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## **VII. RECOMMENDATIONS**

After reviewing the extent of the commercial vacancy and blight problem in Frederick along with the current tools in place and range of tools available, the Committee recommends that the City develop additional intermediate tools to; 1) increase likelihood of voluntary property management (maintenance and tenanting); 2) increased compliance with code enforcement actions; and 3), create an opportunity to force control of habitual vacant and/or blighted properties to a responsible third party. Specifically, the committee makes the following recommendations:

1. Formalize and maintain the Blighted Building Database. Once a property has been determined “blighted” by Code Enforcement (based upon the blighted building definition), the property should be added to the Blighted Buildings Database. The database should track at a minimum all building and maintenance code violations (issuance dates/resolution dates) and calls for service from police and fire. The purpose of this database is to document infractions and build a case for future enforcement actions if needed. This is not intended to be a self-registry and no fee is required. The property shall be removed from the Blighted Building Database once all violations are remedied and the property remains “blight” free for a period of twelve (12) consecutive months.
2. Adopt and market the Property Tax Credit Programs Legislation as proposed by the Department of Economic Development and reviewed by the Mayor and Board of Aldermen at Workshop. This is scheduled for approval at the 7/19/12 Board Public Hearing.
3. Develop and adopt a compounding or escalating fine system for code enforcement violations so that habitual offenders with three (3) or more building code violations within a 12-month timeframe pay more for each additional violation.
4. Provide for a lien or fine waiver for the new owner of a blighted property who agrees to rehabilitate and tenant the building by submitting a remediation plan to the appropriate city department and posting bonds equal to the renovation cost. The purpose of such waivers is to encourage new sustainable ownership by lowering upfront costs and thereby improving opportunities for reinvestment, renovation, and tenanting. The waiver also enables the seller relief from what could be a major financial burden and an impediment to selling the property. This creates a “win” for the seller, a “win” for the buyer, and a “win” for the city.
5. Develop and adopt a Blighted Building Property Tax which assesses an increased city property tax of five (5) times the base rate on properties on the Blighted Buildings Database for a period of more than one (1) year. The purpose of this increased tax is to create a strong economic incentive for a property owner to rehabilitate and tenant a blighted building. Currently the base city tax rate is \$0.73 cents per \$100 property value.  $0.73 \times 5 = \$3.65$  per \$100 property value.
6. Develop and adopt a Property Receivership Program. Public and private receivership programs have emerged as a faster, cheaper and lower liability alternative for lenders, loan servicers and communities dealing with distressed assets. This allows appointed 3<sup>rd</sup> party receivers to manage, rehabilitate, demolish, market and sell distressed commercial assets (demolition requires a permit and in the HPC area requires HPC approval) . Properties in receivership can be a great value for potential buyers, in that the list price will be more reflective of the true market value of the facility. In some instances, properties may be sold with assumable financing, an attractive option in the current lending environment. The committee generally recommends the program be based on the following criteria:

- Receivership may only be initiated by the Board of Aldermen at a Public Hearing for properties which are on the Blighted Properties Database.
  - Permits the court to allow an owner, mortgagee, or other person with an ownership interest in the building to rehabilitate, demolish, or sell it if the interested person demonstrates ability to complete the rehabilitation or demolition, agrees to comply with a court specified schedule, and posts bonds as surety.
  - If there is no person with an ownership interest in the property and who demonstrates the ability to complete the rehabilitation or demolition, it permits the City to petition the court for appointment of a qualified third party receiver to rehabilitate, demolish, or sell the structure (and land) to a qualified buyer.
  - The appointed receiver has the right to 1) contract for labor and supplies for rehab/demo, 2) borrow money from an approved lender for the work using a lien on the property as surety, 3) manage the property for up to 2 years and use the rent for operating expenses and repayment of rehab/demo expenses, 4) foreclose on the receiver's lien, 5) sell the property to the high bidder at public auction or sell privately for fair market value.
  - Any buyer must demonstrate the ability to rehabilitate/demo the structure within a reasonable time-frame
  - The City may choose to lift any city imposed lien if the property sale price is below that which is owed for fines, utilities, taxes, and miscellaneous bills, and if the new owner submits an acceptable remediation plan and posts bonds equal to the estimated remediation cost.
7. Develop a system of more formalized cross-training and information sharing between city Police, Fire Department, and Code Enforcement to increase compliance and enforcement of property maintenance codes, tenanting, and routine investment.