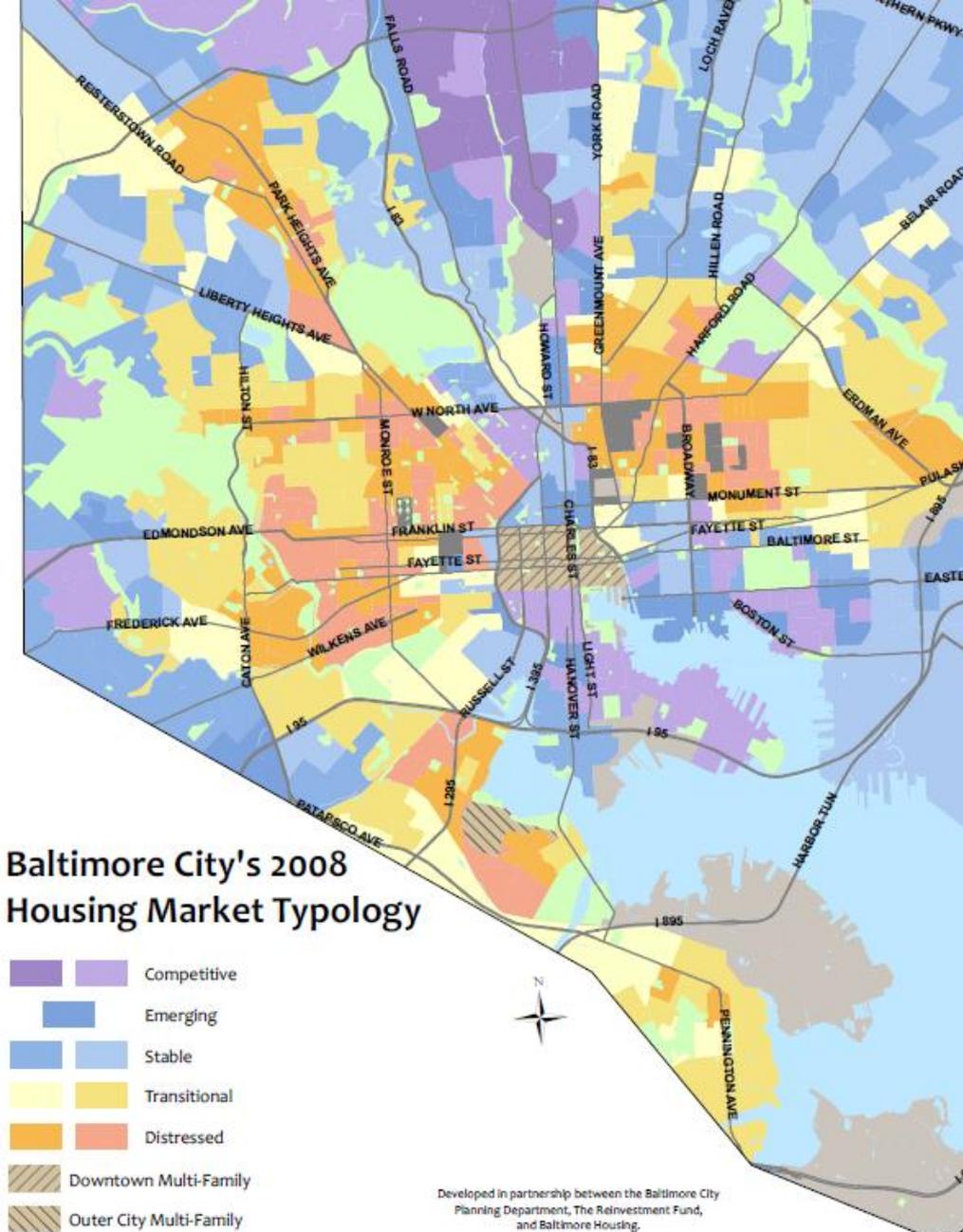
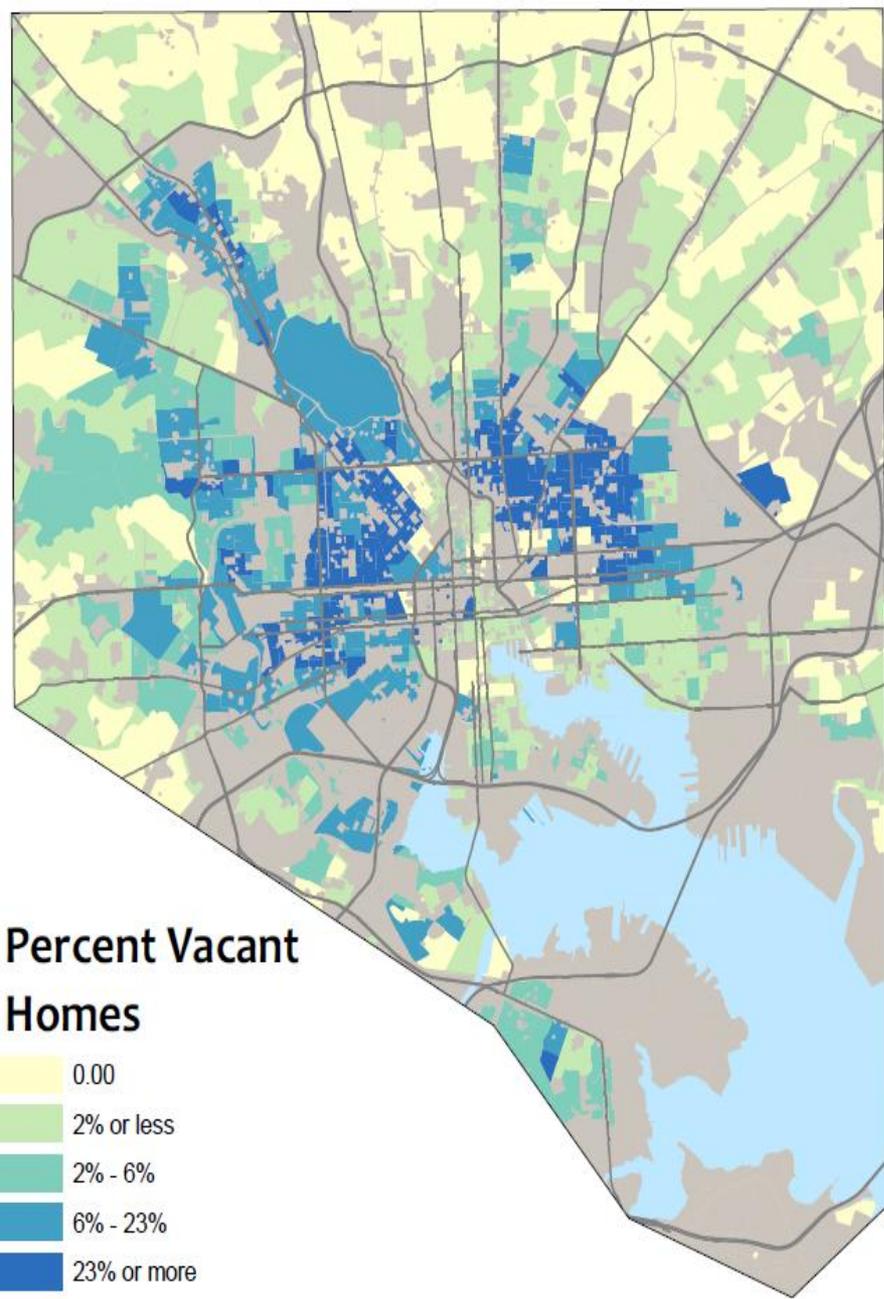
✦ Vacant Houses in Healthy Urban Neighborhoods

✦ Two Responses

- ◆ Traditional Code Enforcement

- ◆ Sale to Legitimate Developer

✦ Vacant Building Receivership overcomes shortcomings of these approaches



Source: Baltimore Housing 2008 Database
November 2008



Developed in partnership between the Baltimore City Planning Department, The Reinvestment Fund, and Baltimore Housing.



Vacant Houses in Healthy Urban Areas-Threat & Opportunity

- ✦ Healthy Urban Neighborhoods generally have 2-20% Vacant Houses, not contiguous but scattered throughout area
- ✦ Vacant Houses=Not merely Unoccupied, but also Visibly Uninhabitable
- ✦ Potential for Developer to improve area and make money, if clear title can be had
- ✦ But also, Omen of spreading disinvestment and disorder

Traditional Code Enforcement

- ✦ City seeks Court order to force Owner to make repairs
- ✦ Owner must be found and brought in
- ✦ Owner without the money cannot be forced to make repairs

Sale to Legitimate Developer

- ✦ Developer offers fair price
- ✦ Owner is impossible to contact
- ✦ Owner owes money on the property and cannot transfer clear title
- ✦ Tax Foreclosure rarely results in transfer in Healthy Neighborhoods

Vacant Building Receivership

✦ In Rem rather than In Personam

✦ Code Enforcement that Transfers Clear Title using method similar to Tax Sale

✦ Owner is told “Fix it Up or Lose It!”

The Receivership Process

- ✦ Owner must be notified, but need not appear in Court for process to move forward
- ✦ If Owner shows ability to rehab immediately, Receivership is put off
- ✦ Otherwise, Receiver can be appointed to sell to a developer to rehab the property
- ✦ Receiver transfers title free and clear of all private liens, if lienholders also notified

Receivership in Healthy Areas

✦ Fast, Flexible Response

- ◆ Receivership process driven by neighborhood and qualified developer impatience
- ◆ Receivership promotes owner fix-up, yet enables transfer to qualified developer

✦ Market Sensitive