Blight Free Philadelphia

A Public-Private Strategy to Create and Enhance Neighborhood Value

Executive Summary

This report sets out a new approach to revitalizing Philadelphia neighborhoods. The recommendations are based on careful research on the city's housing market and on the spread of abandonment and blight and on the input of thousands of neighborhood residents from across Philadelphia. For too long we have watched our neighborhoods deteriorate and our population decline. We now have a historic opportunity to reshape our city. The Eastern Pennsylvania Organizing Project and the Temple University Center for Public Policy, with assistance from Diamond and Associates, offer these research findings and recommendations with the hope that they will help unite Philadelphia behind a common vision and plan for transforming our neighborhoods and city.

Primary Goal
Attract and Retain Population
by Creating Value

The challenge facing Philadelphia and its neighborhoods is to retain its existing homeowners and renters and attract new residents. The city has not only lost hundreds of thousands of potential homebuyers and renters but it continues to be passed over every day for other communities within the region and elsewhere. Accordingly, **the single most important factor in any *blight plan* must be its effectiveness in improving the city's value as a place to live and work** for existing <u>and</u> potential residents.

The plan EPOP proposes is focused solely upon the creation of value in Philadelphia. It calls for the demolition and clearing of distressed areas only when doing so supports development that is achieved as part of the plan and with the funding described. And it enhances neighborhood value by investing resources in existing neighborhoods, thereby creating a cycle of private investment by businesses and residents.

The plan proposes that a majority of proceeds from a bond issuance be used to subsidize housing and commercial development and fund neighborhood improvements (the creation of new value) that would convince existing residents to remain in the city or attract new families. Urban renewal strategies focused primarily on demolition and land assembly have not proven effective in addressing the underlying deterioration of neighborhoods in other cities or in Philadelphia. Demolition and land assembly do not necessarily stabilize neighborhoods or lead to new development. **Only re-starting the cycle of investment by existing and new businesses and residents can improve the attractiveness of the city and reverse the outflow of capital and population.**

Tactic #1
Partner with Businesses
and Institutions to Leverage
Up-Front Private Investment

Any effort to address blight successfully needs to align its goals and strategies to the interests of Philadelphia's economic generators: its businesses and non-profit institutions. Rather than clearing land and then hoping that private investment will follow, EPOP is proposing a strategy that calls for *up-front* financial partnerships with existing businesses and institutions.

In the past Philadelphia has overlooked the opportunity to engage businesses and non-profit institutions in efforts to revitalize neighborhoods even though many have a direct self-interest in the prevention of blight and the creation of value in those communities:

- Deteriorating quality of life in the city's neighborhoods **makes it more difficult for city-based businesses to attract customers and employees**.
- **Safety and neighborhood conditions are important reasons many families give for moving out of Philadelphia**.
- Many business and non-profit employers have **enormous capital investments in the city that are threatened by the spread of blight.**

• Reinvesting in urban neighborhoods is critical to **stemming the regional sprawl** that is clogging highways and undermining quality of life in the Delaware Valley.

Past neighborhood development efforts in Philadelphia have failed to connect public investment in housing to the economic development goals of the city.

• Subsidies to support housing development have been seen primarily in terms of **service delivery, rather than as economic stimulus to neighborhoods**.
• Public subsidies have leveraged **minimal private investment**.
• Most development has taken the form of isolated projects with **little broader impact on neighborhoods**. One example is the development of rental housing without addressing abandoned property on the block facing the development.
• The City has not coordinated housing investment with efforts to strengthen neighborhood commercial areas.
• The City's community development approach is not designed to enhance the economic value of residential and commercial real estate.

The main test of an effective community development approach is that it leverages new private investment in neighborhood revitalization. This means moving beyond the same small group of players who have competed over a limited pool of community development resources. Philadelphia needs significant participation in terms of both investment and planning from businesses, non-profit institutions and residents who have historically watched community development from the sidelines.

To this end we propose the creation across Philadelphia of "Blight Free Zones" that would be anchored by private and non-profit employers and commercial areas. Partnerships between existing businesses (or other economic *generators*) and adjacent neighborhoods can, if stimulated by City funding, efficiently produce new value, employment, and housing opportunities that are the essential components of neighborhood transformation. The Blight Free Zone approach would leverage private investment by local businesses *up-front* as a condition of spending scarce public funding, rather than making large public expenditures with only a hope of a private investment response.

Tactic #2
Build New and Renovate, Don't Just Demolish

Our approach supports the use of bond proceeds to clear and assemble land for new housing and commercial development. However, given the costs of relocating families and holding land for long periods and the shortage of subsidy dollars for development, this should be done strategically, based on the realistic potential for future development. The current proposal by the Administration would spend three-quarters of bond funds on demolition and relocation based on the hope of future development. We believe that putting such a large proportion of available resources into land assembly could undermine the City's ability to stimulate new development on cleared land while reducing our capacity to increase the value of existing neighborhoods.

Our proposal would enable the demolition of all dangerous properties and the creation of a sizeable land bank for future development. However, **the majority of demolition, relocation and encapsulation expenditures we propose would be tied to specific housing and commercial development projects**. A much larger amount of money would therefore be available to directly stimulate development of both affordable and market rate house through a mix of renovation and new development as part of Blight Free Zones.

Ultimately balancing demolition and renovation is more likely to succeed because it focuses upon the assets already present in the neighborhoods, instead of the transformation of areas of distress into unproven, future value. Because of the nature of the bonds used to finance the fight against blight, changing the mix from demolition to rehabilitation will likely require the support of Harrisburg, a key element of the success of any blight strategy.

Tactic #3
Target Public Funds to Leverage Private Investment in Every Council District Not Just in a Few

Our plan proposes specific target areas in each Council District, describes a new method for delivering public subsidies to encourage private investment and includes detailed costs, sources of funds, timelines and estimated fiscal benefits.

Historically, the City has had **no strategy to slow the spread of blight** in traditionally stable residential neighborhoods. Center City revitalization has spilled over into few residential neighborhoods. Many areas are moving in the opposite direction. Over the past decade already deeply troubled areas in North and South Philadelphia have further deteriorated, while the next ring of once stable working class and lower middle class neighborhoods have seen a dramatic increase in blight .

In Philadelphia, there has been a widespread attitude that abandonment and blight are unfortunate results of job and population loss over which the City has little control. The implicit assumption is that the best hope is to wait until a neighborhood is so blighted that it can be cleared and redeveloped. This fatalistic view of neighborhood decline is ultimately destructive to the value of existing homes, businesses and neighborhoods. All too often the City has stood aside as once strong neighborhoods fell apart.

In fact, neighborhood conditions, safety and the quality of public education are the most common reasons people give for moving. Abandonment is not just a result of population loss, but also a cause. Stabilizing the city's population and persuading new residents, including immigrants, to move here depends on making neighborhoods more livable. This makes an effective blight strategy along with improvements in city services and public education critical to the future of the city.

Unlike past practice, the EPOP plan directs resources to both stable and struggling neighborhoods so that revitalization activities create value that retains existing homeowners and attracts new families with choices to settle in Philadelphia. The City ultimately needs a blight strategy that is sophisticated enough to create new value in neighborhoods with high levels of abandonment while stemming the spread of blight into new areas.

Tactic #4
Administrative Streamlining and Reorganization

Along with investing public dollars differently, the City must change how it does business if it is to stimulate homeowners and businesses to invest in neighborhoods. We support the Mayor's proposal to consolidate the functions of the city's housing agencies. However, we do not think this reorganization goes far enough.

The City needs a single agency to prevent abandonment, speed the reuse of vacant property and stabilize neighborhoods. Responsibility for demolition and encapsulation should be moved from L&I into this new Office of Neighborhood Services, as should the process of acquiring vacant property. This agency would also have an early intervention program to prevent abandonment and would be marketed as a central access point to report vacant property, acquire property and obtain City grants and loans for property maintenance. Like the new abandoned auto program, this office of neighborhood services should have clear public standards for service delivery and a hotline for direct access.

Our recommendations support many of ideas that have been discussed as part of the Neighborhood Transformation Initiative. Like many, we are concerned that old ways of thinking and acting die hard. Philadelphia must embrace this historic opportunity created by the election of John Street as Mayor in 1999 to fundamentally change our community development strategy.

We offer the analysis and recommendations that follow in the spirit of civic debate. We are hopeful that a wide range of residents, businesses, community organizations and public officials can work together to craft a revitalization strategy that delivers real change to neighborhoods while building the economy of the city.

Summary of Research Findings

The spread of housing abandonment in Philadelphia
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• An average of <u>1,348 properties were abandoned each year</u> from 1984 to 2000, a loss of housing for approximately 60,000 people.

• In 2001 there were <u>26,115 vacant houses, 30,729 vacant lots</u> and <u>2,950 vacant commercial buildings</u>, a total of almost <u>60,000 vacant lots and buildings</u>. Approximately <u>8,000 vacant houses are imminently dangerous</u> and at risk of collapse.

• <u>About 300,000 people in Philadelphia now live on blocks with an abandoned house</u>.

• <u>Some of the fastest increase in new vacancies is taking place in once-stable working and lower middle class neighborhoods</u>, many of which have historically had little abandonment.

• All things being equal, <u>the presence of an abandoned house on a block reduces the value of all the other property by an average of $6,720</u>, according to multivariate analysis of the effects of abandonment on sales prices.

• Analysis of changes in vacancy at a neighborhood level from 1984 to 2000 show that <u>a neighborhood with small numbers of vacant houses grouped in widely scattered clusters will end up with large clusters of vacant properties if nothing is done to shore up its housing market</u>.

The causes of housing abandonment in Philadelphia
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• Abandonment results from the inability or lack of incentive of an owner to invest in maintenance and therefore begins years before an owner walks away from a property.

• Rather than the inevitable result of forces outside the control of Philadelphia, housing abandonment is shaped by public policy and practices of financial institutions and is itself a cause of housing market deterioration and population loss.

• A major factor that explains different levels of housing abandonment across neighborhoods with similar socio-economic and housing characteristics is <u>access to conventional mortgages and home improvement loans</u>, according to multiple regression analysis.

• Our analysis found that in the average census tract in Philadelphia <u>a 10% decrease in the denial rate for home improvement loans would reduce housing abandonment by 9%</u>. Conversely, <u>a 10% decrease in loans made by sub-prime (often predatory) lenders would decrease housing abandoned in the average tract by 24%</u>.

The effectiveness of City housing and abandoned property programs
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• <u>The City's primary housing programs have had little impact on abandonment rates in neighborhoods</u>, according to multiple regression analysis.

• On a relatively small scale, <u>two City programs appear to have been effective at preventing **individual** properties from being abandoned and in rehabilitating individual vacant homes.</u>

• <u>Of the 12,000 houses that received Basic Systems Repair Grants from 1995 to 2000 only 117 (less than 1%) were abandoned in 2000.</u>

• From 1995 to early in 2001 <u>the Philadelphia Redevelopment Authority supported the rehabilitation of 290 vacant houses for home ownership at an average subsidy cost of just $36,429</u>.

• Four different agencies run the City's main housing programs with little coordination or neighborhood planning.

• Demolition and sealing activity by the Department of Licenses & Inspections has not been coordinated with community development efforts.

• <u>Most vacant lots in 1984 (93%) were still vacant in 2000</u>, suggesting that demolition in and of itself does not result in redevelopment. In contrast, <u>40% of vacant residential structures in 1984 were re-occupied by 2000</u>, suggesting the presence private market rehabilitation activity.

Summary of Plan

Safety First Proposal
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• Immediately seal or demolish all vacant property within 1,000 feet of a school or child care facility and develop a plan to seal or demolish the remaining dangerous properties, prioritizing houses closest to recreation centers, commercial strips and occupied houses.

• Revise cost goals for demolishing vacant houses from $10,000 to $6,500 per unit to reflect past cost experience and economies of scale. Include relocation costs separately.

• Spend no more than one-third of the total blight bond budget on demolition.

Reorganization for Prevention Proposal
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• Consolidate the four functions related to blight and vacant property (early intervention, emergency treatment, title transfer and redevelopment subsidies) into a single Office of Neighborhood Services with the mission to prevent abandonment, speed the reuse of vacant property and stabilize neighborhoods.

• Move responsibility for demolition oversight, encapsulation and clean & seal from L&I to the new Office of Neighborhood Services.

• Establish clear publicly stated service standards for sealing open vacant property and for demolishing dangerous property.

• Create and market a hotline for neighborhood residents to report abandoned housing to the City for quick intervention and establish true one stop access for individuals and organizations to obtain vacant property.

• Develop an early intervention program that utilizes early warning systems to prevent abandonment and quickly transfer abandoned property for re-use.

Neighborhood Stabilization and Value Creation Program
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• Create "Blight Free Zones" in neighborhoods across Philadelphia. The purpose of these zones would be to improve neighborhood quality of life, raise property values and stimulate neighborhood economic activity. For the purposes of illustration we propose specific zones in each City Council District.

• Unlike past community development efforts, this neighborhood stabilization and value creation program would make private investment and participation an integral part of the decision to invest public dollars.

• Community development organizations, as well as private developers, would be invited to submit proposals to develop comprehensive neighborhood revitalization plans including the rehabilitation of existing housing and development of new housing.

• This process would effectively create a civic competition to develop innovating strategies to revitalize and transform neighborhoods.

• A partnership with existing neighborhood businesses or non-profit institutions willing to help develop and invest in the revitalization plan would be a requirement for selection. By making the participation of economic anchors in the community an upfront requirement, this approach insures that public subsidies leverage private investment.

• Based on neighborhood needs, public funds would be used to support and stimulate both commercial and housing development, including a mix of affordable and market rate units.

• Houses on residential blocks with 1-3 vacant houses would be encapsulated and acquired by the City for rehabilitation as home ownership units.

• All remaining abandoned properties that could not be salvaged for rehabilitation would be demolished.

• <u>New housing</u> would be developed on strategically located city blocks with high levels of vacancy and, where appropriate, as infill housing.

• Remaining vacant land would be <u>transferred to adjacent property owners</u> (small lots) or <u>land-banked</u> (city blocks) for future development.

• Public investments would be made in <u>street and sidewalk repairs</u>, <u>lighting</u>, <u>commercial corridors</u> and <u>public facilities</u>. <u>Grants and loans for home repairs</u> would be aggressively marketed to encourage homeowners to make necessary repairs.

• City services would be coordinated to support public investment and address safety and neighborhood condition issues raised by community residents.

• The total cost of the proposed Blight Free Zones would be $273 million, with <u>$81 million being funded from blight bonds</u> (out of a total of $250 million), <u>$78 million from federal Community Development Block Grant and HOME funds</u> (out of a total of $449 million), $10 million from the City Capital Budget and <u>$103 million from private financing</u>.

• The proposed Blight Free Zones would result in the <u>rehabilitation of approximately 1,000 vacant houses</u>, <u>construction of 650 new housing units</u>, <u>demolition of 3,000 houses</u>, <u>land banking of 850 lots</u> for future development and the <u>relocation of less than 400 families</u>.

• Accomplishing this plan would require <u>support from the Commonwealth to increase the amount of private activity bonds in the $250 million bond issue from $55 million to $90-100 million</u>. This would reduce the amount of general purpose bonds, which have more restricted uses, from $195 million to $150-60 million.

• The final section of the plan sets out a model for predicting the potential fiscal impact of the new community development framework we propose. Based primarily on stabilizing, and in some cases increasing, property values within the Blight Free Zones, <u>we project that a substantial portion of the public subsidies invested in this proposal will ultimately be repaid through increased real estate tax collection</u>.

BLIGHT FREE PHILADELPHIA
A Public-Private Strategy to Create and Enhance Neighborhood Value

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Part I: Introduction

This report is a research-based neighborhood perspective on how Philadelphia should move forward on preventing blight and revitalizing neighborhoods. It is the result of a unique partnership between a faith-based community organization, the Eastern Pennsylvania Organizing Project [EPOP], the Temple University Center for Public Policy [CPP] and Diamond & Associates, one of the city's most experienced community development consultants. The recommendations are based on careful analysis of the Philadelphia housing market and the spread of blight and abandonment, as well as on the experience of community leaders in EPOP.

The proposed plan is radical in the original sense of the word of going to the root causes by setting out a strategy to stop the blight cycle early before it destroys neighborhoods. The plan details a "Blight Free Zone" strategy designed to create new neighborhood value and enhance the value of existing neighborhoods by leveraging private investment in neighborhood revitalization. We propose specific targeted areas and present detailed costs and projected fiscal benefits. Ultimately, our plan would spend more of the City's limited resources on rebuilding and less on tearing down than past approaches and demonstrates why this it better for Philadelphia. We offer this plan in the spirit of civic debate as residents, businesses, community groups and public officials craft a revitalization strategy that delivers real change to neighborhoods while building the economy of the city.

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How this plan was developed

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In September 2000, EPOP and CPP created Research for Democracy to help neighborhood leaders design and use research to influence public policies to reverse Philadelphia's loss of population. Funded with support from the William Penn Foundation and the Samuel S. Fels Fund, this research partnership reflects a commitment by EPOP and CPP that the public needs to play a more active and informed role in shaping public policy. Rather than carry out research for EPOP, researchers from Temple worked jointly with a group of EPOP clergy and lay leaders from South Philadelphia, Roxborough, Frankford, North Central Philadelphia, Kensington, Olney and Hunting Park to understand the spread of blight and abandonment in Philadelphia, its causes and consequences, the costs and benefits of different revitalization strategies and the successes of other cities in changing public policy to improve neighborhood life.

In March EPOP leaders and CPP staff presented preliminary findings to City Council and representatives from the City Administration. This initial report found that one of every four residential blocks, home to more than 300,000 people, had vacant property on them, but that

68% of these blocks had only one or two vacant houses. The goal of the presentation at City Council was to provide policymakers with an alternative to concentrated demolition of vacant houses in a narrow set of distressed areas. The analysis and recommendations in this report are based on positive feedback to the March briefing and additional data subsequently provided to us by the City. Roy Diamond of Diamond and Associates, a development consultant with 18 years of experience creating affordable housing and community economic development, helped shape the our recommendations into a viable community development plan.

Many of the ideas that serve as the basis for this plan were originally developed as part of the EPOP Neighborhoods First Campaign during the 1999 Mayoral Election. Literally thousands of members and neighbors of EPOP member churches and schools contributed concerns and suggestions as part of the Neighborhoods First Campaign. The recommendations also build on the success of the City's new abandoned auto program, including the creation of a dedicated office of abandoned vehicles with clear service standards. The abandoned auto program provides a model for moving forward to tackle more complex but equally solvable problems facing our communities.

Organization of this Report
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This report has three parts. The first part explains the goals of the plan and the data and methods used in carrying out the analysis on which the recommendations are based. The second part presents the research findings on the spread of blight in Philadelphia designed to provide a factual basis for effective public policy. The third part presents recommendations, which cover imminently dangerous properties, reorganization of City departments and a comprehensive strategy to stabilize and create new value in neighborhoods.

Goals of this Report
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Our goal is to contribute to a public-private blight strategy that will effectively improve the quality of life in neighborhoods, making our communities magnets for people who want safe, affordable places to live and raise families. This plan sets out steps that would result in a single City agency with the capacity to prevent

Organizations Collaborating on this Report

The Eastern Pennsylvania Organizing Project [EPOP] is a faith-based organization representing more than 40,000 families in 25 member congregations, schools and neighborhood institutions. Since 1993 EPOP has worked to improve education and quality of life in Philadelphia's neighborhoods through leadership development and community organizing.

The Temple University Center for Public Policy [CPP] is an applied research center dedicated to assisting Temple faculty in carrying out applied policy research. The CPP has a national reputation for innovative research on issues facing children, families and neighborhoods and for its commitment to enable community organizations to play a meaningful role in public policy.

Research For Democracy is a partnership between EPOP and the CPP designed to teach research skills to community leaders and support those leaders in using research to influence public policy debate on the critical issues facing Philadelphia neighborhoods. Research for Democracy carries out research on policy issues designed to improve public education and neighborhood life and reverse the loss of population and resources experienced by the city over the last decades.

Diamond & Associates is a skilled provider of development advisory services focusing upon the financing, structuring, closing, construction leasing and/or sale of affordable housing and community facilities. It has served as advisor in support of over $350 million in completed development work.

housing abandonment and quickly act to transfer abandoned property to new uses. We propose that responsibility for overseeing the demolition and the sealing of vacant property be transferred from the Department of Licenses & Inspections to this new Office of Neighborhood Services. The plan would create a blight free zone in each City Council District where public resources would be matched with private sector investment and initiative to eliminate neighborhood blight, initially rehabilitate and construct more than 1,500 homes for homeownership, create affordable housing opportunities, improve block conditions and strengthen commercial corridors.

An important goal of these blight free zones, which would be anchored by private employers, non-profit institutions, and commercial corridors, is to leverage upfront commitments from private and non-profit institutions to support blight elimination.

Our hope is that this report and plan increase the public understanding about, debate over and ultimately support for a comprehensive citywide blight strategy.

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The plan would create a blight free zone in each City Council District, where public resources would be matched with private sector investment and initiative.

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Research Design and Data

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The research underlying this plan relies on a series of different methods designed to make sense of complex neighborhood dynamics. To capture the multiple dimensions of blight and abandonment, the report uses both quantitative data, primarily from public sources described below, as well as interviews, maps, photos and other qualitative data.

This research asked several questions:
- **How many houses are abandoned in Philadelphia each year?**
- **How does abandonment spread?**
- **Where can we expect to find new abandonment?**
- **What are the effects of abandonment on sales prices of nearby properties?**
- **What are the costs of abandonment to nearby residents and to the City?**

- **What causes housing abandonment?**
- **What programs does the City currently have in place to deal with abandonment and are they effective?**
- **What happens to properties after houses are demolished?**
- **How does the current organization of City government support or undermine the prevention and elimination of neighborhood blight and abandonment?**

To answer these questions we collected extensive data on the Philadelphia housing market, vacant property and City housing programs. Table 1 describes each piece of data by its source and the years covered.

The primary sources for information on vacant property came from the 1984 L&I Vacant Property Survey, which found a total of 38,228 vacant lots and structures, and the 2000-2001 L&I Vacant Property Survey, which found 59,794 vacant lots and structures. In both cases the designation *vacant* was made by an L&I inspector looking at the outside of the structure and making a subjective judgment about whether the property was currently occupied. We matched this descriptive data from L&I with property ownership and tax data from the Board of Revision of Taxes and the Revenue Department. Matching this data made it possible to identify which vacant properties were either tax delinquent or owned by a public agency. The report uses this subset of vacant and tax delinquent or publicly owned as a working definition of *abandoned property*.

We also matched data for Sheriff Sales during 2000, as well as property specific data from the primary City programs designed to prevent or rehabilitate vacant property. These include the Philadelphia Housing Development Corporation's Basic Systems Repair Program, the Redevelopment Authority's Housing Rehabilitation Program and the Office of Housing and Community Development's Settlement Grant Program. Data on lending came from the reports filed by banks and other lenders under the Federal Home Mortgage Disclosure Act.

Table 1: Data used in Analysis

Quantitative Data	Source	Year
Vacant Property Surveys	Department of Licenses & Inspection	1984 and 2000-2001
City Property File	Board of Revision of Taxes	2001
Real Estate Tax Database	Revenue Department	2000
Basic Systems Repair Grants	Philadelphia Housing Development Corporation	1995-2000
Homeownership Repair Program	Redevelopment Authority	1995-2001
Settlement Grants	Office of Housing & Community Development	1993-2001
Tax Sales and Foreclosures	Philadelphia Sheriff's Office	2000
Structure Fires	Philadelphia Fire Department	2000
Housing Characteristics	U.S. Census Bureau	1990
Population Characteristics	U.S. Census Bureau	2000
Home Mortgage Disclosure Data	Center for Community Change/FFIEC	1990-98
Demolition costs	Department of Licenses & Inspection	2000

Qualitative data

-Interviews with community residents in Hunting Park, Olney, Frankford, North Philadelphia
-Interviews and meetings with city officials in the Department of Licenses & Inspections, Board of Revision of Taxes, Revenue Department, Police Department, Fire Department, Redevelopment Authority, Law Department, Office of Housing and Community Development and Mayor's Office of Neighborhood Transformation.
-Interviews with officials from the Department of Housing and Urban Development.
-Interviews with community development organization staff and public officials in Boston, Baltimore, Washington, New Orleans, San Diego, Memphis and Chicago.
-Neighborhood inspections in each City Council District.

To analyze the quantitative housing data we constructed a large real estate database. We did this by coding all properties in the city based on the characteristics of the block (street segment) on which the property is located and the census block group and tract. A block or street segment is defined as both sides of a street and therefore corresponds to how most residents see their "block". We also created a separate census tract level database that allowed us to compare different neighborhoods based on a range of housing market and demographic data.

We used a range of analytic methods to analyze these data sets. These included basic descriptive analysis, such as GIS mapping and frequencies. An important tool in this research is multiple regression analysis, which permits us to assess the independent or net effect of a range of factors in explaining variations in abandonment. We were also able to use a subset of this data on residential sales in 2000 to predict the impact of vacant property on the value of nearby property. The results of this housing value analysis were used as the basis for a fiscal benefit model that we propose in the third section of the report as a way of measuring the impact of public subsidies on neighborhood value. EPOP leaders and CPP staff used interviews with neighborhood residents and city officials to help define the research questions and interpret the results.

The analysis that led to this report was a collective effort. Unlike most policy research, community residents who will be directly affected by the policies under consideration participated directly in designing the research and making sense of the results. Ultimately, the test of this participatory research approach is that it helps produce policy changes that better meet the needs of families and communities.

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Unlike most policy research, community residents who will be directly affected by the policies under consideration helped design the research and make sense of the results.

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Part II: Research Findings on the Spread of Abandonment in Philadelphia

Introduction

Many people in Philadelphia have come to view blight and abandonment as the unfortunate result of job and population loss over which the City has little control.[3] The implicit assumption that has guided the City's community development policy over the past decade is that the best hope is to wait until a neighborhood is so blighted that it can be cleared and redeveloped.[4] The current Neighborhood Transformation Initiative (NTI) proposal would spend seventy-five cents of every dollar in bond funds on demolition, relocation and land assembly. Despite the appeal of "cutting out the cancer" and "starting from scratch", there is little empirical research that supports either the view that abandonment is inevitable or the premise that large-scale demolition necessarily improves market values or the attractiveness of a city to current and potential residents.

In fact, research on housing abandonment beginning in the 1970's has found that public and private sector decisions significantly impact levels of abandonment[5] and that abandonment itself can cause housing market deterioration and population loss.[6] Rather than view it as inevitable, this research sees abandonment as a series of disinvestment decisions, often made years before an owner walks away from a property, that are shaped by public policies and the practices of financial institutions. There is evidence that some cities are moving away from strategies dating back to the 1940s that "attempted to stimulate demand for housing, commercial property and office space through massive demolition programs, public improvements and subsidized developments." In their recent review of city vacant property strategies, Accordino and Johnson find that "increasingly, cities are coming to view property abandonment as, if not a cause, at least a contributing factor in a vicious cycle of neighborhood and business district decline that undermines market demand and, therefore, must be addressed in its own right."[7]

Our research is designed specifically to help city policy makers better understand the neighborhood dynamics of blight and housing abandonment in Philadelphia so they can make policy decisions based on empirical evidence rather than untested assumptions. The research looks at how abandonment has spread through neighborhoods in Philadelphia, the effect of abandoned houses on neighboring property values and the public and private sector policies

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Despite the appeal of "cutting out the cancer" and "starting from scratch", there is little empirical research that supports the premise that large-scale demolition necessarily improves market values or the attractiveness of a city to current and potential residents.

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[3] The assumption that "[d]epopulation leads to vacancy and abandonment" and that the best hope for the city is to "manage decline" are the basic premises for the massive demolition and relocation strategy proposed by Mark Alan Hughes of the University of Pennsylvania Fels Center. Mark Alan Hughes and Rebekah Cooke-Mack 1999. *Vacancy Reassessed.* Public Private Ventures: Philadelphia; Mark Alan Hughes, A Sweeping Proposal: How to fix Philadelphia's Blight Problem, *Philadelphia Daily News*, Tuesday, July 31, 2001.

[4] Nathan Gorenstein, Rethinking Revitalization, *The Philadelphia Inquirer*, Wednesday, April 11, 2001. For a historical perspective see John T. Metzger 2000. Planned Abandonment: The Neighborhood Life-Cycle Theory and National Urban Policy. *Housing Policy Debate* 11:1.

[5] Michelle J. White 1986. Property Taxes and Urban Housing Abandonment. *Journal of Urban Economics*, 20: 312-330; David Arsen 1992. Property Tax Assessment Rates and Residential Abandonment: Policy for New York. *American Journal of Economics and Sociology.* 51(3): 361-378; David W. Bartelt and George Leon 1986. Differential Decline: The Neighborhood Context of Abandonment. *Housing and Society.* 13(2): 81-106; Patrick Bond 1986. Housing Abandonment in Philadelphia: Analysis of the Problem and Prospects for Relief. Philadelphia: Community Development Coalition, Inc.

[6] John Accordino & Gary T. Johnson 2000. Addressing the Vacant and Abandoned Property Problem. Journal of Urban Affairs, 22, 3, 302-3.
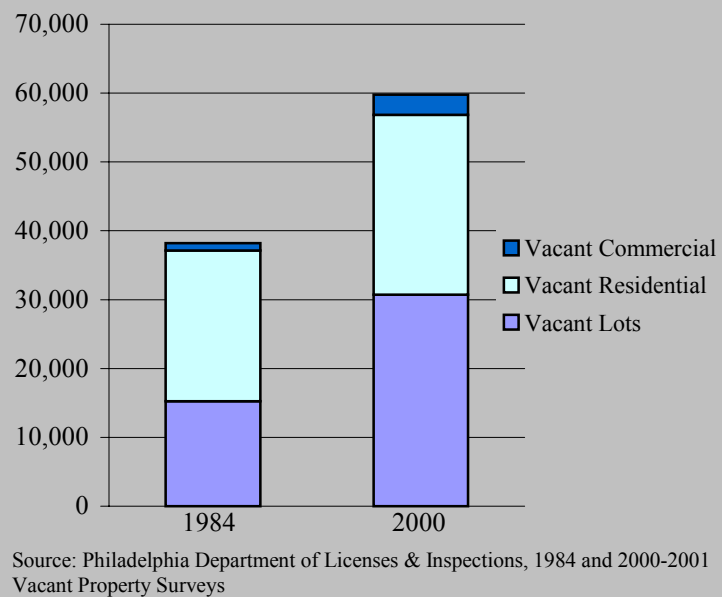
[7] Ibid 303.

and decisions that encourage or discourage housing abandonment, including the effectiveness of current city programs in preventing abandonment and blight.

The central findings support the view that abandonment and blight are part of a vicious cycle of housing market deterioration and therefore both a cause and an effect of population loss. The research findings point to the usefulness of a community development strategy designed to stabilize neighborhood housing markets and prevent blight. For Philadelphia this would mean balancing land clearance for redevelopment with interventions that encourage a positive cycle of investment by businesses and residents in existing neighborhoods. The first part looks at changes

Chart 1: Number of Vacant Properties in Philadelphia 1984 and 2000

Source: Philadelphia Department of Licenses & Inspections, 1984 and 2000-2001 Vacant Property Surveys

in the number of vacant properties since 1984 and the process by which vacancy has spread through Philadelphia neighborhoods. The next part looks at the impact of abandoned houses on the sales prices of nearby properties. The third part considers the causes of abandonment and tests out the impact of public and private sector policies and programs on neighborhood vacancy levels.

Increasing levels of vacant property
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Blight means different things to different people. We look closely at abandoned housing because it is the most visible and most permanent example of blight. Other aspects of neighborhood quality of life, such as trash, abandoned autos, graffiti and the condition of recreation centers and other public facilities are harder to measure accurately. The fact that the City has counted vacant houses in the past, also makes it possible for us to use vacancy information to

track changes in neighborhood quality of life over time. [8]

Our research shows that during the past decade and a half there has been a large increase in housing vacancy and abandonment in Philadelphia neighborhoods. Several key findings are important.

- As Chart 1 shows, between 1984 and 2000 the total number of vacant lots and buildings in Philadelphia grew from less than 39,000 to just under 60,000, an increase of 21,566.[9]
- The total number of vacant lots doubled from approximately 15,000 to 30,000.
- An average of <u>1,348 properties were abandoned each year since 1984.</u> Based on past experience most of these properties will eventually end up demolished.
- The volume of property abandoned since 1984 represents a loss of housing for approximately 60,000 people. [10]

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[8] Up until 1988 the Department of Licenses & Inspections counted vacant property every year to eighteen months. L&I did not conduct another vacancy survey until 1999, and then again at the end of 2000.

[9] Comparing total vacancies, including structures and lots, across time and across Council Districts, accounts for demolition activity. For example, one neighborhood may have fewer vacant houses and more vacant lots due to a high level of demolition activity. By looking at total vacancy we can track the spread of new vacant housing over time.

[10] Data from the 1984 and 2000-2001 L&I Vacancy Surveys appears to be consistent with the results of the 1990 and 2000 U.S. Census, which found a net loss of 12,941 housing units in Philadelphia over the past decade.

- Even as the City demolished an average of 969 houses each year this amount of demolition failed to keep pace with new vacants, so the total number of vacant structures continued to increase by almost 400 per year.
- In 2000 one out of every four residential blocks in Philadelphia had at least one abandoned house.[11]
- In 2000 approximately 300,000 people in Philadelphia lived on blocks with an abandoned house.

The increase in housing vacancy has not been spread evenly across neighborhoods. The data allow us to look at which neighborhoods and council districts are experiencing the greatest absolute increase in vacancy and where the rate of new vacants is increasing the fastest. Table 2 provides information on the level of total vacancy (lots and structures) in each of Philadelphia's neighborhoods. Table 3 presents this same information for each City Council District.

In addition to showing the total number of vacant properties, the tables also show the share the neighborhood or district had of the total vacancy in Philadelphia in 1984 compared to its share of the new vacants between 1984 and 2000. Neighborhoods where the share of new vacants since 1984 is higher than the share of vacants in 1984 are experiencing a faster increase in vacancy than the city average and are at the top of the list. For example, Harrowgate, in lower Northeast Philadelphia had .32% of all of the city's vacant lots

and structures in 1984 but accounted for 2.17% of all new vacants between 1984 and 2000-2001. This suggests that vacancy is increasing faster in this neighborhood than the city average in this neighborhood.

Map 1 shows change in total vacant property between 1984 and 2000 by census tract. Brown signifies a significant increase in vacancy, orange a moderate increase and yellow a decline.

The increase in vacancy over the past sixteen years was spread across large areas of the

Map 1

Change in Total Vacant Property by Census Tract 1984 to 2000-2001

Legend:
- -300 - -100
- -99 - 0
- 0 - 49
- 50 - 99
- 100 - 299
- 300 - 700
- No Data

Change in total vacant lots and structures

Source: Philadelphia Department of Licenses & Inspections, 1984 and 2000-2001 Vacant Property Surveys.
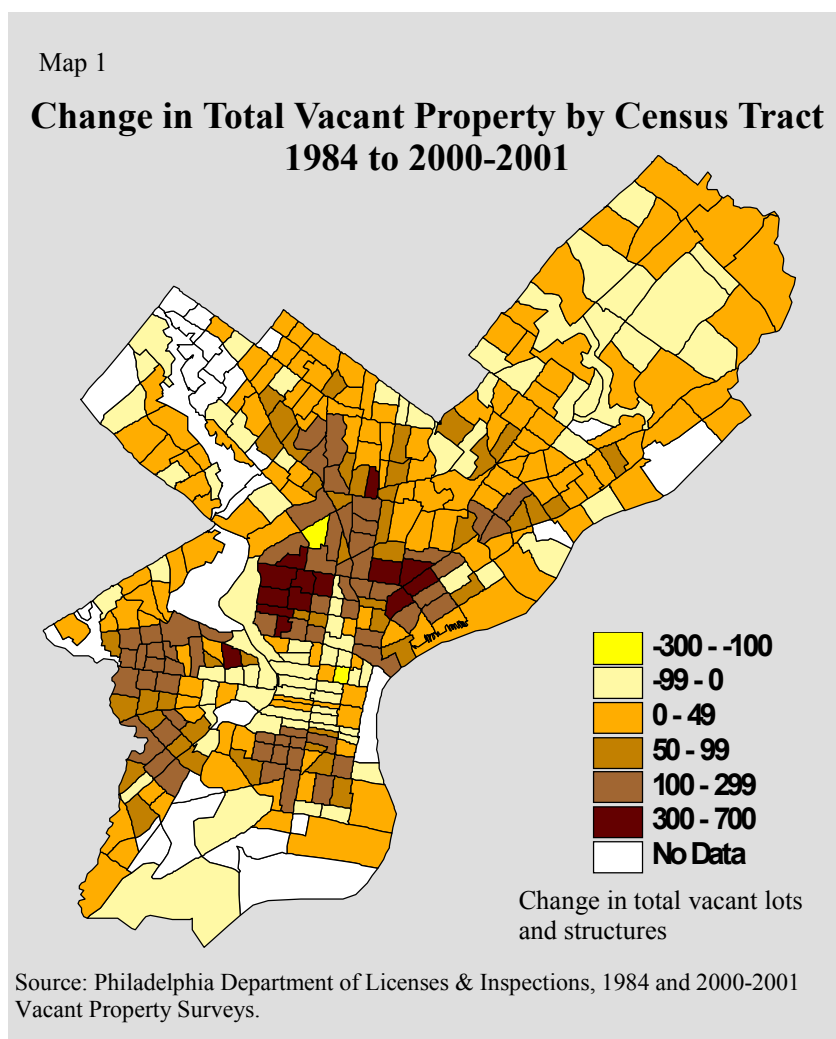
city, rather than being concentrated in a small number of heavily blighted neighborhoods. New vacancy expanded unevenly across neighborhoods. For example, while West Kensington had the largest number of vacant prop-

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[11] A residential block is defined as a street segment that includes both sides of a street that has at least one residential structure. Of the 31,000 residential blocks in the city, 7,341 have at least one abandoned house. Of these blocks with abandoned houses 68% have either one or two abandoned houses.

Table 2: Neighborhood Changes in Vacant Property 1984-2000

Neighborhood	Vacant Property 1984	Vacant Property 2000	% of Vacants in 1984	% of New Vacants 1984-2000	Neighborhood	Vacant Property 1984	Vacant Property 2000	% of Vacants in 1984	% of New Vacants 1984-2000
Olney	80	659	0.21%	2.70%	West Mount Airy	11	31	0.03%	0.09%
Frankford	362	1024	0.97%	3.08%	Penrose	4	19	0.01%	0.07%
Kensington	521	1225	1.39%	3.28%	West Parkside	4	19	0.01%	0.07%
Harrowgate	121	588	0.32%	2.17%	Cedarbrook	6	22	0.02%	0.07%
Upper Kensington	475	1126	1.27%	3.03%	Bridesburg	14	34	0.04%	0.09%
Haddington	283	817	0.76%	2.49%	Pennsport	135	224	0.36%	0.41%
Cobbs Creek	330	826	0.88%	2.31%	West Central	30	57	0.08%	0.13%
Stanton	816	1531	2.18%	3.33%	East Oak Lane	11	26	0.03%	0.07%
Logan	300	712	0.80%	1.92%	Rhawnhurst	43	76	0.12%	0.15%
Hunting Park	135	442	0.36%	1.43%	Brewerytown	614	975	1.64%	1.68%
Franklinville	264	639	0.71%	1.75%	Wister	136	220	0.36%	0.39%
Pashcall	240	568	0.64%	1.53%	Olde Kensington	250	395	0.67%	0.68%
Elmwood	44	243	0.12%	0.93%	Roxborough	28	45	0.07%	0.08%
Kingsessing	231	533	0.62%	1.41%	Wynnefield	45	71	0.12%	0.12%
Allegheny West	235	539	0.63%	1.42%	East Falls	16	22	0.04%	0.03%
Richmond	111	342	0.30%	1.08%	Cedar Park	41	60	0.11%	0.09%
Wissinoming	45	227	0.12%	0.85%	Mill Creek	429	670	1.15%	1.12%
Oxford Circle	19	178	0.05%	0.74%	Somerton	40	57	0.11%	0.08%
Feltonville	56	206	0.15%	0.70%	East Poplar	50	69	0.13%	0.09%
Wharton	121	294	0.32%	0.81%	Wissahickon	32	40	0.09%	0.04%
Strawberry Mansion	1749	2857	4.68%	5.16%	Greenwich	149	223	0.40%	0.34%
Holmesburg	39	159	0.10%	0.56%	Bustleton	24	25	0.06%	0.00%
Glenwood	165	356	0.44%	0.89%	Spruce Hill	18	15	0.05%	-0.01%
Carroll Park	256	496	0.68%	1.12%	Westside	52	64	0.14%	0.06%
Juniata	16	116	0.04%	0.47%	SW Cedar Park	42	46	0.11%	0.02%
Southwark East	144	313	0.39%	0.79%	Fairhill	434	651	1.16%	1.01%
West Oak Lane	92	229	0.25%	0.64%	University City	66	61	0.18%	-0.02%
East Germantown	191	382	0.51%	0.89%	Northern Liberties	109	125	0.29%	0.07%
Mayfair	9	95	0.02%	0.40%	Haverford North	168	211	0.45%	0.20%
Overbrook	81	207	0.22%	0.59%	Bella Vista	132	146	0.35%	0.07%
Nicetown	51	152	0.14%	0.47%	East Parkside	234	299	0.63%	0.30%
SW Germantown	112	233	0.30%	0.56%	Fairmount	160	182	0.43%	0.10%
Ogontz	219	390	0.59%	0.80%	Sharswood	584	838	1.56%	1.18%
Summerdale	18	68	0.05%	0.23%	Hawthorne	261	309	0.70%	0.22%
Lawndale	33	91	0.09%	0.27%	Ludlow	337	418	0.90%	0.38%
Morton	95	187	0.25%	0.43%	Manayunk	114	64	0.30%	-0.23%
Point Breeze	483	795	1.29%	1.45%	West Powelton	186	168	0.50%	-0.08%
Eastwick	12	53	0.03%	0.19%	Lower Kensington	382	459	1.02%	0.36%
McGuire	113	212	0.30%	0.46%	Queen Village	218	193	0.58%	-0.12%
Fishtown	1306	2090	3.49%	3.65%	Belmont	281	287	0.75%	0.03%
Upper Roxborough	10	49	0.03%	0.18%	Mantua	945	1314	2.53%	1.72%
Angora	2	35	0.01%	0.15%	Hartranft	1699	2497	4.54%	3.71%
Tacony	43	98	0.12%	0.26%	Southwest Schuylkill	462	542	1.24%	0.37%
Walnut Hill	50	109	0.13%	0.27%	Spring Garden	216	143	0.58%	-0.34%
East Mount Airy	143	254	0.38%	0.52%	Grays Ferry	811	940	2.17%	0.60%
Fern Rock	21	58	0.06%	0.17%	Francisville	612	613	1.64%	0.00%
Northwood	11	42	0.03%	0.14%	West Poplar	467	329	1.25%	-0.64%
Dunlap	12	43	0.03%	0.14%	Rising Sun - Tioga	582	479	1.56%	-0.48%
Whitman	106	188	0.28%	0.38%	North Central	2436	3293	6.52%	3.99%
Torresdale	45	87	0.12%	0.20%	West Kensington	2920	3293	7.81%	1.74%
Girard Estate	4	20	0.01%	0.07%					

Table 3: Change in Total Vacant Structures and Land 1984-2000 by Council District

Council District	1984	2000	Percent Change	New Vacants Per Year	Percent of All Vacants in 1984	Percent of New Vacants
1	5,540	8,804	59%	204	14%	15%
2	4,199	6,573	57%	148	11%	11%
3	4,667	6,967	49%	144	12%	11%
4	1,277	2,556	100%	80	3%	6%
5	12,263	16,695	36%	277	32%	21%
6	416	1,287	209%	54	1%	4%
7	5,503	8,731	59%	202	14%	15%
8	390	1,485	281%	68	1%	5%
9	2,739	4,484	64%	109	7%	8%
10	189	303	60%	7	0%	1%
TOTAL[12]	38,228	59,794	56%	1,348		

Source: Philadelphia Department of Licenses & Inspections, 1984 and 2000-2001 Vacant Property Surveys.

erties in 1984, representing 7.81% of all vacant properties in the city, it experienced only 1.74% of the new vacancies since then. In contrast, Olney, which had just 80 vacant properties in 1984, representing .21% of all the vacants in the city, experienced 2.7% of the new vacants. Elmwood in Southwest Philadelphia is another example of a neighborhood that had few vacants in 1984, 44 or .12% of the city total, but saw vacants increase to 243, representing .93% of the total. Elmwood's share of the new vacants was almost eight times as high as would be expected if new vacant property was spread out along the same pattern as in 1984.

The dispersion of vacancy is also evident across City Council Districts.   Districts One, Five and Seven had the largest number of va-

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Some of the fastest increases in new vacancies are taking place in the city's once-stable working and lower middle class neighborhoods which have historically had little housing abandonment.

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cant properties in 1984 and saw the largest absolute yearly increase. During the same time, however, the next ring of more stable working class and lower middle class neighborhoods in Districts Four, Six and Eight saw the most rapid increase in vacancies in the city. As chart 3 shows, District Four had just 3% of all vacant houses in the city in 1984 but was responsible for 6% of the new vacants since then. District Six in the Lower Northeast and District Eight in Northwest Philadelphia each had just 1% of all vacants in 1984, but experienced 4% and 5% respectively of all new vacants since then.

Interestingly, District Three, which continues to have a high level of vacancies, saw a relatively smaller increase in new vacancies than District Two. This may be due to the fact

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12   Total includes vacant properties that could not be matched into the BRT database.

Chart 2: Share of new vacant property from 1984 to 2000 by Council District
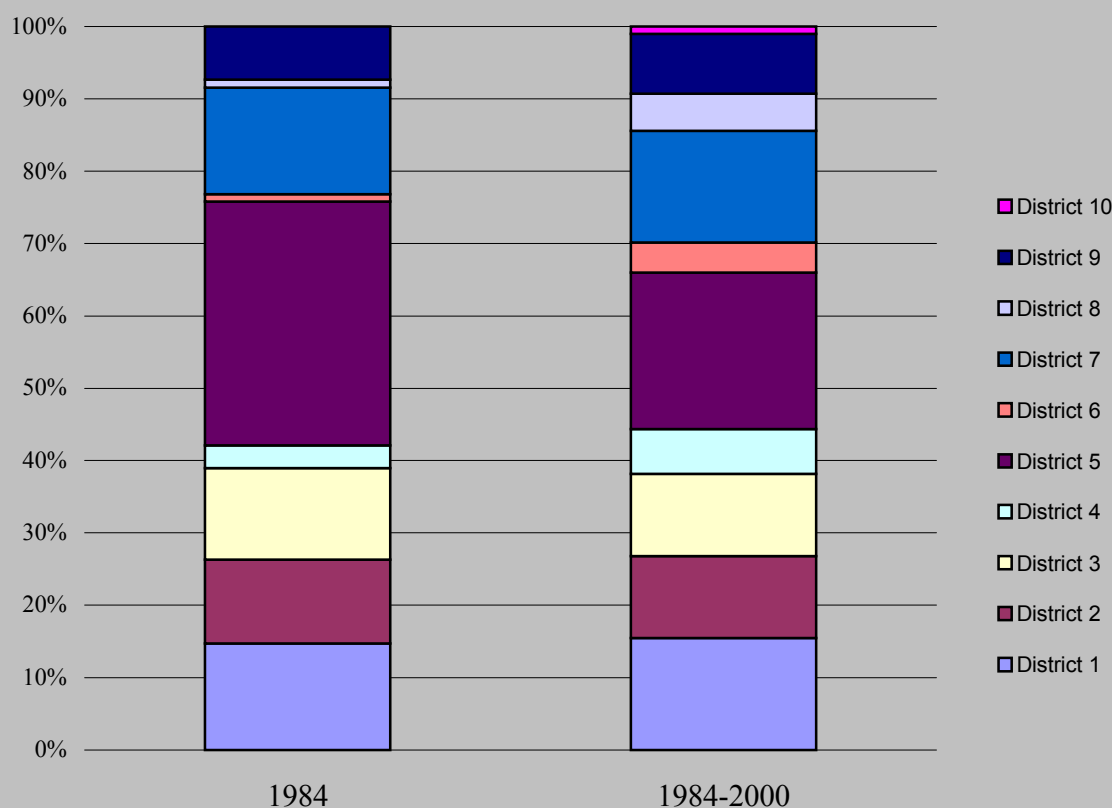
Legend:
- District 10
- District 9
- District 8
- District 7
- District 6
- District 5
- District 4
- District 3
- District 2
- District 1

(Bar chart with vertical axis from 0% to 100% in 10% increments, horizontal axis showing "1984" and "1984-2000")

Source: Philadelphia Department of Licenses & Inspections, 1984 and 2000-2001 Vacant Property Surveys.

that a private developer has used federal low-income tax credits to rehabilitate more than 500 houses within West Philadelphia during the past decade.[13] No other neighborhood in Philadelphia has seen this level of subsidized private rehabilitation activity.

The media often presents an image of blight as a devastated neighborhood pocked by vacant lots and collapsing houses. There are many of these neighborhoods in Philadelphia, and, in most of these areas with high levels of blight, vacancy is intensifying. At the same time, it ap-pears that some of the fastest increases in new vacancies are taking place in the city's once-stable working and lower middle class neighborhoods in Southwest Philadelphia and the Lower Northeast, many of which have his-torically had little housing abandonment. Many of these neighborhoods, particularly in the Lower Northeast, have also attracted large numbers of new immigrants suggesting that abandonment is spreading into some areas de-spite an increase in population and an appar-ently strong demand for housing.[14]

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[13] A face-lift in West Philadelphia with much effort all around, Cobbs Creek is coming back, *The Philadelphia Inquirer* April 19, 2000.

[14] The increase in the city's new immigrant population was concentrated in a relatively small number of neighborhoods: 18 out of 365 census tracts, primarily in Olney, Feltonville, the lower Northeast and parts of South Philadelphia, accounted for 48% of the total increase in the Latino and Asian population citywide. Each of these tracts saw a combined increase of more than 1,000 people. Similarly, one zip code (19120) ac-counted for more than 10% of the total documented immigration to Philadelphia from 1990-1998.

How housing vacancy spreads in Philadelphia neighborhoods

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To understand how abandonment has spread in Philadelphia we mapped vacant property in 1984 and 2000 using several different types of mapping tools. Maps showing vacancy levels in four different neighborhoods in 1984 and 2000 demonstrate that vacancy has moved within and across neighborhoods following relatively predictable geographic patterns.

At a neighborhood level, housing vacancy has been clustered. We found vacant houses grouped in specific geographic areas rather than spread out across the neighborhood. In neighborhoods with a small amount of housing vacancy, it was usually possible to identify small clusters of two or three vacant houses. Over time these small clusters of abandoned properties appeared to increase in density and expand outward. This means that the number of vacant properties inside the original cluster increased over time and that the cluster itself expanded into new areas.

The corner houses, which may have been corner store with residences above, generally deteriorated first and were often part of these initial vacancy clusters. These corner properties are far more likely to be vacant than properties in the middle of blocks: 16.5% of single-family residential vacant structures in 1984 (when the City distinguished between different types of residential structures) were mixed-use buildings that combined commercial and residential uses.

To understand how vacancy has spread within and across neighborhoods in Philadelphia between 1984 and 2000, this report presents in depth analysis of the neighborhoods of Olney, Holmesburg, South Philadelphia and Wynnefield.

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Vacant houses, often beginning with corner properties, are found in small clusters that grow denser and expand outward over time.
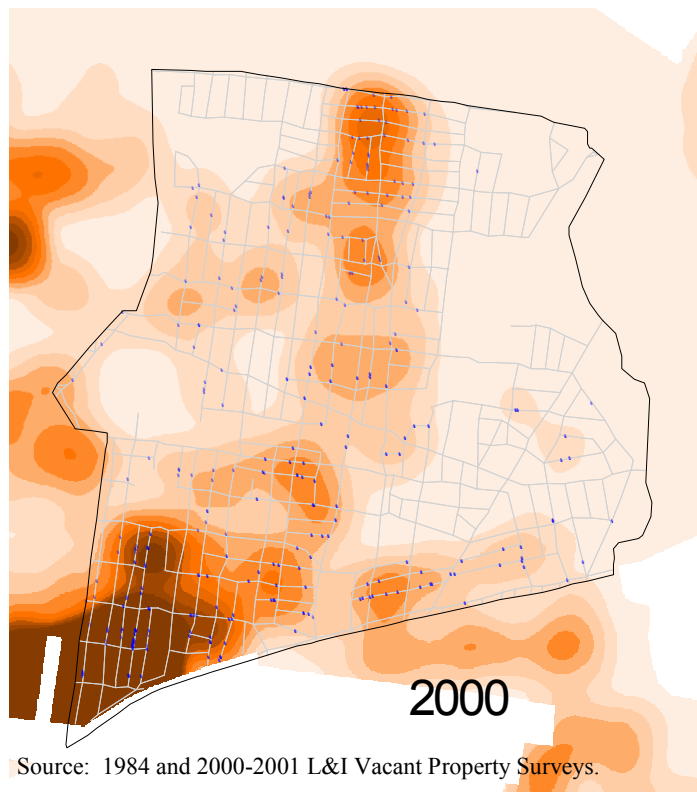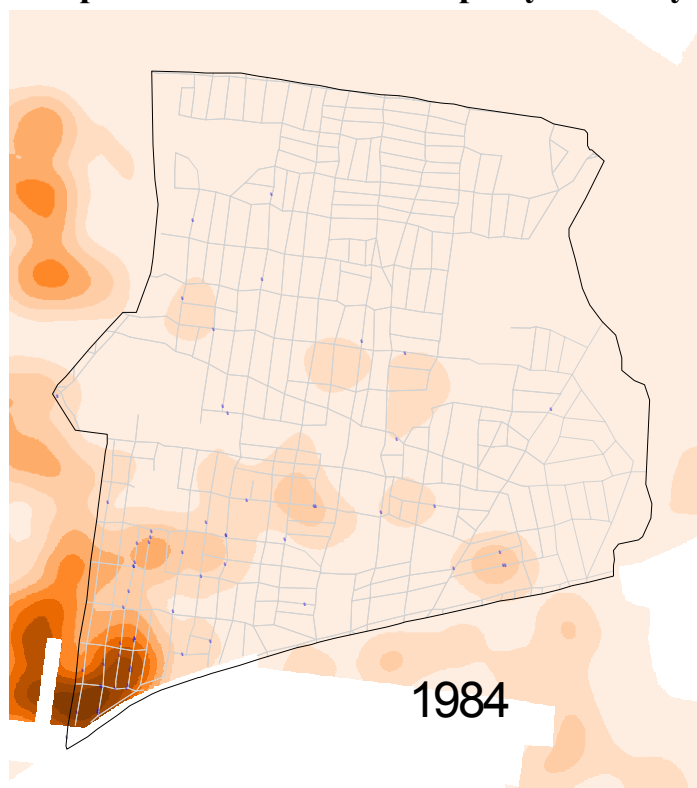
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Photo 1: A vandalized vacant corner property on an otherwise occupied residential block in lower Olney. Photo taken September 2001.

Maps 2a & 2b: Vacant Property in Olney

1984

2000

Source: 1984 and 2000-2001 L&I Vacant Property Surveys.

Olney

Olney, located north of North Philadelphia, is one of the city's most ethnically diverse neighborhoods. For many years it has been a magnet for working class and lower middle class families seeking to own a home in a safe neighborhood. During the past decade, African American families moved north and east to Olney from Germantown and North Central Philadelphia. At the same time Latino families moved north along Fifth Street from Eastern North Philadelphia and Asian families originally living in Kensington came to settle in Olney. The two large Catholic parishes in Olney now offer multiple masses in English, Spanish, Vietnamese, Portuguese and Creole.

Olney is also a focal point of immigration to Philadelphia. Between 1990 and 1998 more than 12% of all new immigrants to Philadelphia settled in the 19120 zip code in Olney.[15] During the past decade population in Olney actually increased by more than 2,500 people.

Despite the increase in population and new immigration, between 1984 and 2000 vacant lots and structures in Olney increased 765% from 80 to 659. Whereas there were just 56 vacant houses in 1984, in 2000-2001 L&I counted 295.

Maps 2a and 2b illustrate these trends. Each dot on the maps on the previous page indicates a vacant residential structure. The colored patterns on each map show the density of all vacant property (structures and lots). The top map (2a) shows the vacancy pattern in 1984, the bottom map (2b) shows 2000.

The maps show abandonment growing out from the Logan Triangle area. They also show the small cluster of vacancy along 5th Street near Lindley expanding to cover much of lower Olney by 2000.

In addition, a new cluster of vacancy is evident in 2000-2001 in upper Olney, east

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[15] Annual immigration data from the US Department of Immigration and Naturalization Services.

of 5th Street between Nedro & Godfrey, an area that had no blight in 1984. Approximately one quarter of these vacant houses were determined to be owned by HUD in 2001.

The experience of Sam and Phyllis Santiago, who participated on the research team that produced this report, illustrates some of the ways in which these vacant property trends affected residents of Olney.

In 1990 Sam and Phyllis Santiago moved from the 3000 block of North Water Street in Kensington to the 200 block of Rosemar Street in Upper Olney. When Sam and Phyllis moved to Olney eleven years ago there were no boarded up houses in their new neighborhood. They paid $48,000 for their house and for the opportunity to live on a quiet row house street in a safe neighborhood. The family that bought their old house in Kensington

Photo 2: A boarded up HUD owned house on the corner of Third & Roselyn in Olney. This is the only vacant house on the block. Photo taken August 2001.

was foreclosed on six months later and the house has sat vacant ever since.

Sam and Phyllis Santiago describe three big changes over the past decade. There are fewer and fewer white people in the neighborhood, as elderly homeowners have died or moved into nursing homes and other white families have moved up into Northeast Philadelphia or out of the city. There is more crime. They tell about a nun who was recently assaulted a block away from their church, an event that was reported in the newspapers. The third change is that there are abandoned houses on almost every block. Phyllis says she cannot walk to Olney Avenue seven blocks away without seeing any blocks that do not have at least one or two boarded up houses. On their block there are two boarded up houses, with another on the block behind them.

As part of a team of neighborhood residents involved in EPOP through St. Helena Parish, Sam and Phyllis have been researching vacant property in their neighborhood. They have learned that Olney has the highest concentration of HUD houses in Philadelphia. A company named Golden Feather has the contract to market HUD houses in the city. Following the "Protect and Preserve" guidelines set by the National Association of Mortgage Lenders which determine which zip codes get boards on vacant properties, Golden Feather boards up all houses in the city, but not in the suburbs. HUD officials have provided the St. Helena-EPOP team with documentation that three-quarters of all HUD houses are ultimately sold to investors, although three quarters of all houses in Olney in 1990 were owner occupied. Sam and Phyllis along with members of the EPOP leadership team at their church believe that by boarding up houses and the selling them to investors HUD is contributing to the deterioration of the Olney neighborhood.

Holmesburg

Like a number of residential neighborhoods along the Delaware River in Northeast Philadelphia, including Tacony and Wissinoming, Holmesburg has seen a sharp increase in vacant houses since 1984.

In Holmesburg between 1984 and 2000:

- vacant commercial buildings increased from 6 to 10
- vacant lots doubled from 24 to 48; and
- vacant residential structures increased from 15 to 119.

Total vacant property in Holmesburg increased by 254%. Maps 3a and 3b of Holmesburg show in close detail the spread of vacancy into a neighborhood that had generally been blight free.

The top map shows that in 1984 there were two small clusters of vacant houses. One cluster had four vacant houses on two nearby blocks, while a second to the south and east, had three vacant houses on two adjoining blocks. Sixteen years later, the bottom map shows that these clusters grew denser and expanded into new areas of the neighborhood. Holmesburg remains a strong residential neighborhood with few visible signs of blight. Yet the comparison of vacancy in 1984 and 2000-2001 suggests that vacancy will continue to grow if nothing is done to strengthen its housing market.

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The number of vacant properties in Holmesburg increased by 254% between 1984 and 2000.

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Maps 3a Vacant Property in Holmesburg 1984
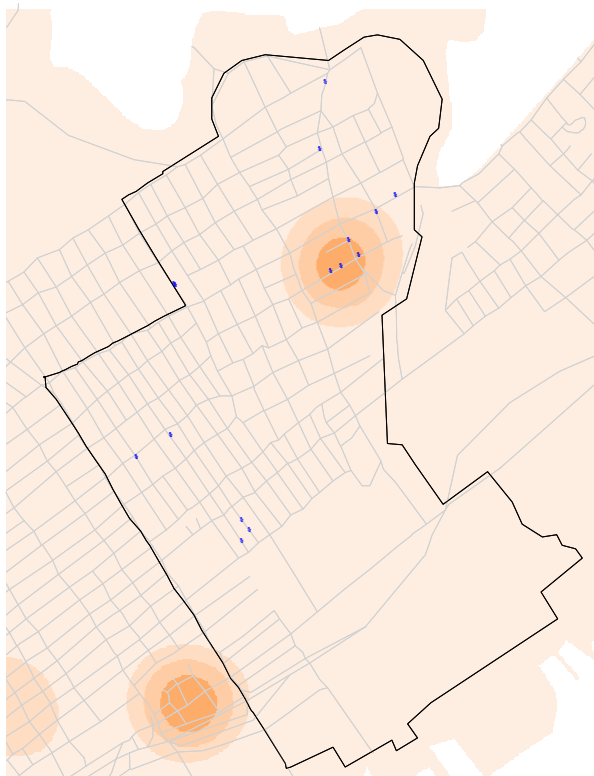
Maps 3b Vacant Property in Holmesburg 2000
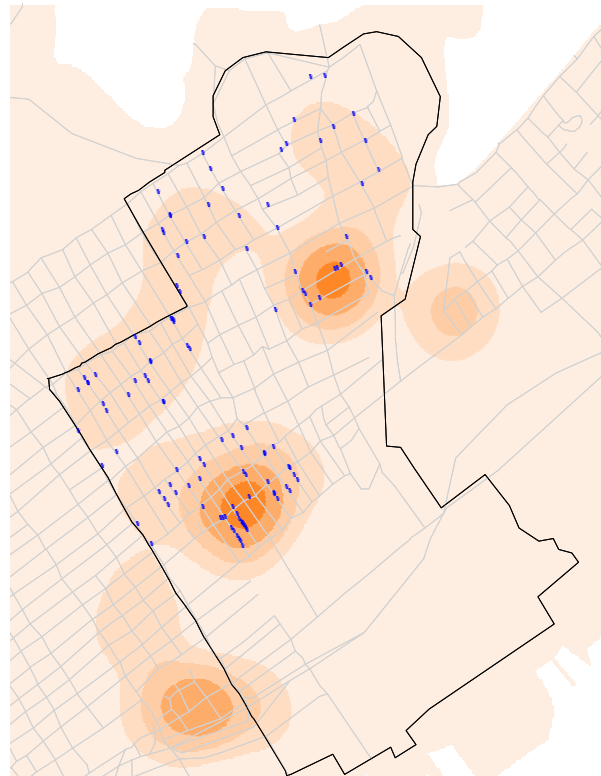
Source: Philadelphia Department of Licenses & Inspections, 1984 and 2000-2001 Vacant Property Surveys.

<u>South Philadelphia</u>

In South Philadelphia concentrations of vacant property have shifted south from the areas immediately adjacent to Center City over the past decade and a half. The red colors on Maps 4a and 4b for 1984 and 2000 show that the density of vacant property decreased in the areas of South Philadelphia that are close to center city while increasing in areas further south of South Street on both sides of Broad Street.

Maps 4a & 4b: Vacant Property in South Philadelphia

1984

2000

Source: Philadelphia Department of Licenses & Inspections, 1984 and 2000-2001 Vacant Property Surveys.

Wynnefield and West Philadelphia

The spread of abandonment in Philadelphia over the past sixteen years has brought vacant property increasingly close to many of the city's educational institutions, hospitals and large private employers. These institutions often have l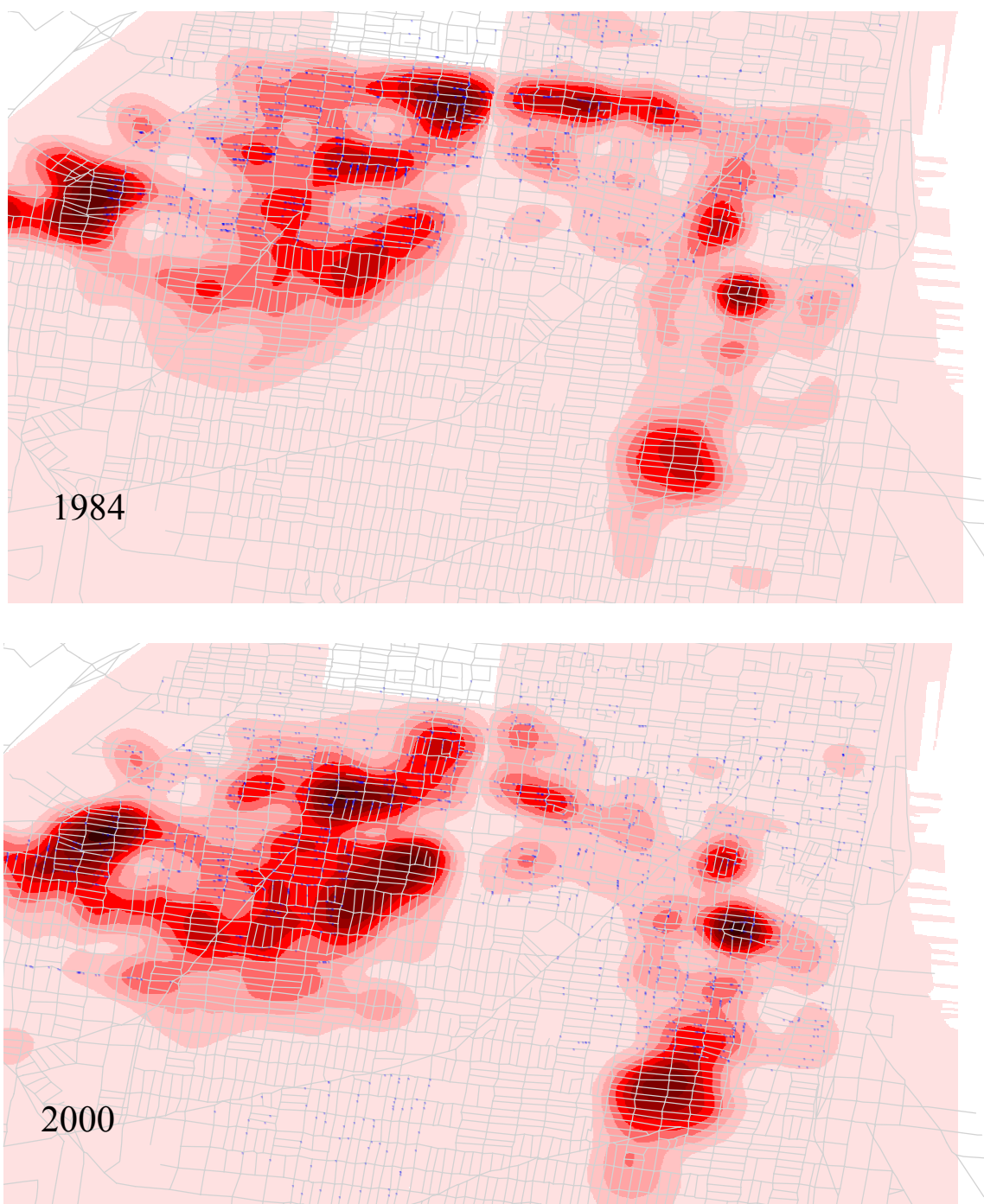arge fixed capital investments in neighborhoods. When property values and neighborhood conditions deteriorate in these areas the institutions may suffer in their ability to attract both employees and students or clients. Over the past several years the University of Pennsylvania has developed a comprehensive employee assisted housing and neighborhood improvement program designed to address blight in the West Philadelphia neighborhoods that border the University.

One example of a university that has seen blight spread increasingly close to its facilities is St. Joseph's University. St. Joseph's is a private Jesuit university with approximately 3,000 full-time undergraduates and 1,785 full and part-time employees, many of whom live in the area surrounding the University. Although the University is located at the edge of Philadelphia it is bordered by the neighborhood of Wynnefield and sits just a short distance from some of the most troubled parts of West Philadelphia.

Maps 5a and 5b on the next page show the area surrounding St. Joseph's University has seen a large increase in vacant property and this vacancy has moved increasingly close to the University. The number of vacant properties in the neighborhoods of Wynnefield, Overbrook, Haddington, Carol Park, Parkside that surround St. Joseph's doubled from 1,277 to 2,566 be-

tween 1984 to 2000. There have been approximately 80 new vacant properties in these neighborhoods each year and inflation adjusted property values in the Wynnefield neighborhood where St. Joseph's is located declined during the 1990's.[16]

Past research on the contagiousness of abandonment
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The findings on how vacancy has spread within Philadelphia neighborhoods are consistent with research on the spread of housing abandonment done in the past in Philadelphia and other cities. For example, a study in Indianapolis found that abandonment spread from one house to another through "a process of contagious diffusion in which condemned [abandoned] structures exert negative effects on other structures in their vicinity, provided that the analysis is conducted for systems of relatively small regions [geographic areas]."[17] Research conducted in North Philadelphia during the 1970s found a similar pattern.

> The process of abandonment as it operates in space…suggests an initial broad scattering of abandoned structures, characterized internally by the occurrence of many small groups of abandoned houses. With the passage of time, this pattern is intensified: the broad scatter is maintained, although small groups now contain a greater number of structures. A two-stage process is clearly suggested: the initial abandonment occurs and a later consolidation follows.[18]

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Even a small number of vacant properties in a neighborhood may cause property owners to hold back on investment in maintenance for fear that property values will fall.
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[16] Median sales price of residential property in Wynnefield was $53,500 in 1990 and $55,000 in 2000.

[17] John Odland and Blanche Balzer 1979. Localized Externalities, Contagious Processes and the Deterioration of Urban Housing: An Empirical Analysis. *Socio-Economic Planning Science*, 13, 92.

[18] Michael J. Dear 1975. Abandoned Housing, in Urban Policymaking and Metropolitan Dynamics: A Comparative Geographical Analysis. Ballinger: Cambridge.

Maps 5a & 5b

St. Joseph's University Neighborhood
Vacant Property in 1984
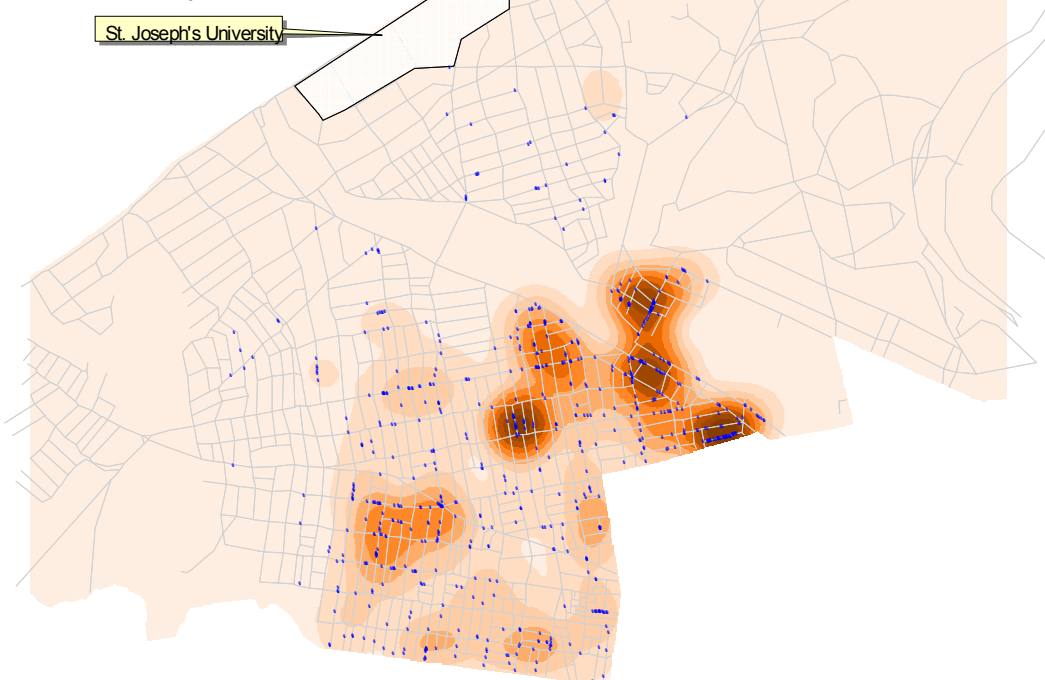
St. Joseph's University

Research for Democracy
A joint project of the Eastern Pennsylvania Organizing Project and the Temple University Center for Public Policy

St. Joseph's University Neighborhood
Vacant Property in 2000
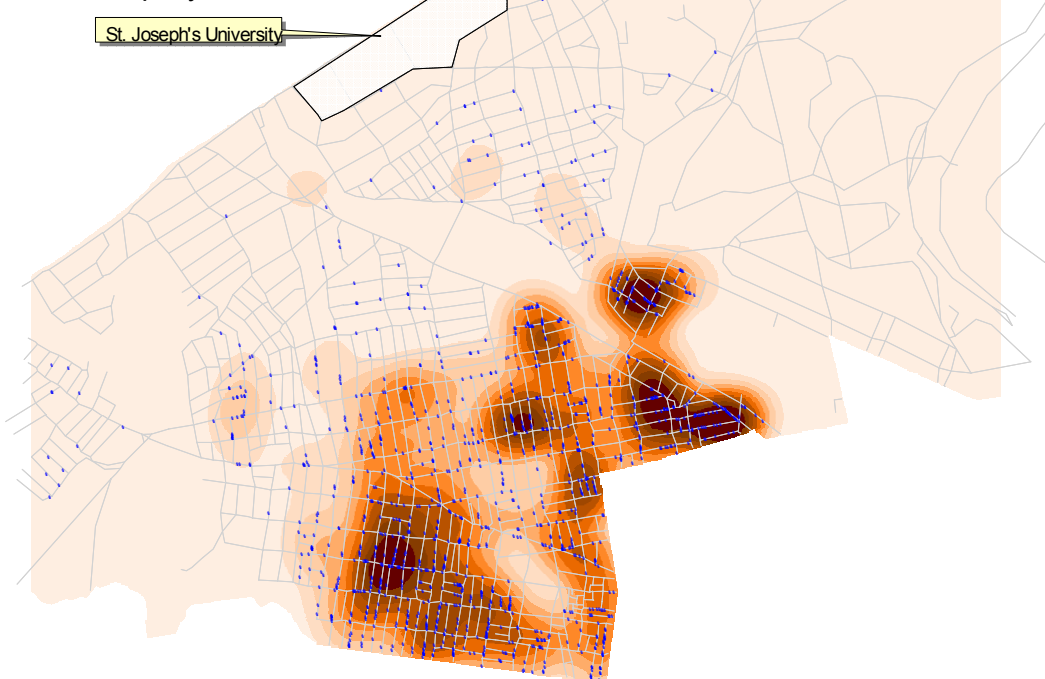
St. Joseph's University

Research for Democracy
A joint project of the Eastern Pennsylvania Organizing Project and the Temple University Center for Public Policy

The spread of abandonment is both a cause and product of a troubled housing market. Vacant houses send a message to property owners and financial institutions that a neighborhood has begun to deteriorate.   Research on the dynamics of housing markets suggest that housing market decisions by individual homeowners and lending institutions are often shaped by perceptions about the future direction of a neighborhood.[19] The presence of even a small number of vacant properties in a neighborhood may cause property owners to hold back on investment in maintenance for fear that that their property values will fall.

More research is needed on the question of why different types of families choose to move to Philadelphia and why others decide to leave the city. Yet clearly blight plays a significant role in the decisions people make about where they want to live. A 1998 City Planning Commission survey, which had a relatively low response rate, found that safety, neighborhood conditions and the quality of public education were three of the most common reasons families gave for selling their homes in Philadelphia. It has been common to attribute the loss of population from Philadelphia primarily to the desire of families to live in larger homes in suburban style neighborhoods. The City Planning Commission survey suggest that neighborhood conditions, personal safety and quality schools may be relatively more important to families as they make housing decisions. Unlike the fixed nature of the city's housing stock compared to suburban housing, the City has at least some significant influence over neighborhood safety and appearance.

The process of "contagious diffusion" is important for Philadelphia and other cities to understand as they develop policy strategies to deal with vacancy. The diffusion process within a neighborhood means that cities need approaches that intervene in the cycle of abandonment before it reaches a critical stage. "Once abandonment has begun it is likely to be very difficult to stop. It may become almost a self-sustaining process under the force of contagion."[21] This means city government must be able to intervene <u>early</u> to halt the spread of abandonment.

The dynamics of housing abandonment also means that the City may need to use different strategies <u>within</u> the same neighborhood. Categorizing different neighborhoods based on market factors, as the City's Neighborhood Transformation Initiative has done, is a useful tool

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Once abandonment has begun it may become a self-sustaining contagious process. This means city government must be able to intervene <u>early</u> to halt the spread of abandonment.

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City Planning Commission Home Sellers Survey

Those who responded to the 1998 survey listed safer neighborhood (61%), high auto insurance rates (60%) and wanting a more attractive neighborhood (56%). Interestingly, parents with school age children ranked better schools much higher (66%), but they ranked safer neighborhoods even higher (69%) and more attractive neighborhoods at the same rate (66%). The City Planning Commission sent surveys to 1,000 randomly selected households who sold houses in Philadelphia during 1998 based on data from the Board of Revision of Taxes.[20]   Only 188 households responded. About 60% of those who responded said they were looking for or had bought a new house in the suburbs. The remainder of those who responded were moving within Philadelphia.

[19]   Rolf Goetze 1979. *Understanding Neighborhood Change*. Cambridge, MA: Ballinger Publishing Company.
[20]   A survey of home-buyers found similar results.
[21]   Dear, Abandoned Housing, 67.

for analysis. Variation within the same neighborhood means however, that it may be a mistake to then limit the kind of policy interventions available to each market. Because abandoned property occurs in clusters, neighborhoods with extensive abandonment also have many solid residential blocks and relatively vital commercial areas. These blocks and business corridors represent strong clusters of value within weak neighborhood housing markets. The market analysis in the Neighborhood Transformation Initiative potentially categorizes entire neighborhoods markets as reclamation areas without accounting for the variation within communities. For example, defining an entire neighborhood, including the blocks in the bottom photo, as a

Photo 3: One of a string of four vacant houses at the center of this residential block in West Kensington. Photo taken September 2001.

reclamation area eligible only for demolition and land assembly activities may then undermine the existing value in a neighborhood.

Photo 4: A tree lined residential block with no vacant houses in North Central Philadelphia west of Broad Street. Photo taken October 2001.

The fiscal impact of abandoned housing on property values and City tax revenue

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One of the reasons why abandonment appears to be contagious is that the presence of an abandoned house on a block may reduce the value of the remaining houses. In this case, even one or two abandoned houses may begin to deteriorate the housing market in a neighborhood. We know that abandonment can have many consequences for a neighborhood ranging from decreased safety to increased risk of fire to higher heating costs for adjacent properties.[22] Changes in property values, however, offer a concrete way to measure the consequences of abandonment at a neighborhood level. Estimates of the fiscal impact of abandonment also provide a basis to project the potential benefits that might come from renovating abandoned housing.

The idea that public policies can have measurable "neighborhood effects" is playing an increasingly important role in community development policy. In the last several years, a number of people who write about community development policy have argued that housing investments should be assessed on their ability to generate secondary economic benefits for neighborhoods. Given the need to increase incomes and create economic opportunities in low and moderate-income communities, it is not enough to simply spend public dollars building housing without looking at the non-housing economic benefits.

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Estimates of the impact of abandonment on property values in a neighborhood provide a basis to project the potential benefits from renovating abandoned housing.

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These benefits can be measured in terms of generating new permanent employment, increasing commercial activity or increasing the value of nearby property.[23]

At the same time, urban economists and sociologists have developed sophisticated methods to estimate to what extent a particular public policy or neighborhood condition has influenced property values in a neighborhood. Most of this research has looked at the impact of subsidized housing, including the Section 8 program, on neighboring property values.[24] Other studies have used a similar methods to look at the impact of enterprise zones on housing values.[25] Known as hedonic price analysis, this technique assesses the influence of neighborhood, housing and policy characteristics on variation in housing values across neighborhoods.[26] Using multiple regression statistical techniques, this research method shows what factors work to increase or decrease housing prices and, therefore, local property values.

When a person buys a house they purchase much more than the physical structure and the land on which it sits. They also buy the right to live in a particular neighborhood. With the location of the house comes access to public services from transportation to education to police protection as well as the positive and negative characteristics of the neighborhood. As with the size, structure and condition of the house itself, the quality of these neighborhood characteristics and services varies greatly across different

[22] William Spelman 1993. Abandoned Houses: Magnets for Crime? *Journal of Criminal Justice* 21:481.

[23]   Fannie Mae Foundation 2000. *The Market Power of Emerging Communities: Innovative Strategies to Plan, Promote, and Finance Neighborhood Investment*. Washington D.C.: Fannie Mae Foundation; Carr, Community, Capital and Markets: A New Paradigm for Community Reinvestment, *The Neighbor Works Journal*, Summer 1999.

[24]   Chang-Moo Lee, Dennis Culhane, and Susan Wachter 1999. The Differential Impacts of Federally Assisted Housing Programs on Nearby Property Values: A Philadelphia Case Study. *Housing Policy Debate* 10(1):75-93; Robert Simons, Roberto Quercia, and Ivan Maric 1998. The Value Impact of New Residential Construction and Neighborhood Disinvestment on Residential Sale Price, *Journal of Real Estate Research* 15:147-61; Sandra Newman, and Ann Schnare 1997. "...And a Suitable Living Environment": The Failure of Housing Programs to Deliver on Neighborhood Quality, *Housing Policy Debate* 8(4):703-741.

[25] Engberg, John & Greenbaum, Robert. 1999. State Enterprise Zones and Local Housing Markets. *Journal of Housing Research* 10(2):163-187.

[26] For a more detailed discussion of hedonic price methodology see Simons, Quercia, and Maric, 148-149.

communities. How much a person is willing to pay for a house depends on the bundle of property and neighborhood characteristics that give a house value. The research tool used here makes it possible to take apart this housing bundle and calculate the effect of each characteristic of the property and the neighborhood on the variation in the price of houses selling in Philadelphia.

The research analyzed all 14,526 residential sales in Philadelphia for greater than $1,000 during the year 2000. The specific variables used to measure property and neighborhood characteristics are described in Appendix 3. We assess three different ways in which abandoned property might affect nearby properties. Appendix 3 also presents the statistical findings.

The first question we asked was whether houses that are within a certain distance of an abandoned house sold for less money. Using GIS mapping software we were able to code each of the sales that took place in 2000 for the distance of the property from an abandoned residential structure. We looked at the sales price of houses within 150 feet of an abandoned house, between 150 and 300 feet, between 300 and 450 feet and between 450 and 600 feet. Our goal was to examine if the presence of an abandoned house at each of these distances played any role in explaining variations in sales prices.

The results in Table 4 indicated that abandonment influenced the variation in property value.[27] Housing closer to abandoned properties had lower prices, all things being equal, than property located farther from abandoned properties. As Table 4 shows, these effects are very large. At less than 150 feet, houses experienced a net loss of value of $7,627. Houses located farther away experienced a smaller net loss, although they too were affected by abandonment.

Houses 150-299 feet away were valued $6,819 less than comparable housing all things being equal. Houses 300-449 feet away were valued at $3,542 less than comparable housing. Only at over 450 feet, the length of a typical Philadelphia city block, did the impact of abandonment disappear.

The next model we used examined whether variation in the number of abandoned properties on a block impacts sales prices. The analysis accounted for whether a property was located on a block with 1, 2, 3, 4, 5, 6, 7, 8, 9 or

Table 4: Estimated net impact of distance from an abandoned house on sales price

Distance from an Abandoned House	Net Impact on Sales Price[28]
Less than 150 feet	-$7,627
150-299 feet	-$6,819
300-449 feet	-$3,542
450-600 feet	Not statistically significant

10 or more abandoned properties. To account for demolition activity, in this model we included all abandoned properties, structures and lots.

The results of this analysis in Table 5, like those in Table 4, show that the effects of abandonment on property values are large. The presence of one to six abandoned properties on a block meant a net loss of over $5,000 for the remaining houses. The presence of five or six abandoned properties meant a net loss of $10,043 and $7,604.[29]

A third model examined the impact of the presence or absence of abandonment on sales prices. This model accounted for whether a block had no abandonment (either structures or lots) or some abandonment (one or more aban-

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Houses within 150 feet of an abandoned house experienced a net loss of value of $7,627.

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[27] Shown are the statistically significant B coefficients associated with each distance measure.
[28] B coefficients.
[29] Abandonment of seven or more houses did not affect property values. It is unclear why this is the case. It may be that other factors are driving these housing markets or that there are relatively few sales on these blocks.

Chart 3: **Effect of nearby abandoned housing on sales prices**

Distance from nearest abandoned house

0 to 149 feet	150 to 299 feet	300 to 449 feet

-$7,627   -$6,819   -$3,542
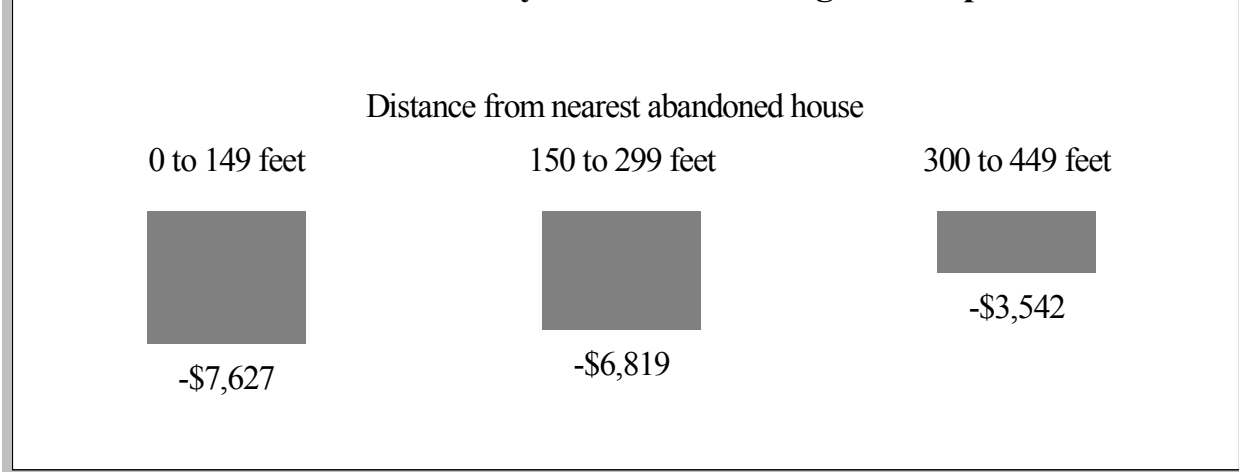
doned properties). The findings from this analysis are that all else being equal, houses on blocks with abandonment sold for $6,715 less than houses on blocks with no abandonment. To state this in another way, identical houses located in areas with the same neighborhood characteristics except for being on a block with an abandoned property experienced a net loss in value of $6,715.

Table 5: Estimated net impact of the number of abandoned properties on a block on sales prices

Number of Abandoned Properties on Block	Net Impact on Sales Price
One	-$6,468
Two	-$7,904
Three	-$5,096
Four	-$8,197
Five	-$10,043
Six	-$7,604
Seven	Not statistically significant
Eight	Not statistically significant
Nine	Not statistically significant
Ten or more	Not statistically significant

These results, which hold across each of the three tests, support the conclusion that abandonment has an independent effect on neighborhoods. This finding is important because it counters the view of abandonment as simply a symptom of larger forces. The results of this analysis and the maps and descriptive analysis of changes in abandonment at a neighborhood level suggest that abandonment is itself contagious both in terms of leading to more abandonment and undermining nearby property values. The concentration of the impact of abandonment on relatively small areas also point to the residential block or street segment is a useful unit of analysis and planning.[30]

Research Literature on the Underlying Causes of Housing Abandonment
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The analysis of the impact on abandoned property on nearby property provides a model for <u>how</u> abandonment can spread and <u>how much </u>it reduces property values. It does not however explain why abandonment happens or what influences levels of abandonment across different neighborhoods. For example, abandonment may be contagious because it makes it harder for people to sell their homes or because it leads banks to lower appraisals or deny loans entirely on blocks with abandoned properties.

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[30] Rick Grannis. 1998. The Importance of Trivial Streets: Residential Streets and Residential Segregation. *American Journal of Sociology*. 103(6):1530-64.

Photo 5: A vacant house on an otherwise occupied residential block in Frankford. It appears well sealed but the warning "Do don't congregate" and the graffiti are visual evidence of the impact a single vacant house can have on a block. This house is less than one block from Frankford Hospital. Photo taken September 2001.

Or abandonment may spread and reduce housing values because it creates a disincentive for owners to invest in their property or because it brings vandalism and other types of crime. The next part of our report looks at the literature on the causes of housing abandonment and presents research designed to test what policy factors explain the variation in abandonment across different neighborhoods in Philadelphia.

The idea of abandoning a house appears on its face to make little sense, and thus what causes widespread housing abandonment has been debated since at least the 1960's.[31] Much of the early research on abandonment saw it as a natural and inevitable outcome of a well functioning housing market. What came to be known as "Filtering Theory" posited that con-

struction of new housing in the suburbs inevitably led to the abandonment in inner city areas. Early advocates of the filtering idea viewed this process as a good thing because they believed it resulted in families at each level of the housing chain upgrading their housing situation.[32] In a sense they saw the housing market as a game of musical chairs in which a chair was added rather than subtracted leaving the least valuable chair abandoned at the end of the game.

Since it was first put forward, filtering theory has been criticized extensively on a number of grounds. Some research has accepted the premise that filtering accurately describes how housing markets work but questions the negative affects of the process on neighborhoods that ultimately experience abandonment.[33]

[31] George Sternlieb 1966. *The Tenement Landlord*. New Brunswick, NJ: Rutgers University Press.

[32] Wallace Francis Smith 1964. Filtering Theory and Neighborhood Change, in *Housing in America: Problems and Perspectives*, ed. Daniel R. Mandelker and Roger Montgomery. Indianapolis, Bobbs-Merrill Co. 17-33.

[33] M. Leanne Lachman & Mitchell 1977. New Construction and Abandonment: Musical Chairs in the Housing Stock. *Nation's Cities* 15:14-15.

The impact of abandonment on neighborhoods is so catastrophic that it outweighs any benefit that comes from families upgrading their housing. Other research has shown that chains of movement are very small, that is that the construction of new housing in the suburbs does not result in much movement of families from housing in the city.[34]

Rather than simply the product of excess housing stock, research on the process of how housing is abandoned suggests that abandonment results primarily from investment decisions by property owners. Most research on housing abandonment has focused on rental housing, particularly on the economic incentive for landlords to maintain their buildings. According to this research, owners stop maintaining their property and milk it of its value when the amount of rent they can obtain falls below the cost of maintaining the building and making an expected rate of return. Once this happens they continue to take a profit out of the building until it has no useful value. Recent research has looked at the impact of tax assessment practices, finding that the over-assessment of property in low-income neighborhoods can discourage investment in maintenance by owners and therefore increase abandonment,[35] and at tax sale policies, finding that quicker tax sales, rather than allowing property to become highly delinquent, can reduce abandonment rates.[36]

Less research has been done on the process by which property is abandoned by owner-occupants, but similar financial incentives may apply. Research on the economics of neighborhood housing markets suggests that owners in neighborhoods with relatively low and either stagnant or falling property values often lack the economic incentive and resources to invest in maintaining their properties.[37] Those who have the financial ability to move to another neighborhood may see little value in putting good money after bad. In a falling or stagnant market a $1,000 investment in a home may yield less than $100 increase in value when the property is eventually sold. This is true because, as confirmed by our price analysis, the value of property is derived in large part from the value of neighboring property. Those who lack the resources to move to a different neighborhood and therefore may have an incentive to maintain their property often by definition lack the resources to make expensive repairs.

While there is limited research on the relationship between people aging and abandonment, homes owned by low-income elderly persons face particular risks of abandonment.[38] In 1990 nearly one-half (185,000) of homeowners in Philadelphia were 55 years of age or older and one-third (117,000) were 65 years or older.[39] When an elderly homeowner enters a nursing home under a long-term care certification they are left with few resources to maintain their home and their estate is ultimately subject to a lien from the Department of Public Welfare. Moreover each year in Philadelphia thousands of people die whose estates are never probated. For example, while approximately 18,000 people died in Philadelphia in 2000 only 6,478 estates were probated. As a result a significant number of properties are abandoned because their owner-

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> Property owners in neighborhoods with low and stagnant or falling property values lack the economic incentive and often the resources to invest in maintaining their properties.
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[34] Gary Sands 1976. Housing Turnover: Assessing its Relevance to Public Policy. *Journal of the American Institute of Planners* 42:419-25.

[35] Arsen, Property Tax Assessment Rates and Residential Abandonment, 361-378.

[36] White, Property Taxes and Urban Housing Abandonment, 312-330.

[37] Rolf Goetze, Understanding Neighborhood Change.

[38] City of Philadelphia Office of Housing and Community Development 1999. Occupancy Study: The Status of Properties Belonging to Deceased Homeowners in Philadelphia. Philadelphia: Office of Housing and Community Development.

[39] Anne B. Shlay and David W. Bartelt 1995. Housing Philadelphia: Low and Moderate Income Home Ownership-Opportunities and Constraints. Greater Philadelphia Urban Affairs Coalition.

ship is clouded or the transaction costs associated with resolving ownership are greater than the value (or perceived value) of the property.

Research also points to the critical impact of financial institutions on neighborhood abandonment dynamics.[40] Bank redlining has long been seen as a major cause of high rates of abandonment in of low-income and African-American and Latino neighborhoods. Lending policies and specific loan decisions play a direct role in determining whether owners have the resources to finance repairs. They are important in shaping the economic direction of a neighborhood. Some have argued that when banks stop lending in neighborhoods undergoing racial change or shift the type of credit they offer, confusing transition with decline, they help create self-fulfilling prophesies.

Taken together research on the underlying causes of abandonment points to a model in which the amount of abandonment in a neighborhood will depend on both the will and the resources of owners in that neighborhood to invest in ongoing and often expensive maintenance.

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The success of a blight strategy depends on its ability to encourage a positive cycle of private investment by homeowners and businesses.

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The influence of public and private sector policies on abandonment

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To determine how to effectively stop abandonment, we need to understand how current public and private policies affect it. Understanding why some neighborhoods have higher levels of abandonment than others is important for deciding how and where to spend limited resources to stabilize neighborhoods. It is highly unlikely that City policy and public expenditures alone can revitalize the quality of life in a neighborhood. The literature suggests that the measure of the success of a blight strategy depends on its ability to encourage a positive cycle of private investment by homeowners and businesses. It is therefore useful to understand how public and private sector policies influence levels of abandonment in the city's neighborhoods. Do the decisions of public and private institutions work to increase or decrease the spread of abandonment? To assess this, we again rely on multiple regression techniques.

The analysis assesses the influence of both

Despite blight, there is strong demand for housing in many Philadelphia neighborhoods

City community development policy influences neighborhood quality of life primarily through the effect it has on the housing market. It is important therefore to understand the positive housing market dynamics in Philadelphia so that City policy can build on those dynamics. In general it appears that demand for housing, even in neighborhoods experiencing high levels of blight, continues to be relatively strong in the city. Recent sales data shows increases in sales values in most of the city's neighborhoods, although many have not kept up with inflation over the past decade. In many ways the affordability of housing in Philadelphia's low and moderate income neighborhoods makes our housing market unique within not only the Delaware Valley, but throughout the entire East Coast. The median sales price for a house in Philadelphia in 2000 was $50,000. There are approximately 265,000 residential properties in the city with a taxable market value (75% of the actual market value) under $37,500. This makes Philadelphia one of the few places in the region where families earning under $20,000 can afford the costs of owning a home.

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[40] David W. Bartelt and George Leon 1986. Differential Decline: The Neighborhood Context of Abandonment. Housing and Society 13(2):81-106; Patrick Bond 1986. *Housing Abandonment in Philadelphia: Analysis of the Problem and Prospects for Relief*. Philadelphia: Community Development Coalition, Inc.

Table 6: Potential Predictors of Census Tract Housing Abandonment Levels

Predictors	Census Tract Measures	Predicted Effect
Public Sector Policies	Average assessment of residential property	Positive
	Number of tax sales in year 2000	Negative
	Percent of properties delinquent greater than market value	Positive
	Number of publicly owned properties	Positive
	Number of Homeownership Rehabilitation Program renovated houses 1995-2001[41]	Negative
	Number of Office of Housing and Community Development Settlement Grants-all years[42]	Negative
	Number of Basic Systems Repair Grants 1995-2000	Negative
	Total Amount of Basic Systems Repair Grants 1995-2000[42]	Negative
Private sector policies[44]	Percent of loans made by sub-prime lenders 1999[45]	Positive
	Home mortgages originated 1999	Negative
	% of applications for home mortgages denied 1999	Positive
	% of applications for home improvement loans denied 1999	Positive
Social and Demographic Characteristics	Center City Dummy Variable	Negative
	Percent of heads of households 65 years or older 1990	Positive
	Percent of households owner-occupied	Negative
	Percent African-American 2000	Positive
	Percent Latino 2000	Positive
	Percent Asian 2000	Positive
	Fire department residential structure fires 2000	Positive
	Percent change in population 1990-2000	Negative
	Percent change in Hispanic Population 1990-2000	Negative
	Percent change in Asian Population 1990-2000	Negative
	Mean sales price residential property 2000	Negative
	Number of sales of residential property 2000	Negative
	Median household income	Negative

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[41] The **Homeownership Rehabilitation Program** (HRP) provides $25,000 grants to subsidize the cost of renovating homes by community development corporations for resale to homeowners. HRP is administered by the Redevelopment Authority (RDA).

[42] The **Settlement Grant Program**, administered by the Office of Housing and Community Development (OHCD) provides $1,000 grants to income eligible first time home-buyers in Philadelphia.

[43] The **Basic Systems Repair Program** (BSRP), administered by the Philadelphia Housing Development Corporation [PHDC], provides grants to owners to repair the basic systems of their homes. Each of these programs was initiated during the 1990's and in each case we aggregated the total number of grants from when the program began to the end of 2000. In the case of BSRP we also included the total dollar amount, as this figure varied from grant to grant.

[44] Lending data is from the Home Mortgage Disclosure Act (HMDA) files provided to Research for Democracy by the Center for Community Change in Washington.

[45] The definition of sub-prime lenders is from the Department of Housing and Urban development (HUD).

market trends and public and private sector policies on. variation in the level of abandonment across all of Philadelphia's neighborhoods.[46] Market variables are those housing, economic and demographic factors that help determine both the supply and demand for housing and therefore influence abandonment. Policy factors represent policies and practices undertaken by public and private institutions that potentially affect the housing market and therefore may also influence abandonment. These are city government policies and programs and bank lending practices. Therefore, the model looks at the influence of public and private policies independent of ongoing, contextual economic and social trends.

The variables used in this analysis are shown in Table 6. These are referred to as independent variables. Shown are descriptions of each variable and its predicted effect on abandonment. A "positive" effect indicates the expectation that this factor works to increase abandonment, all else equal. A "negative" effect indicates that the expectation is that this factor works to decrease abandonment, all else equal. "Positive" effect means that the larger the variable the larger the predicted amount of abandonment; "negative" means that the larger the variable the smaller the predicted amount of abandonment. Statistical tables are presented in Appendix 3.

The public sector variables include three tax-related factors:

The first is the average assessment of residential property in the census tract. This is included based on research from New York City that suggests that over-assessment in low-income neighborhoods increases housing abandonment. The higher the assessment the more abandonment we expect.

A second tax related variable, the number tax sales in the year 2000, is included based on the theory that allowing properties to accrue high tax delinquency without taking them to sheriff sale increases their chance of being abandoned. The more tax sales the less abandonment we expect.

The third tax-related variable is the percent of properties delinquent greater than market value, which is also viewed in the literature as a predictor of abandonment. Neighborhoods with higher percentages of properties delinquent above market value should have higher abandonment rates.

The public sector variables also include data on the activity level in the census tract of three different City housing programs:

The Redevelopment Authority's Homeownership Renovation Program (HRP) provides subsidies to community development organizations to rehabilitate vacant property. We would expect that HRP activity in a neighborhood would reduce abandonment by directly renovating vacant property and indirectly by encouraging other owners to invest in their properties.

The Office of Housing and Community Development's Settlement Grant Program provides $1,000 grants to first-time homeowners in Philadelphia. We would expect that higher levels of grant activity in a neighborhood would reduce abandonment by strengthening the housing market in these areas.

The third housing program is operated by the Philadelphia Housing Development Corporation and provides Basic Systems Repair Grants (BSRP) to low-income homeowners. We expect that these grants would decrease abandonment in a neighborhood by making resources available to homeowners to make repairs that might prevent a house from being abandoned and by encouraging other owners to invest in their properties.

Private sector variables include four variables based on the activity level of private financial institutions:

The first is the number of home mortgages originated in the neighborhood in 1999. It is more difficult to sell a home in a neighborhood where mortgages are difficult to obtain and where cash sales depress sales prices. It would be expected then that less mortgage lending would predict higher levels of abandonment.

A second lending variable is the denial rate for home mortgage loans. As with total mort-

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[46] The unit of analysis used is the census tract.

gage lending we would expect that higher de-nial rates for persons seeking home purchase loans would be associated with higher rates of abandonment.

A third lending variable is the denial rate for home-improvement loans. Where it is more dif-ficult for homeowners to obtain financing to repair their homes, it is likely that abandonment levels will be higher.

The percentage of loans made by sub-prime lenders is the fourth lending variable. Sub-prime lenders often include predatory lenders that experience much higher than average lev-els of foreclosure. In Philadelphia, an increase in sub-prime lending has been associated with sharp increases in foreclosures rates over the past several years.[47] Because foreclosure often results in housing being left vacant and in hous-ing being converted from ownership to rental it is predicted that higher rates of sub-prime lending will mean higher abandonment rates in a neighborhood.

Our model tested the im-pact of these variables on the number of abandoned residen-tial structures in each census tract in Philadelphia. Our goal is to understand why the num-ber of abandoned houses var-ies across different neighbor-hoods. We defined abandoned to mean any residential structure that was found to be vacant in the 2000-2001 L&I Vacant Property Survey and was either publicly owned or tax delin-quent. Due to the distribution of abandoned residential structures across census tracts in the city, we used the log of the number in each tract as our dependent variable.

Results

Two policy variables are statistically signifi-cant, indicating that they had an independent effect on abandonment. Contrary to what was

expected the more tax sales in a census tract the higher the number of abandoned houses. It is not clear why this is the case. This result may simply indicate that neighborhoods with higher levels of abandonment have more property that is potentially subject to tax sale.

The other policy variable that is statistically significant is the average assessment of residen-tial real estate. Again, contrary to what was ex-pected, the higher the average assessment the lower the level of abandonment.[48] This result may simply mean that that low property values are interrelated with abandonment rates. Both of these findings contradict research on rental housing abandonment in New York City that suggest that over-assessment of property in low-income neighborhoods and low levels of tax sales contributes to housing abandonment. The findings may mean that the dynamics of home-ownership abandon-ment are distinct from those that apply to rental housing. No other policy variables, including none of the three housing program variables, were statistically significant. Three out of four of the lend-ing variables were statisti-cally significant. Fewer mortgages resulted in a net increase in abandonment. Higher rates of home improvement denials in-creased abandonment, all else being equal. And sub-prime lending activity increased abandon-ment; greater percentages of sub-prime lending activity resulted in more abandonment.

These results mean that greater access to pri-vate capital for home purchase and home im-provement appear to reduce abandonment rates in a neighborhood. In the average census tract a 10% decrease in the denial rate for home im-provement loans would reduce abandonment by 9%.[49] This finding supports the conclusion that abandonment happens when people lack the re-sources to maintain their property, even if they

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In the average census tract a 10% decrease in the denial rate for home improvement loans would reduce abandonment by 9%.

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[47] U.S. wants clearer payment terms for high-cost loans mortgage counseling is among proposals in a report that says abusive lending threatens homeownership gains. *The Philadelphia Inquirer*, June 21, 2000.

[48] Assessment rates in Philadelphia are a function of market value, which should be approximately 75% of the true sales value of a property. It is clear that there are substantial differences in the ration of assessment to sales value between lower and higher income neighborhoods. Lower income neighborhoods are over assessed, but this does not seem to contribute to abandonment. Still this over-assessment is clearly inequitable.

have the desire to do so, and that financial institutions play an important role in influencing the housing market in a neighborhood.

Sub-prime lending also causes greater abandonment. In the average census tract, a 10% decrease in the percent of loans made by sub-prime lenders would result in a decrease of 24% in abandoned housing in a tract. Previous research in Philadelphia has suggested a strong connection between sub-prime lending and high rates of foreclosure. The results of this analysis indicate a direct connection between sub-prime lending and harm to a neighborhood in Philadelphia in the form of greater levels of housing abandonment.

The results related to lending institutions are important to Philadelphia because of the amount of sub-prime lending taking place in many of the city's neighborhoods and the difficulty that homeowners in these neighborhoods appear to have in obtaining conventional credit. There are eighty census tracts in Philadelphia where sub-prime lending represented more than 50% of the total lending. In these eighty tracts 59% of applicants for home-improvement loans to conventional lenders

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The results indicate a direct connection between sub-prime lending and harm to a neighborhood in the form of greater levels of housing abandonment.

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were turned down, compared to a 40% denial rate in the other census tracts in the city.

There is also an evident racial disparity in the impact of sub-prime lenders. Although African-Americans comprised up 43% of the city's population, they accounted for 86% of the population of the tracts where sub-prime lending predominates.

The regression results also point to the critical role played by private financing by banks and financial institutions in determining housing abandonment. Access to conventional credit for purchase and repairs decreases abandonment, while high lev-

Map 6: Percent of loans by sub-prime lenders

1999 HMDA data

Percent Sub-prime

- 0 - 15%
- 15 - 30%
- 30 - 50%
- 50 - 75%
- 75% or more
- No Data

Source: Home Mortgage Disclosure Act Data 1999.

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[49] The "average" census is tract is one with the assigned average values of all variables contained in the regression analysis. We weighted these average characteristics by the significant coefficients while varying particular variables with policy significance, e.g., home improvement denial rates. In this way, we could determine the magnitude of the effect of a particular variable, on average. The anti-log was taken of the sum of the weighted coefficients.

els of sub-prime lending increases abandonment. These findings are important for Philadelphia community development policy because they suggest that public subsidies will be most effective at preventing abandonment and blight when they stimulate conventional financing in a neighborhood.

The effectiveness of current City programs in preventing abandonment
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Our research could not discern a systematic effect of City housing programs on abandonment. This raises questions about the effectiveness of these housing programs. This part of our report looks at the operation of the primary components of blight prevention in Philadelphia.

There are four basic city government functions that relate to the prevention and reuse of vacant property:

(1) **Early intervention** to prevent a property from being abandoned;

(2) **Emergency treatment** to protect the structural integrity of an abandoned property and protect the public from dangers posed by abandoned property;

(3) **Transfer of title** to a new owner for re-use or redevelopment; and

(4) **Public subsidies** to encourage renovation or new construction.

In Philadelphia these four basic functions are carried out unevenly and divided between at least eight primary City agencies, most of which have no history of collaboration. A string of reports over the past six years on the City's vacant property system have generally concluded that the system is reactive, slow, fragmented and unclear.[50] Moreover, the agencies rarely market their services to the public. As a result there is little information available to the public about steps that can be taken to prevent or reuse abandoned property.

Table 7: Basic Systems Repair Grants 1995-2000

	Number	Total Amount	Roofing	General	Heating	Plumbing	Electrical
1995	1,270	$5,302,475	317	162	219	444	89
1996	2,832	$14,097,270	627	407	369	1,243	122
1997	1,875	$7,815,325	501	273	271	695	95
1998	1,779	$5,117,894	584	158	200	590	220
1999	3,227	$10,202,637	1,381	142	305	852	522
2000	1,228	$3,792,597	555	47	157	265	191
TOTAL	12,211	$47,328,198	3,965	1,189	1,521	4,089	1,239

Source: Philadelphia Housing Development Corporation

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[50] The problems with the City's vacant property systems are well documented. City Planning Commission 1995. Vacant Land in Philadelphia: A Report on Vacant Land Management and Neighborhood Restructuring; Office of Housing & Community Development 1996. Vacant Property Prescriptions: A Reinvestment Strategy; Mark Alan Hughes & Rebekah Cook-Mack 1999. Vacancy Reassessed. Philadelphia: Pulbic Private Ventures; Pennsylvania Horticultural Society & Fairmount Ventures 2000, Managing Vacant Land in Philadelphia: A Key Step Toward Neighborhood Revitalization.

Prevention

The City has several separate programs that are designed to directly or indirectly prevent housing abandonment. These program include: the Basic Systems Repair Program (BSRP), which is administered by the Philadelphia Housing Development Corporation; the Action Loan Program, which is administered by the Redevelopment Authority; and the Settlement Grant Program, which is administered by the Office of Housing and Community Development.

Basic Systems Repair Program (BSRP) provides income-eligible homeowners with grants to make essential repairs to the major systems of their homes. As Table 7 shows, between 1995 and 2000 the Philadelphia Housing Development Corporation provided 12,211 grants to repair 11,998 homes for a total dollar amount of $47.3 million. The average size grant in 2000 was $3,088.

Our research showed that the number and total dollar amount of BSRP grants did not have a systematic impact on levels of abandonment in Philadelphia. However, very few houses that receive Basic Systems Repair grants are subsequently abandoned. We matched address data on BSRP grants with address data from the 2000 Licenses & Inspections Vacant Property Survey.

Of the almost 12,000 houses that received grants from 1995 to 2000 only 117 were found to be abandoned in 2000. This represented less than 1% of the properties that received grants. More than 4% of all residential property in the city is abandoned. The fact that these grants are by definition made to low-income households

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Less than one percent of the houses that received basic systems repair grants from 1995 to 2000 were abandoned in 2000.

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makes the low rate of abandonment noteworthy.[51]

It is not clear why few houses that were repaired with help from BSRP grants would end up abandoned but the level of grants in a neighborhood would have no systematic effect on abandonment. One possible explanation is that too few grants are made each year to have much of a neighborhood impact. The Basic Systems Repair Program makes grants based on applications rather than targeting specific homes or neighborhoods. The fact that grants are not strategically targeted or broadly marketed may explain why it has a positive impact at the level of individual households, but apparently little or no impact at the neighborhood level.[52]

The Settlement Grant Program operated by the Office of Housing and Community Development Settlement Grant program is not designed specifically to prevent abandonment. It is intended to shore up the city's housing market by increasing the pool of potential homebuyers. Under the program, income eligible first time buyers are provided with $1,000 grants toward settlement costs.

The program has assisted thousands of first-time homebuyers. However, like the BSRP and the Action Loan, the Settlement Grant is a stand-alone program. It does not seek to leverage other money, for example from employers, to support homeownership. Nor is it explicitly tied to an effort to increase the availability of mortgage loans in low and moderate-income neighborhoods. It is, therefore, not surprising that the program has helped individuals, but not had a broader impact on neighborhoods or the operation of lending institutions.

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[51] Discussions with organizations that assist homeowners in obtaining BSRP grants indicates the complexity of obtaining a grant from PHDC.

[52] We did not obtain similar data for the Action Loan Program administered by the RDA. It is important to note, however, that these two programs are essentially sister efforts, since they serve the same basic goal with different tools. The fact that they are administered by two different agencies is a clear illustration of the lack of a seamless system for the public to access City housing assistance. There is no obvious reason why people who need help repairing their homes and cannot obtain loans from the private sector cannot deal with one city entity and thn be given different types of services based on their needs and income.

Emergency treatment: sealing and demolition

The largest and most costly City vacant housing programs are the clean & seal and demolition activities of the Department of Licenses & Inspections (L&I). L&I has a small encapsulation program, which involves installing new roofs and in some cases new windows and making other repairs to protect houses from water damage and thereby preserve them for future rehabilitation. The number of encapsulations to date has been small, and like most L&I activity there is no institutional mechanism to move these encapsulated houses toward renovation.

Research on vacant housing is clear that the abandonment process begins many years before a property is physically abandoned. Yet in most cases public involvement begins long after an owner has walked away from a property. Often the police are the first City department to deal with a building once it is actually abandoned. In almost all cases L&I only becomes involved once the building has become a public nuisance and by definition begun to deteriorate. This is often two or three years too late to salvage the value of the building before it was abandoned.

Moreover, L&I operates with no institutional connection to the City's community development apparatus. Not only has L&I not had the organization capacity and resources to act quickly to preserve the value in property, but it has lacked the institutional relationships and self-interest to support the City's community development agenda. For example, in 1996, the EPOP leadership team at Visitation Parish in Kensington worked successfully with L&I to either seal or demolish more than 100 houses on 40 targeted blocks. L&I was responsive, but

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L&I has no institutional connection to the City's community development apparatus.

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City involvement ended when the property was either sealed or demolished. There was no mechanism to have newly vacant lots referred to the Redevelopment Authority for transfer to neighbors or sealed houses referred for possible renovation.[53]

Even with a much more limited focus on public safety, L&I has lacked both the resources and the planning capacity to protect the public from dangerous buildings. Most of the focus on dangerous vacant properties has been on imminently dangerous properties that are structurally unsound and at risk of collapse. The other type of properties that are dangerous to the public are those that are structurally sound, but open to the elements.

According to the Department of Licenses & Inspections there are approximately 7,500 outstanding imminently dangerous structures in Philadelphia.[54]   The data provided to us by the City does not indicate whether a vacant property is open or sealed, making it difficult to determine how many properties are structurally sound but open.

The Philadelphia Code defines an imminently dangerous property based on the condition of the structure:

> [a property is imminently dangerous if] there is imminent danger of failure or collapse of a structure or any part thereof which endangers life, or when any structure or part of a structure has fallen and life is endangered by the occupation of the structure."   Philadelphia Code PM § 308.1.

According to the City Code, if the owner of an imminently dangerous property fails to make

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[53]   City Code now requires that "Department shall work cooperatively with other city and city-related agencies on any plans for the acquisition, disposition and re-use of vacant lots including, but not limited to: community development, housing, neighborhood gardening, landscaping, play areas, side yards, or any other legal uses." PM-308.4 However, it is not clear how this cooperation has been institutionalized.

[54]   Contracts to demolish 800 additional properties are currently being processed and awarded. The list of these properties has not been made public. When L&I surveyed vacant property in 1999 and again in 2000-2001 it was not able to send out inspectors who were equipped to determine the structural condition of properties. Licenses & Inspections identified imminently dangerous properties based on a follow-up survey of 100 census tracts and reports that are made to the Department.

the property safe, the City is legally obligated to do so:

> Where the order to eliminate an imminent danger is rejected or not obeyed, or when, in the opinion of the code official, immediate action is required to protect the public safety, the code official shall cause the necessary work to be done to demolish the structure or to render the structure temporarily safe. Philadelphia Code PM § 308.4.

For more than a decade there have been thousands more imminently dangerous properties in Philadelphia than the City has been able to demolish. L&I reports that given this overwhelming demand it has used a triage approach to demolish the worst of the worst buildings and prioritizes buildings that are adjacent to schools or on routes that children pass to and from school or day care centers. In practice however L&I has not had the data systems to accurately prioritize action on vacant property and has primarily been complaint driven. Even with significantly more resources for demolition the City will still need a clear publicly stated policy for deciding in what order dangerous properties should be addressed.

Photo 6: An open abandoned house near Ferguson Elementary School in North Philadelphia. Photo taken October 2001.

The same problem has applied to how the City has dealt with properties that are structurally sound but open to the elements. If these properties are located near schools or are being used for illegal activities they can also pose an immediate danger to the public. The City's primary tool for dealing with these properties, boarding them, has often been ineffective because of the constant re-opening of boarded up properties. Over the past several years L&I has begun to use an encapsulation process in a small number of houses each year. This involves putting a new roof and securing the house from water damage in order to protect the property for future renovation.

Under the City Code the location of a vacant property is not a factor in the definition of an imminently dangerous property. However, it is clear that where a property is located directly affects its dangerousness to the public. For example, an open vacant house across from a school creates a risk that young people might enter the house or that it might be used as a drug house.

With a list of imminently dangerous buildings and a list of schools, it would be a relatively simple matter to use GIS software to determine the subset of imminently dangerous properties that are within 1,000 feet of a public school. In the recommendation section of this report, we propose that this analysis be done immediately, the results be reported to the principals of each school, and a timeline be created to either seal or encapsulate or demolish each of these properties.

L&I does not appear to have tracked vacant property at a detailed enough level to effec-

Chart 4: Status of property idenitified as vacant in 1984
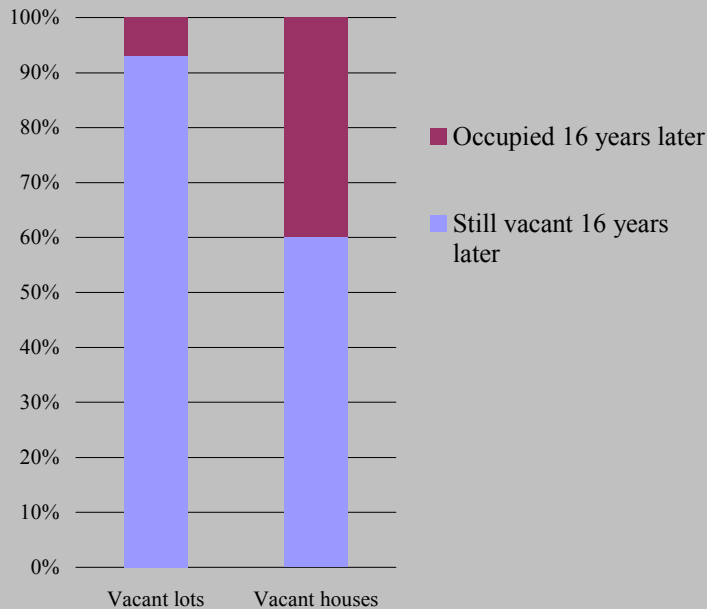
Source: City of Philadelphia, Department of Licenses & Inspections Vacant Property Surveys 1984 and 2000-2001.

ating more large tracts of vacant land than in the past and marketing that land more aggressively.

In contrast, past demolition has often taken place without a coordinated strategy to create land for future development and has involved little use of relocation. Despite being different than what is being proposed, the results of past demolition activity are still potentially instructive to the ultimate question of whether demolition and land assembly will lead to new development. During the past 15 years the City demolished approximately 15,000 vacant houses, a figure which exceeds current estimates of the number of properties that could be demolished under NTI. A central question underlying the design of the blight initiative is whether demolition, even if it is done more broadly to includes occupied houses so as to clear whole city blocks, will necessarily create the conditions for development. The analysis below, while preliminary is designed to help shed light on this critical policy question.

tively prioritize action. Until 1999 the City did not have a complete list of vacant property and the two surveys done in 1999 and 2000-2001 have only limited information about the condition of the property and no information about neighboring properties or public institutions. An effective system would also need to classify properties that are part of a community development plan, another obvious priority for City action.

Some observers, such as Professor Mark Alan Hughes of the Fels Center at the University of Pennsylvania, have proposed that the City demolish large tracts of land and hold onto that land for long periods of time until the market creates new development.[55] The Administration's NTI proposal does not indicate how long land may need to be held, but it clearly contemplates cre-

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Less than seven percent of the lots that were vacant in 1984, were redeveloped by 2000.
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To understand what happens to land once structures are demolished, we examined the status of lots that were vacant in 1984. We did this by matching the property identified as vacant by L&I in 1984 with the 2000-2001 L&I Vacancy Survey and the 2001 Board of Revision of Taxes database. We were able to match 86% of the 1984 properties.

Of the almost 15,000 lots that were vacant in 1984, less than 7% had been redeveloped with some new structure by 2000. These findings that vacant lots have rarely been redeveloped is supported by the results of a City Planning Commission analysis done as part of 1995 report of City Vacant

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[55] Mark Alan Hughes, A Sweeping Proposal: How to Fix Philadelphia's Blight Problem, Philadelphia Daily News, Tuesday, July 31, 2001.

Land policy and practice. The Planning Commission looked at a random sample of 100 residential structures that had been demolished in 1983. Ten years later, 92% of the sample properties remained vacant lots.[56] This suggests that over the past 15 years there has been an uneven market for vacant land in Philadelphia, at least for the type of lots that have been produced by demolition during this period.

In contrast, vacant houses tended to be reoccupied at a greater rate. Almost 40% of the residential structures identified by L&I as vacant in 1984 were reoccupied structures in 2000-2001. Similarly, 46% of the commercial structures vacant in 1984 were reoccupied structures in 2000-2001.

Two factors suggest why there appears to be a surprisingly high level of reuse of once vacant structures. First, a significant number, approximately one-quarter of all residential structures that were vacant in 2000-2001 were not actually abandoned. The owners of these properties left them vacant but continued to pay taxes.

The second factor that may explain the high rate of reuse of vacant houses is that there is at least some private market for renovating vacant houses. This private rehabilitation and reuse market appears to be more active than the market for new construction. Approximately 8,000 houses identified as vacant in 1984 were returned to the market by 2000-2001.

This finding is significant for City policy. It suggests that a strategy designed to promote private market investment in redevelopment may be significantly more effective when it focuses on rehabilitating existing housing stock than on demolishing property for potential future new construction. Moreover, developers who we have interviewed who have experience renovating houses on a large scale indicate that

rehabilitation tends to be significantly cheaper than new construction.

One example of widespread unsubsidized private market renovation is the rehabilitation of mixed-use corner buildings by Dominican entrepreneurs. As discussed previously, corner buildings account for a disproportionate number of vacant properties in the city. The Dominican Grocers Association estimates that its members operate 600 grocery stores across Philadelphia and that 50% were started through the renovation of vacant corner properties. Whereas in South Philadelphia most of the businesses involved purchase of existing stores, more than 75% of the businesses in North and West Philadelphia were start-ups in vacant properties. This activity is unsubsidized and is the type of private market activity that plays a critical role in vacancy prevention and property re-use. It is also a concrete example of the contribution of immigrants to the revitalization of neighborhoods.

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The Dominican Grocers Association estimates that its members have renovated over 300 vacant corner properties, an example of unsubsidized renovation and the contribution of immigration to neighborhood revitalization.

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Title transfer

Perhaps no policy decision is as important to the preservation of the city's housing stock than the system that Philadelphia has developed to facilitate the "acquisition" of vacant property by public agencies and the "disposition" of this property to new owners. The average time for processing an application is unknown. However individuals and organizations can wait as many as five or six years to acquire a property.

The time delay for the transfer of abandoned property is crucial because water is the great destroyer of housing stock. Left open to the elements for even several months, a house worth tens of thousands of dollars can quickly turn into a net liability. By the time someone applies for and obtains a typical vacant row house in Philadelphia, the property has deteriorated to

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[56] Philadelphia City Planning Commission, Vacant Land in Philadelphia (1995) p.12.

the point where only complete gut rehabilitation is possible.

Subsidies for redevelopment

The Homeownership Rehabilitation Program (HRP), operated by the Redevelopment Authority subsidizes housing renovation by community development corporations through a $25,000 grant for rehabilitation costs and an $8,000 developer fee per house. The remaining costs of renovation are accounted for by the sale of the house and other subsidies that the community developer can obtain. HRP has proved to be vastly more cost-effective and timely than programs by the city to directly rehabilitate or construct new housing.

The program also produces home ownership rather than rental units. From 1995 to early in 2001 the RDA subsidized the successful rehabilitation of 290 vacant houses for home ownership at an average subsidy cost of just $36,429. HRP is also recognized for having a track record in producing quality renovation.

Yet, despite being an apparently cost-effective tool for renovating individual houses, HRP has produced relatively few houses com-

pared to the total pool of vacant properties and had little impact on neighborhoods. Like most of the City's housing programs HRP is based on individuals or organizations coming to the RDA and does not operate based on any neighborhood revitalization strategy.

Map 7 shows the distribution of sixteen HRP rehabilitations in all of South Philadelphia since the program began. Except for four houses on the 2300 block of South Franklin Street the renovated houses are scattered in a sea of abandonment. Rehabilitation at this small scale is likely to have little or no impact on neighborhood conditions or nearby housing values.

In contrast, the Map 8 shows a much smaller area, roughly ten by six blocks, in the Allegheny West neighborhood of North Philadelphia, where the RDA supported the renovation of thirty-one houses. Here, most of the renovations represented multiple houses on a block and were all concentrated in a relatively small area. This pattern of HRP renovations appears to reflect a pro-active stabilization plan on the part of the community development groups in the neighborhood. Although this area had a high level of abandoned houses, it also had a

Map 7
Renovations in South Philadelphia
1995-2000

Source: Philadelphia Redevelopment Authority.

Map 8
Renovations in Allegheny West
1995-2000

high percentage of owner-occupied residences and a large elderly homeowner population. It remains a stable, if very low-income residential neighborhood. HRP-type stabilization may be a sensible strategy for stabilizing this type of community.

Although the RDA has broad powers to take vacant property for redevelopment through both spot condemnation and area redevelopment, the current design of HRP puts the burden of obtaining ownership over property entirely on the CDC seeking to participate. Because the program needs to show production numbers each year it prioritizes applicants who already have ownership over the properties they plan to renovate. This actually discourages applicants who would

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Federal and state subsidies to support housing development have been seen primarily in terms of service delivery, rather than as economic stimulus to neighborhoods.

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Photo 7: An abandoned house across from a new housing project under construction in Eastern North Philadelphia. Photo taken October 2001.

want to rely on condemnation to obtain property ownership due to the long lead time required to acquire properties through this mechanism.

This is an example of a lack of coordination in City housing programs, in this case within the same agency. Rather than deal with one co-ordinated program to support housing renovation, an organization needs to make one application for acquisition and a separate application for renovation. The difficulty that groups face in working through the City's property acquisition maze and the deterioration that results to vacant homes due to the delay is viewed by some community developers as a major reason for the small number of houses renovated under HRP.

Another critical factor is that the subsidy provided is fixed across very different neighborhoods, even though housing stock and sales price varies considerably within and between neighborhoods. This means that organizations are limited in the houses they can renovate through the program and cannot easily use it as a strategic tool to address all the vacant houses on a block or in a cluster of blocks. In general, Federal and State dollars have been almost the exclusive sources of public community development investment in Philadelphia. Observation of community development policy in Philadelphia, as well as other cities, suggests that these federal and state subsidies to support housing development have been seen primarily in terms of service delivery, rather than as economic stimulus to neighborhoods. One result is that these public subsidies have leveraged minimal private investment. Despite some efforts at neighborhood planning, most subsidized development has taken place within a framework where organizations compete to have specific projects funded. One result of this system is isolated projects with limited broader impact on neighborhoods.

Regional Policy

While the focus of this report is primarily on City policy, it is also important to highlight the regional dimensions of blight. While Philadelphia lost almost 13,000 units of housing during the 1990's, the four Pennsylvania suburban counties gained 87,272 new housing units. During this period population in the region increased by only 3%, but new housing grew by 7% and total acres of developed residential land increased twice as fast. This meant that for <u>every one new household in the five county region, developers built two new housing units.</u>

The construction of housing at more than twice the rate of increase in population has not only put enormous pressure on the Philadelphia housing market but it has also required large-scale public investment in infrastructure and transportation. These are resources that might otherwise be expected to be available to maintain streets and sidewalks and other neighborhood infrastructure in already built neighborhoods. While this report focuses on reshaping City of Philadelphia policy, future research needs to look more closely at the common dynamics around blight between Philadelphia and its close-in developed suburbs as well as the connections between neighborhood deterioration in urban areas and environmental damage in outlying suburban areas.

Moreover, Philadelphia has had little strategy to slow the spread of blight in traditionally stable residential neighborhoods. Without seeing public subsidies as investments there has been no reason to assess policy options based on the value they create. The City's community development framework is not explicitly designed to enhance the economic value of residential, commercial and institutional real estate. This has also meant that community development policy has been largely divorced from the City's overall economic development strategy.

Conclusion

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Our findings support the conclusion that an urban renewal strategy relying primarily on large scale demolition and land assembly is unlikely to stem the spread of blight in Philadelphia. This is because housing abandonment is a dynamic process eroding the value of many of the city's neighborhoods. While some areas have reached a point where wholesale demolition may be necessary, most of the city's abandoned housing is on blocks and in neighborhoods that are largely occupied. If past trends hold, abandonment will continue to worsen in these neighborhoods and spread into new ones.

Policies designed to address housing abandonment before it undermines the housing market in a neighborhood are more likely to succeed in increasing the value of the city's existing neighborhoods. A blight prevention strategy is also more likely to be effective if it leverages private investment, the absence of which is a major cause of housing abandonment. The recommendations in the next section follow directly from these research findings. They present a new framework for community development in Philadelphia based on the goal of enhancing the value of the city's existing neighborhoods.

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> Large scale demolition and land assembly is unlikely to stem the spread of blight. Policies designed to address abandonment before it undermines neighborhoods are likely to be more successful.

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Part III: Blight Free Plan

The plan that follows was developed by EPOP, the Temple Center for Public Policy and Diamond & Associates to provide a new framework for neighborhood development in Philadelphia. The plan addresses immediate steps around imminently dangerous and open properties, consolidation and streamlining of City functions and the creation of Blight Free Zones in each Council District. To move the public discussion on blight forward the plan proposes concrete examples of where public funds might be spent, detailed costs and fund sources, including private investment, and a model of projecting the fiscal impact of public expenditures on City tax revenue.

Safety First
Imminently Dangerous Properties

The first priority of any blight plan must be public safety and particularly the safety of children. The City should prioritize demolition of dangerous property <u>and</u> encapsulation of open but structurally sound property based on its proximity to schools and other institutions serving children. Prioritizing action on property based on these factors, as well as the develop-

Photo 8: Open vacant house less than twenty feet from McGuire Playground at Mutter Street & Lehigh Avenue. Across the street is the Lighthouse Community Center. Photo taken September 2001.

ment potential of a particular parcel, will require that additional data be generated and, as the Administration has proposed, a new Management Information System.

Our Safety First Proposal has four parts:

Dangerous structures within 1,000 feet of elementary schools
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There should be a commitment to demolish all dangerous buildings and seal all open, but structurally sound, vacant buildings that are located within 1,000 feet of a public elementary school over the next six months. Funds from the supplemental authorization to Licenses & Inspections should be used to carry out this work. As a first step we propose that the City identify all open or imminently dangerous buildings that are within 1,000 feet of a public school and report this information along with a timeline for action directly to the principal of each school.   Once these properties are secured, the City should move forward in sealing or demolishing the remaining imminently dangerous properties, prioritizing based on proximity to recreation centers, commercial areas and other occupied residential properties.

System for tracking and prioritizing treatment of vacant property
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These factors should be part of the City tracking system:

· Does the property meets the City Code criteria as an imminently dangerous building based on its structural condition?
· Is the building open, sealed, boarded up or encapsulated (this also affects the dangerousness of a building that may be structurally sound)?

· How close is the building to a school, recreation facilities or day care center?
· Is the property located within one block of a commercial corridor?
· Is there an adjoining occupied residential structure?
· Is the property part of a neighborhood development plan?

The order in which dangerous properties are demolished or sealed should depend on the physical condition of the property (how likely is it to collapse) and the proximity of the property to institutions serving children, commercial strips and other occupied structures. A lower priority should be given to structures that are not near these institutions or occupied residential buildings.

Performance standards
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As the City begins to deal with the backlog of imminently dangerous buildings we propose that the City establish a performance standard for how long it will take to seal newly reported open vacant structures or demolish an imminently dangerous property. It is important that these standards be clearly and publicly stated so that the public can rely on City services. The forty-eight hour performance standard for removal of abandoned vehicles has helped restore the faith of many residents in City Government. We believe that a similar standard would send an important message to residents about the vitality of the city as a place to live and do business. As discussed below there also should be a widely publicized hotline for residents to report abandoned properties.

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Performance standards send an important message to residents about the vitality of the city as a place to live and do business.
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Costs of demolition
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In calculating the costs of the demolition component to the blight plan we propose that costs be based on the past experience of the City in undertaking large scale demolition rather than the $10,000 figure that has been used in Administration estimates. Doing so should make it possible to meet public safety requirements while limiting the demolition component of the blight bond issuance to less than one-third of the total plan. Relocation costs should be indicated separately based on the number of households projected to be relocated under the plan.

Accurately estimating the cost of demolition is critical to the overall design of the Neighborhood Transformation Initiative. Because of the number of imminently dangerous properties, a small difference in per unit costs can translate into millions of dollars. This in turn impacts on what resources are available for neighborhood stabilization and redevelopment. The per unit cost of demolition varies based on the size of the house and whether the demolitions are in a string of houses next to each other. The most expensive demolition is a single house; when a string of houses is bid out together costs go down substantially. The lowest cost demolition occurs when an entire block is demolished by a single contractor.

The other costs related to demolition are bid out separately. One company has a requirement contract to seal the sewer laterals of demolished houses at a cost of approximately $245 per house. Where an adjacent house is left standing that house needs to be stuccoed at a cost of approximately $1,500 per house.

According to L&I the costs for recent demolition in the Lex Street area are ranged from $5,500 to $6,500 for two story row houses. Large three-story demolitions may cost up to $8,000. These figures are consistent with our analysis of L&I demolition costs for the fiscal year 2000. During Fiscal Year 2000 eighteen companies received contracts from the City for residential and commercial demolition activity. The lowest average demolition cost for a single company was $4,603. Excluding companies

involved in commercial demolition, the average cost of demolition was approximately $6,500 per unit. However, where L&I was able to hire a single contractor to do requirement contracts for "string demolitions" in the Logan area the average cost per unit fell to $4,000. While it may not be possible to replicate the exact costs, the experience in Logan suggests that when the City contracts with a company to do a large number of string demolitions in a single neighborhood it can significantly reduce the costs associated with demolition.

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Using the average cost for past demolition of $6,500 rather than $10,000 in the NTI budget would free up $50 million for development and neighborhood stabilization.

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Despite these actual cost figures and evidence of economies of scale in demolition, the City has used a $10,000 per unit cost to project the overall cost of demolition activities in NTI. Even if the cost of applying stucco to adjoining properties where necessary is included, the average cost per unit appears to be several thousand dollars higher than would be expected based on past experience.

The average cost of demolition has fundamental implications for the overall design of NTI. Although there are an estimated 8,000 imminently dangerous properties that are almost all going to need to be demolished, the City has suggested that it will also need to demolish another 6,000 properties as it clears land for new development and addresses newly dangerous properties. The chart below shows our estimation of the possible total residential demolition budget depending on the number of properties and the ultimate cost per unit. If the City uses a $10,000 per unit cost figure and a 14,000 unit estimation for the number of residential properties that need to be demolished, 56% of the entire bond issue would be spent on demolition. In contrast, using the average demolition cost would potentially free up $50 million for development and neighborhood stabilization. Ultimately, taking advantage of economies of scale from string demolitions and looking for more opportunities to rehabilitate vacant houses could limit the residential demolition costs to one-third of the total bond initiative.

Table 9: Significance of Different Per Unit Residential Demolition Cost Estimates			
	Average string demolition cost $4,000 per unit	*Average demolition cost $6,500 per unit*	*NTI Estimate $10,000 per unit*
8,000 demolitions	$32 million	$52 million	$80 million
14,000 demolitions	$56 million	$91 million	$140 million

Sources: Department of Licenses & Inspections, Contractual Services Division; City of Philadelphia Five Year Plan FY2001-FY2005.

Consolidation and Streamlining for Prevention

We recommend that the City consolidate the four functions related to blight and vacant property (early intervention, emergency treatment, title transfer and redevelopment subsidies) into a single Office of Neighborhood Services with the mission and resources to prevent abandonment, speed the reuse of vacant property and stabilize neighborhoods.

As part of this consolidation, responsibility for demolition oversight, encapsulation and clean & seal activities should be moved from L&I to the new Office of Neighborhood Services. This is an essential step to coordinate the resources that are spent demolishing and encapsulating vacant properties with the community development goals of the City. The Office would also include the primary functions of PHDC, OHCD and the RDA.

The new office would have four distinct program areas:

a. Early intervention to prevent a property from being abandoned.

b. Emergency treatment to protect the structural integrity of an abandoned property and protect the public from dangers posed by abandoned property.

c. Transfer of title to a new owner for re-use or redevelopment.

d. Public subsidies to encourage renovation or new construction.

The City should also establish clear publicly stated service standards for sealing open vacant property, for demolishing dangerous property and for transferring properties to new users. The new Office of Neighborhood Services needs to create and market a hotline for neighborhood residents to report abandoned housing to the City for quick intervention and establish true one stop access for individuals and organizations to obtain vacant property.

It is especially important that this Office of Neighborhood Services have a program area with the capacity to utilize an early warning system, such as the Neighborhood Information System, development by the University of Pennsylvania Cartographic Modeling Lab, to identify opportunities to keep owners from abandoning their properties and to capture abandoned property before it begins to deteriorate or become a nuisance.

There are also legislative changes at both the city and state level that we support that would speed the reuse of vacant property. These include making it easier for the City to take abandoned property once owners have left the property empty and stopped paying real estate taxes.

Vacancy Prevention and Homelessness Prevention

Preventing vacancy through repair grants and loans and assistance in resolving title issues is an important part of a homelessness prevention strategy. Many people end up homeless because there homes become uninhabitable. Research on homelessness has identified a strong relationship between living in a neighborhood with high rates of abandonment and becoming homeless.[1] Repair grants in particular appear to effective in preventing abandonment. And they represent a small investment compared to the cost of providing emergency shelter as well as the expense of rehabilitating an abandoned house.

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[1] Dennis P. Culhane, Chang Moo-Lee and Susan M. Wachter 1996. Where the Homeless Come From: A Study of Prior Address Distribution of Families Admitted to Public Shelters in New York City and Philadelphia. *Housing Policy Debate* 7:2.

Blight Free Zones

We propose that the City use part of the proceeds of the bond initiative that has been proposed by the Administration, as well as federal Community Development Block Grant and HOME funds to leverage private investment to create "Blight Free Zones" in neighborhoods across Philadelphia.   The purpose of these zones would be to improve neighborhood quality of life, stabilize property values and stimulate neighborhood economic activity.

For the purposes of illustration, we propose specific zones in each City Council District. The following section describes the basic principals of this comprehensive approach to neighborhood stabilization and revitalization, the mechanics of how this approach would work, detailed costs, sources of funds and estimated benefits in terms of property values and real estate tax revenue.

Plan principals
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Our Blight Free Zone proposal is based upon the following principles:

· Partnerships of existing businesses (or other economic *generators*) and adjacent neighborhoods can, if stimulated by City funding, efficiently produce new value, employment, and housing opportunities.

· The City's capacity to stabilize neighborhood value and increase Philadelphia's attractiveness to homebuyers and businesses is more likely to be achieved by funding such partnerships across councilmanic districts, rather than by limiting the preponderance of the public's capital to a handful of assembled parcels which are now in questionable locations.

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The plan builds on the existing value within the City's neighborhoods and their existing residents and businesses.
—

· Clearance and assembly of large parcels will not necessarily generate market interest. There is no guarantee when or if homebuilders or commercial investors would respond, particularly without clarity on how much money is available to assist developers with the cost of construction and operations, and if cleared land is surrounded by distressed conditions. This result reduces the field of new development projects that could feasibly take place. Thus delivering cleared land without sufficient resources to transform that land into new and valuable uses will not necessarily revitalize the city.

· The EPOP approach recognizes and builds upon existing value within the City's many neighborhoods and their existing residents and businesses. This approach focuses upon the assets already present in the neighborhoods, instead of the transformation of areas of distress into unproven, future value. EPOP proposes that large-scale demolitions, assembly, and retention for future marketing is appropriate, but only when it is done strategically and can reasonably be said to produce a more immediate contribution to the creation of value.

· The EPOP plan also reserves community development resources that fall outside of its own plan. This feature recognizes that no plan can encompass all of the valuable and deserving projects that will be conceived within the next 5 years.

· The EPOP plan is a significant departure from the City's past practices in spending community development funds on scattered projects without an overriding strategy. The EPOP plan is to use the City's money to catalyze partnerships of existing businesses with their surrounding community to produce housing and economic development efforts. The EPOP plan would fund those

partnerships in each councilmanic district, including but not only neighborhoods with a strong moderate and middle-income presence. These communities have been ignored by the City in the past when community development initiatives have been shaped and the money awarded.

· In addition, rather than rely upon a central pre-selection of the locations where funds will be spent, the EPOP plan would have the City issue Requests for Proposals to partnerships of businesses and communities, then select the plans which promise the most effective outcomes of generating value, eliminating vacants, leveraging private dollars with the proposed City funding, etc. This RFP process could take place every year.

—

The City would issue Requests for Proposals to partnerships of businesses and communities, then select the plans that promise the most effective outcomes.

—

prepared by EPOP with the Temple University Center for Public Policy, identifies almost 2,800 such blocks throughout the city. Our plan is based upon the principal that these blocks have value today, and, if the few vacants are treated, will retain and improve their attractiveness for decades as places for people to invest their hard earned money as homeowners. Blight Free Zones would be developed using these strong blocks as building blocks.

Second, EPOP proposes that businesses and institutions located near or within these blocks have a stake in making them *blight-free.* Doing so protects their investments. If the blocks around a business or institution are safe and attractive, chances are that employees of those businesses or institutions will also in-

This EPOP plan, thereby, leverages the private investment of local businesses *up-front* as a condition of spending scarce public funding, rather than making a huge public expenditure with only a hope of a private investment response.

Blight Free Zone Approach
—

Our plan seeks to build upon existing value in order to create more value within Philadelphia. It looks for two ways to accomplish this: First, it looks for neighborhoods where there are positive neighborhood dynamics, such as new immigration or past neighborhood investment and valuable, if overlooked neighborhood assets, such as commercial corridors and concentration of blocks with 3 or fewer vacant homes. The March 27, 2001 Neighborhoods First *Preliminary Findings*

Photo 9: Apartments for rent next to an abandoned house near Girard College. Photo taken October 2001

vest in them as homebuyers, thereby lessening turnover and absenteeism. Accordingly, the economic generators will be willing to help this blight plan with private investments *up front* to ensure their successful stabilization. The result is that EPOP's budgets include the

financial participation of existing Philadelphia businesses and institutions.

There are several different ways in which businesses and non-profit institutions could participate financially in Blight Free Zone plans. One way businesses typically spend their money in this context is to assist homebuyers with down payment and closing costs. In some cases this financial support could be targeted to employees as part of an employee-assisted housing program. Another type of financial participation could be a per house contribution to the cost of renovation. The EPOP financial model shows the financial participation of local economic generators in the form of a $5,000 down payment. However, private sector involvement need not take this form. This is not a new idea. The Tastykake Baking Company and the University of Pennsylvania have already developed various sophisticated programs to achieve the stabilization of the blocks surrounding their real estate. Their work has already proven that neighborhoods that are facing challenges can turn-around if public and private partners collaborate thoughtfully to build upon existing strengths.

In some cases the economic anchors in a neighborhood may not be the same as the private sector investors. For example, a vital commercial corridor may help anchor a Blight Free Zone and justify investment in the surrounding housing stock, although matching private investment may come primarily from larger employers, banks and non-profit institutions.

EPOP also proposes that no planner could pre-select the best places to spend the City's money within these, or any, proposed parameters. Instead, EPOP proposes that the City issue a Request for Proposals, to which partnerships of economic generators and developers (whether for-profit or community-based or both) respond. The selection process should reward projects *of scale* that hold the most promise of creating new value, stabilizing existing

—

The budget includes the financial participation of Philadelphia businesses and non-profit institutions.

—

assets (i.e. such as blocks with 2 or fewer vacants or retaining existing jobs/ creating more). The lure of City grants should motivate the formation of creative partnerships involving businesses and institutions who have never participated in traditional community development endeavors but whose narrow and broader interests would be supported by the revitalization of the area around their sites.

Because the key goal is to create value by responding to the needs of a neighborhood, the City should ask private business leaders, such as real estate brokers and retailers, who understand how to create value, to join it in evaluating and selecting the projects worthy of public investment. An RFP could be issued once yearly or as often as the City has the resources. The important requirement is that the City's RFPs and funding decisions remain consistent with this Plan.

Illustrative Blight Free Zones
—
EPOP surveyed each Councilmanic District and located at least one potential Blight Free Zone which is consistent with the principles described above. These proposed zones are presented at the end of this section. Please note that these projects only *illustrate* the type of investment that the EPOP plan contemplates.

Following the illustrations are Sources and Uses budgets for each illustration and a total Sources and Uses that illustrates how much a strategy such as this would cost. Note that in some cases, EPOP has chosen funding areas where substantial planning and in some cases development is currently underway.

Relocation Standards
—
Our approach would attempt to keep relocation of families from their homes to a minimum. The history of relocation efforts has been that people rarely want to be forced out of their homes. Planners and public officials who pro-

mote relocation often think they know what is best for people, but they almost always fail to take sufficient account of the value that people place on their community ties to church, family and neighbors, even in the most blighted areas. Nonetheless, some relocation would be necessary under our approach. We estimate that the revitalization proposed above would involve relocating fewer than 450 families. We expect that this would be substantially less than an approach that focused primarily on demolition and land assembly.

While keeping relocation to a minimum and being guided by the Uniform Relocation Act, the City needs to establish its own very clear guidelines for the relocation process.   The agreements reached last year between African-American long time neighborhood residents in the Jefferson Square neighborhood in South Philadelphia and Councilman Frank DiCicco are a good starting point for relocation standards. A household that is relocated should receive a home of equal or greater value. If the family wishes, that house should be in the same neighborhood or an adjacent neighborhood. Any new or rehabilitated houses should be first made available to relocated families.

Results
—

Work described in Appendix 1 in each Council District would result in the following:

• Land banking of 1,100 vacant lots for future development
• Development of more than 1,500 new

and rehabilitated home-ownership units, including a mix of affordable and market rate housing.
• Elimination of virtually all abandoned properties in each of the targeted zones
• Revitalization of commercial strips, new streets and sidewalks, increased lighting and other improvements to neighborhood facilities
• Leveraging of more than $80 million in private financing for neighborhood revitalization.
These results are from a first round of Blight Free Zones and represent just part of what could be accomplished with available funds.

Costs and Sources of Funds
—

The attached budgets estimate the costs and the sources of funds for each of the illustrative projects, and a total program cost. Costs are based

Map 9: Illustrative Blight Free Zones and CDBG Eligible Census Tracts

District 8
District 10
District 9
District 6
Districts 5, 7 & 8
District 4
District 7
District 1
District 5
District 3
District 2
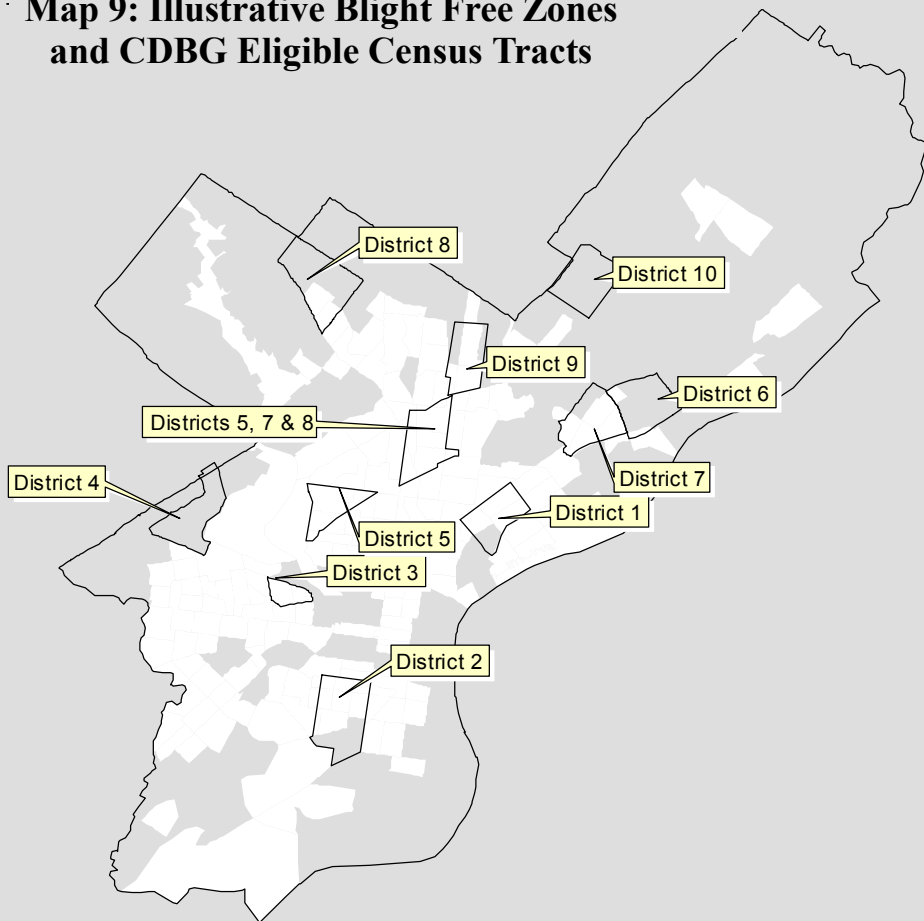
Source: City of Philadelphia Office of Housing and Community Development, Year 26 Consolidated Plan (Fiscal Year 2001)

on conservative assumptions. For example, we assume acquisition at market value and include a per unit acquisition cost in the budget, even though it may be possible to acquire property through sheriff sale or condemnation at significantly lower costs. We also use conservative construction costs for new and renovated housing. These estimates are based on the per unit costs of recent housing development projects in Philadelphia. The Administration has indicated that it will work with the Building Trades Unions to bring down the cost of construction. While this is a critical step, our cost assumptions are based on current costs for neighborhood affordable housing projects.

The total cost of the plan is $273 million, of which $81 would be funded from the blight bonds (out of a total of $250 million). A total of $78 million would be funded through Community Development Block Grant and Federal HOME funds (out of a total of $449 million) and $10 million through the City Capital Budget. The largest portion, $103 million, would be funded through proceeds from home sales and financing from the private sector.
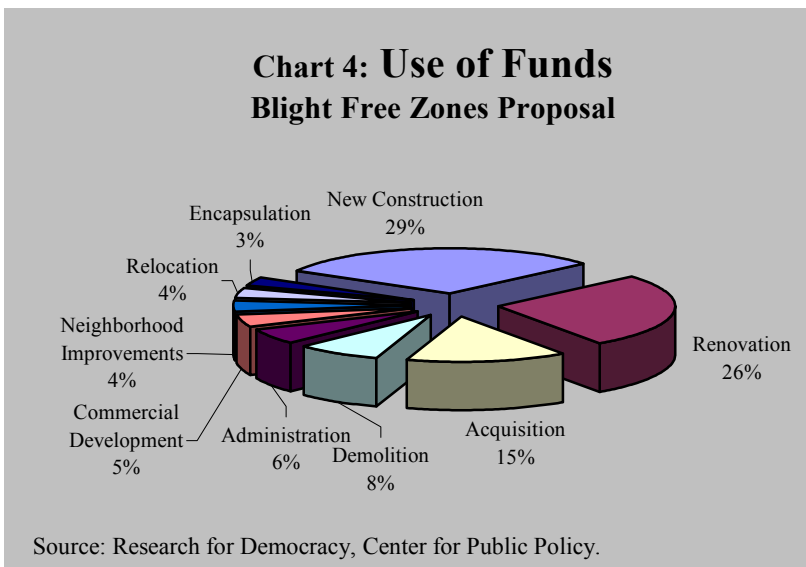
EPOP employed various assumptions in estimating sources of funds, including some which are part of the NTI proposal:

Bonds. Private activity bonds are sourced from a portion of the State's annual allocation from the federal government. Following the City's lead, EPOP's proposal uses private activity bonds and taxable bonds to fund property acquisition costs and relocation costs in all districts, as well as improvement costs (i.e. new construction plus rehabilitation costs) in Districts 4, 8 and 50% of 9 where few CDBG eligible census tracts are located. Municipal Bonds are employed to meet demolition and encapsu-

lation costs. EPOP's proposal calls for encapsulation only where improvements are scheduled in the plan during the plan's implementation. For land banking of publicly assembled and

Chart 4: Use of Funds
Blight Free Zones Proposal

Source: Research for Democracy, Center for Public Policy.

held parcels, EPOP assumes 100% demolition and no encapsulation. EPOP's proposal also assumes that only 25% of the acquisitions will require relocation. The City's proposal selects a more conservative 40% rule. However, EPOP adopts the City's cost per relocation, $25,000, even though this figure is high when the families to be relocated are tenants rather than owners. The utilization of various types of bonds requires skilled bond legal counsel. EPOP assumes that the City's utilization policies are based upon consultation with skilled legal counsel.

Our approach would require a substantial increase in the amount of private activity and taxable bonds compared to the current proposal by the Administration. This mix of bonds is one of the most critical policy issues because it will determine how much demolition vs. redevelopment will take place in the city. Whereas our proposal would rely on 20% of the CDBG/HOME funds that the Administration estimates being available over the next five years and

—

The largest part of the cost of the plan would be funded through proceeds from home sales and financing from the private sector.

—

22% of the general purpose bond issuance, it would require the use of 93% of the proposed private activity and taxable bonds. The amount of these bonds in the total $250 million bond issuance needs to be larger, perhaps as high as $90-100 million.   Spread out over five years this represents just $20 million per year of the Common-wealth's total bond cap from the Federal Government.   This amount per year is not unprecedented in Philadelphia and should be possible through negotiations with Harrisburg. What is important is that changing the mix of bonds will not sub-stantially affect the debt service, which the Ad-ministration has said is the factor that dictates the size of the bond issuance.

Chart 5: Sources of Funds
Blight Free Zone Proposal

Private Financing by Partners 7%

Capital Budget 4%

CDBG/HOME Grants 29%

Private Activity Bonds 19%

Municipal Bonds 11%

Homebuyer Proceeds 30%

Source: Research for Democracy, Eastern Pennsylvania Organizing Project & Temple Center for Public Policy.

CDBG/HOME: EPOP's proposal spends these annual federal flows to the City to meet con-struction costs in qualified census tracts as noted in the Year 27 Consolidated Plan as well as central administrative costs. We avoid in-creasing competition for scarce federal subsi-dies by using private activity and taxable bonds to subsidize new development and rehabilita-tion in more moderate-income neighborhoods. Moreover, investments in these neighborhoods, which already have substantial tax bases, are more likely to produce additional tax revenue that will help pay the debt service on the bonds.

Private Investments and Contributions: The use of funds from the private business and insti-tutional partners in each illustrative project is, of course, flexible. For the purposes of this plan, EPOP assumes that each private partner will fund $5,000 per unit toward homeowner-ship down-payment costs. In the case of retail

developments in Districts 5 and 7, EPOP as-sumes that total development costs minus land acquisition and site preparation (estimated at $1,000,000 in each instance) will be financed privately.   Additional private financing is re-flected in mortgage lending for home pur-chases, which make up the bulk of the pro-posed housing produc-tion.   We anticipate that banks doing busi-ness in Philadelphia will participate in this plan both through be-low-market mortgage lending for new and renovated homeowner-ship units, as well as direct participation as partners in several of the neighborhood Blight Free Zones.
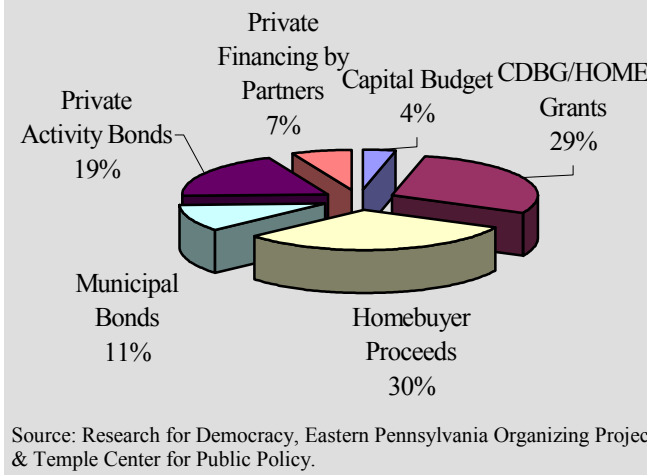
Fiscal Benefits
—

Estimating the fiscal benefits of a neighborhood revitalization strategy is difficult but not impos-sible. As discussed, the City has generally per-ceived housing subsidies as public benefits rather than neighborhood investments. If the City is going to view public subsidies as tools for creating value it needs to develop a tracking system to measure the financial impact of pub-lic investments on neighborhoods and the city as a whole. This means connecting the work of the Board of Revision of Taxes, which has 80 evaluators who study property value trends, and the City's community development strategy.

Abandoned property reduces potential real estate tax collection both by taking properties out of the tax base and by reducing the value of nearby real estate. In contrast, renovation in-creases real estate tax collection by putting property back on the tax rolls (fully after a ten year abatement for improvements) and increas-ing the value of nearby property. Our research estimated the impact of abandoned property on

nearby housing values and found this impact to be consistent and quite large. Our analysis that renovation encourages neighbors to invest in their own property and leads banks to engage in more lending is confirmed by staff from the Board of Revision of Taxes whose job it is to track changes in property values.

As a first step in a "value" outcomes-based design for community development, we offer the following fiscal analysis. The assumptions we use will have to be revised as the City gains a more detailed understanding of how public investments relate to the dynamics of housing markets. For many years the City has used Tax Increment Financing to subsidize commercial development based on projections about the likely increase in tax revenue that would result from the development. If we are to connect community development to the core economic development challenges facing Philadelphia we need to develop a similar framework for these neighborhood investments.

Our goal is to create steady appreciation in property values and real estate tax revenue, not to gentrify neighborhoods or significantly raise

the taxes of existing residents. For most families our homes are our only real source of wealth. Declining property values erode wealth and negatively impact on the capacity of the City to provide adequate public services. We refer to enhancing value, therefore, as promoting steady appreciation in property value so that they keep up with inflation.

Our model for estimating the real estate tax value created by the Blight Free Zone program is based on the following assumptions:

If no action were to take place within a proposed Blight Free Zone

· Increase in vacant property is based on the estimated yearly increase from 1984 to 2000
· Appreciation in assessments is based on four-year trend from 1996 to 2000
· Market value is 75% of sales price; assessment is 32% of market value and tax collected is 8.264% of assessment
· Assessments will lag changes in property values by 3 years
· The rate of change in tax delinquencies in a neighborhood will track the rate of new vacant properties

—
The City needs a tracking system to measure the financial impact on neighborhoods of public investments.
—

Table 10: Components of Fiscal Impact

Year	Real Estate Transfer Tax	Tax on land value of renovated property	Tax collected from increased value of houses on targeted blocks	Tax collected from increased value of houses in neighborhood
2001				
2002				
2003				
2004	$1,309,000	$231,902		
2005	$1,309,000	$231,902		
2006		$231,902		
2007		$231,902	$2,177,802	$5,563,873
2008		$231,902	$2,177,802	$7,409,974
2009		$231,902	$2,177,802	$9,406,402
2010		$231,902	$2,177,802	$11,565,890
2011		$231,902	$2,177,802	$13,902,321
2012		$231,902	$2,177,802	$16,430,829

Source: Research for Democracy, Temple University Center for Public Policy

<u>Where a Blight Free Public-Private Partnership is implemented:</u>

· Sales of renovated and new houses will generate a 4% real estate transfer tax

· Cost of acquisition, but not the value of improvements for ten years, will be included in the taxable assessment of renovated properties

· Rehabilitating all of the abandoned houses on a block will increase the value of the other properties on these blocks by an average of $6,715, based on our previous analysis of the impact of abandoned property on sales values.

· Intensive investment and rehabilitation in a neighborhood will increase property values; we assume a 50% increase in the <u>rate of change</u> in assessments.

· Assessments will lag changes in property values by 3 years

· Treatment of all vacant property in the neighborhood will reduce the rate of new vacant properties by one-half.

If the City takes no action in the proposed neighborhoods we estimate tax collection based on current trends. It is the difference between the current trends and the new value created by the investment strategy that constitutes the fiscal benefit. Changes in property values can influence tax assessment at both the block level and a neighborhood level, (what the Board of Revision of Taxes refers to as a Geographic Market Area). The City estimates housing values for assessment purposes based on the sales prices of similar properties in the same area during the three previous years. Therefore the impact of renovations is delayed by at least three years.

The analysis in Tables 10 and 11 while preliminary, suggests that if revitalization activities have just a small impact on property values in a neighborhood, the fiscal benefits would be significant. This impact on neighboring property values and therefore real estate tax collection appears to be the primary fiscal benefit.

Table 11: **Predicted Fiscal Impact of Blight Free Zones**

Year	Tax Collection Current Trend	Tax Collection with Blight Free Strategy	Annual New Revenue Stream
2001	$58,894,693	$58,894,693	$0
2002	$59,418,905	$59,418,905	$0
2003	$59,933,012	$59,933,012	$0
2004	$60,434,325	$61,743,325	$1,309,000
2005	$60,919,814	$62,228,814	$1,309,000
2006	$61,386,061	$61,617,963	$231,902
2007	$61,829,221	$69,802,798	$7,973,577
2008	$62,244,970	$72,064,648	$9,819,678
2009	$62,628,449	$74,444,555	$11,816,106
2010	$62,974,204	$76,949,799	$13,975,595
2011	$63,276,115	$79,588,140	$16,312,025
2012	$63,527,319	$82,367,852	$18,840,533

Source: Research for Democracy, Temple University Center for Public Policy

Timeline
—

We propose a three-step approach to help re-solve the deadlock between City Council and the Administration on the Neighborhood Trans-formation Initiative. This approach would break the proposed $250 million bond authori-zation in to two parts.

First Step
Council authorizes payments on general activ-ity bonds for cost of demolishing 8,000 danger-ous buildings ($52 million), encapsulating for future renovation 2,000 houses ($20 million) and developing a new MIS system ($5 million).

Second Step
Administration reorganizes housing agencies and issues RFP for Blight Free Zone plans in each City Council District.

Third Step
Council authorizes payment on general activity bonds and private activity bonds for costs asso-ciated with the first round of Blight Free Zones.

Based on this three step approach we suggest the following timeline:

-November-December 2001: Provide each school principal in Philadelphia with a list of imminently dangerous and open buildings within 1,000 feet of their school.

-December 2001-March 2002: Seal or demol-ishing dangerous buildings within 1,000 feet of schools and playgrounds.

-February 1, 2002: Issue Request for Proposals for the creation of Blight Free Zones through public private partnerships.

-April 1, 2002: Proposal deadline

-May 15, 2002: Selection of proposals for each City Council District.

-June to September 2002: Initial encapsulation and demolition work begins

-June 2002 to May 2003: Property acquisition.

-May to October 2003: Initial phase of renova-tion and construction begins

Conclusion
—

The future of Philadelphia may be uncertain, but at few points in our history have the choices facing the city been clearer. Large-scale public and private investment in Center City has revi-talized the central business district and some of its adjoining residential areas but has not stemmed the flow of population out of Phila-delphia or spilled over into most of the city's neighborhoods. There is now widespread con-sensus among policy makers that Philadelphia needs to address the deteriorating condition of its neighborhoods if it is to survive and thrive as a city. The fundamental question is not whether we should invest in transforming neighborhoods, but how.

On one hand there are those who have con-cluded that Philadelphia neighborhoods are ob-solete. According to them, the best Philadel-phia can do in the face of population loss is manage decline. They would leave most neighborhoods to their own devices and use limited public resources to downsize the city through massive demolition and relocation in highly blighted areas. The best they offer most residents in return is the hope that vacant land may have value to developers in the future.

On the other hand is a vision of a city of neighborhoods that are uniquely attractive to families looking for safe and affordable places to live and raise children. Because these neighborhoods have different needs, improving the quality of life they offer current and poten-tial residents requires a range of tools. With limited resources the City cannot address every problem but it can use public subsidies to lever-age private investment by homeowners and businesses in the revitalization of these existing neighborhoods.

Managing decline through demolition offers a seemingly attractive solution to the frustra-tions of dealing with the city's problems. Yet concentrated demolition in a few areas would do little to address the underlying dynamics of blight and abandonment that are eating away at the city's neighborhoods. Investing public re-sources strategically to increase the value of the city's neighborhoods promises to touch tens of thousands more people. Philadelphia residents, businesses and organizations stand ready to help in revitalizing our neighborhoods.

District 1 – Kensington/Port Richmond

With 750,000 occupied square feet and a market that extends to a 5-mile perimeter, the Aramingo Shopping Center located on the northeast corner of the targeted area is one of the city's most precious economic generators of tax revenues and employment. It is one of the few city locations that attract national, branded retailers. *The Home Depot* just opened 150,000 square feet of new retail space. Yet the neighborhood surrounding it is suffering both scattered and concentrated vacants and loss of value. Unchecked, the deterioration will weaken the attractiveness of the Center and threaten the valuable homes and blocks of Port Richmond. An employer-community partnership could propose the use of City funding to acquire and improve those vacants, demolish and hold areas of concentrated vacants, trigger employer-contributions to offset down payment and closing costs for employee purchases of renovated homes thereby improving employee retention.

A second anchor is a development initiative spearheaded by the new Archdiocese Office of Community Development in partnership with Visitation-EPOP, Philadelphia Safe & Sound and Operation Sunrise to develop housing and youth opportunities along Kensington Ave. south of Lehigh. Scattered site housing rehabilitation in the neighborhood surrounding this development would support the public and private investment involved in this project.

A third potential anchor on the southeast corner of the proposed BFZ is the Port Richmond Plaza at Aramingo and York. Although smaller than the Aramingo Shopping Center, this retail complex is strategically located.

The BFZ would encompass Kensington and Port Richmond. In 2000 these neighborhoods had 641 abandoned houses. The median sales price of residential property in this area was $20,000 in 2000, the same as in 1990.

The western side of this area has been targeted for intensive police and other City services through Operation Sunrise since 1998. This area has also seen significant public investment in housing and neighborhood development during the 1990s. The neighborhood below Lehigh Avenue has been part of the New Kensington CDC vacant lot program, along with scattered site housing rehabilitation. The area north of Lehigh along Frankford Avenue has seen significant new housing development.

We estimate that public and private funding could support the acquisition and rehabilitation of 125 vacant houses for homeownership, the construction of 100 units of new housing, and the land banking of an additional 150 vacant lots. This work would involve encapsulation of 100 houses, demolition of 500 properties and the relocation of approximately 60 families. The total estimated budget would be $35 million, with $7 million financed from private investment and home sales proceeds.

Proposed Blight Free Zone
Kensington/Port Richmond
Council District 1
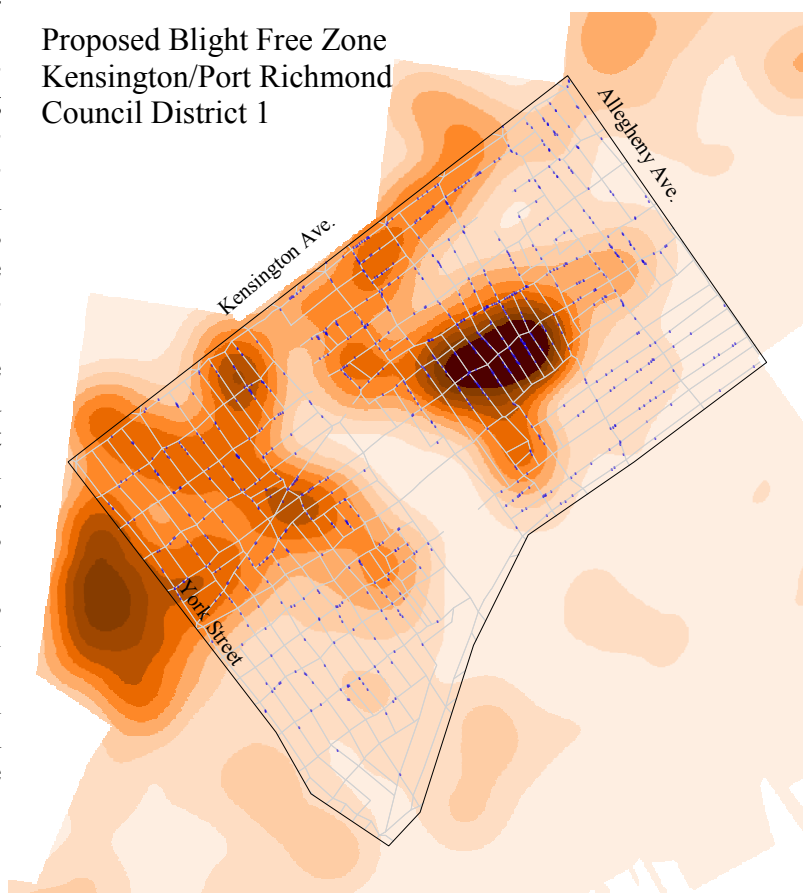
District 2 – Point Breeze/South Philadelphia West of Broad

The area proposed as a Blight Free Zone in Council District 2 is north and south of Tasker Avenue, from Broad to 25th Street, inclusive of a portion of the distressed concentration of vacants in Point Breeze to the north and the Passyunk Avenue retail strip to the south. In 2000 this area had 1,580 vacant houses, of which 1,190 were abandoned. The median sales price for houses in the area south of Tasker, east of 20th Street was $44,000 in 2000 up $4,000 from 1990.

port an increase in the investments of immigrants in neighborhoods where they have already shown a willingness to spend for small business formations and homeownership. This is one of those areas. Here, stabilization of the residential blocks east and west of Passyunk Ave. will contribute to the creation of new value on the retail strip.

A major economic anchor in this community is St. Agnes Medical Center at Broad and Passyunk. St. Agnes is a 153 bed hospital that em-
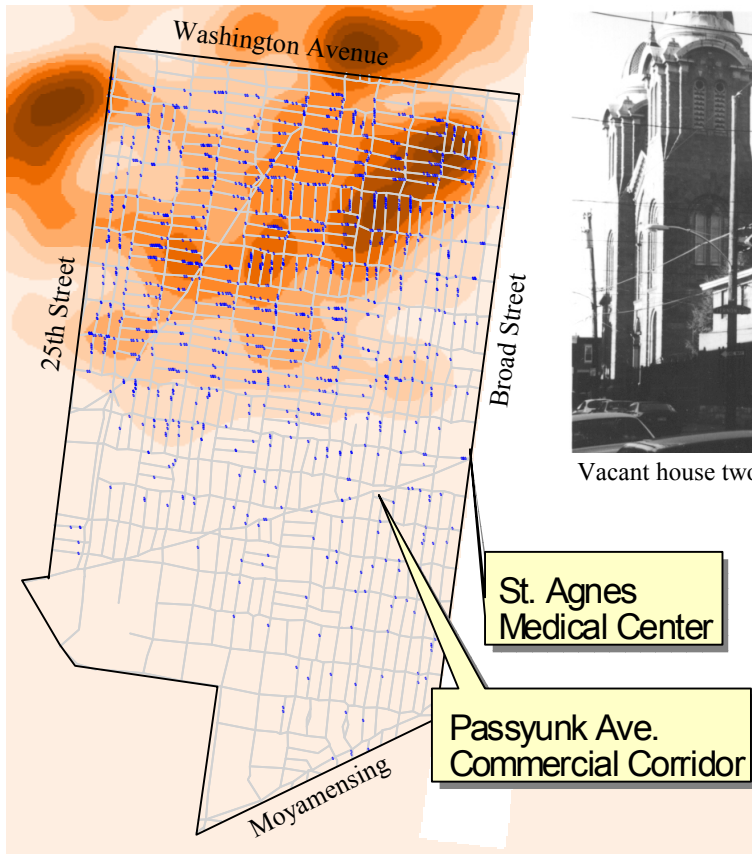
Vacant house two doors down from St. Thomas Aquinas Church.

ploys approximately 900 people, many of whom live in South Philadelphia. It is now part of the Catholic Health East System, a network of 33 acute care hospitals employing 44,000 full time employees with operating revenues of $4.25 billion. St. Agnes has deep roots in the neighborhood as both an employer and or health care provider.

We estimate that in Point Breeze and the area around Passyunk Avenue this plan would result in the encapsulation and rehabilitation of 125 houses for home ownership, construction of 100 new units of housing, demolition of a total of 800 houses and land banking 150 lots for future development. We anticipate that the proposed plan would result in no more than 65 relocations and have a total budget of $40 million, of which $12 million would be privately financed.

This is a diverse community with both small and large clusters of vacants. Point Breeze has one of the highest concentrations of vacant property, but also some of the most active community based organizations in the city. While Passyunk Avenue in this area is not the thriving retail strip it once was, the area is already showing new life with a strong influx of immigrants. Census tract 30 had the fourth largest increase in Asian population from 1990 to 2000. The City should sup-

District 3 – Mantua

EPOP agrees with the proposed plan to spend public funds in the Mantua neighborhood for acquisition, demolition and assembly because it is adjacent to some of the City's most potent economic *generators*: the University of Pennsylvania and Drexel University and their affiliates, including the University Science Center. Here, as in few other locations in the City, private residential and commercial developers have already demonstrated an eagerness to invest in order to capture a portion of the spending by students and the *knowledge workers* attracted to this West Philadelphia area. EPOP proposes that a portion of the residential and employment opportunities generated here are reserved for low and moderate income persons so as to create a mixed-income community, like that created recently next to Georgia Tech in Atlanta. EPOP also expects that the City can leverage its funding to obtain contributions from the Universities. EPOP expects that this work will include 400 acquisitions and 300 demolitions, land assembly, and the construction and rehabilitation of 250 units of new housing. Funding may not be required here to subsidize the development itself.

Proposed Blight Free Zone
Mantua
Council District 3
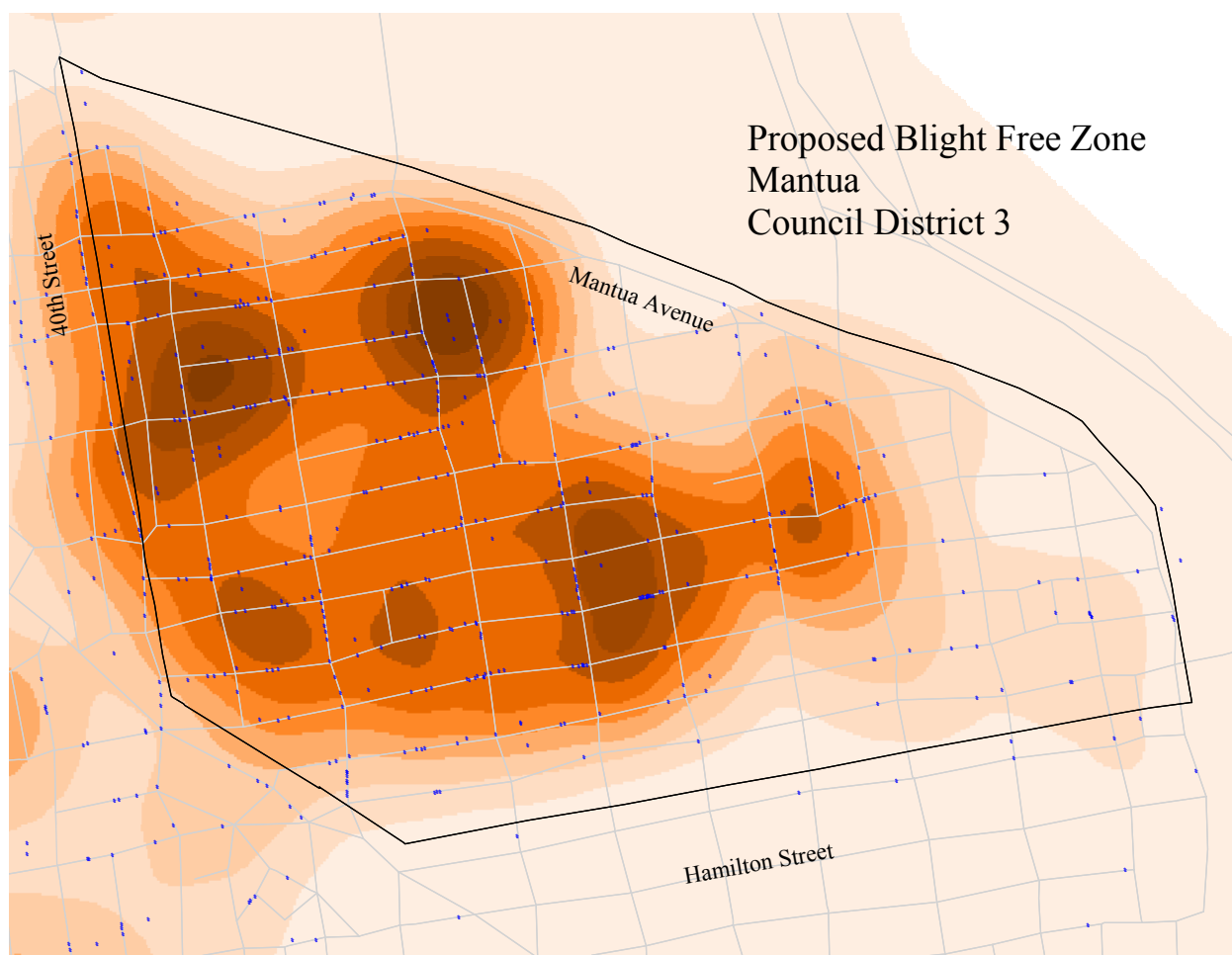
District 4 – Wynnefield/West Philadelphia

In the Wynnefield neighborhood in District 4, EPOP proposes that the City employ its public funds to catalyze investment by St. Joseph's University in the scattered vacants which are now visible on the blocks located in the perimeter of its Wynnefield and Overbrook neighborhood. Since 1984 housing vacancy has intensified and moved closer to the University.

Like Drexel and Penn, St. Joseph's draws faculty, employees and students who, with incentives like downpayment and closing cost subsidies, will form a market to purchase formerly vacant homes close to the University. Conversely, the University should be eager to stabilize the perimeter of its community to ensure that it remains attractive to potential customers (students) and employees.

In 2000 L&I identified 90 houses in Wynnefield as vacant, of which 62 were tax delinquent or publicly owned. Housing values in Wynnefield did not keep up with inflation during the 1990's: the median sales price for homes in 2000 was $55,000, compared to $53,500 in 1990.

The work proposed in Wynnefield would involve the encapsulation and rehabilitation of 40 units of housing for homeownership, as well as grants and loans to existing residents to repair their homes. The total budget for this proposal in District 4 would be $5.8 million of which $2.1 would come from private financing.

Proposed Blight Free Zone
Wynnefield
Council District 4
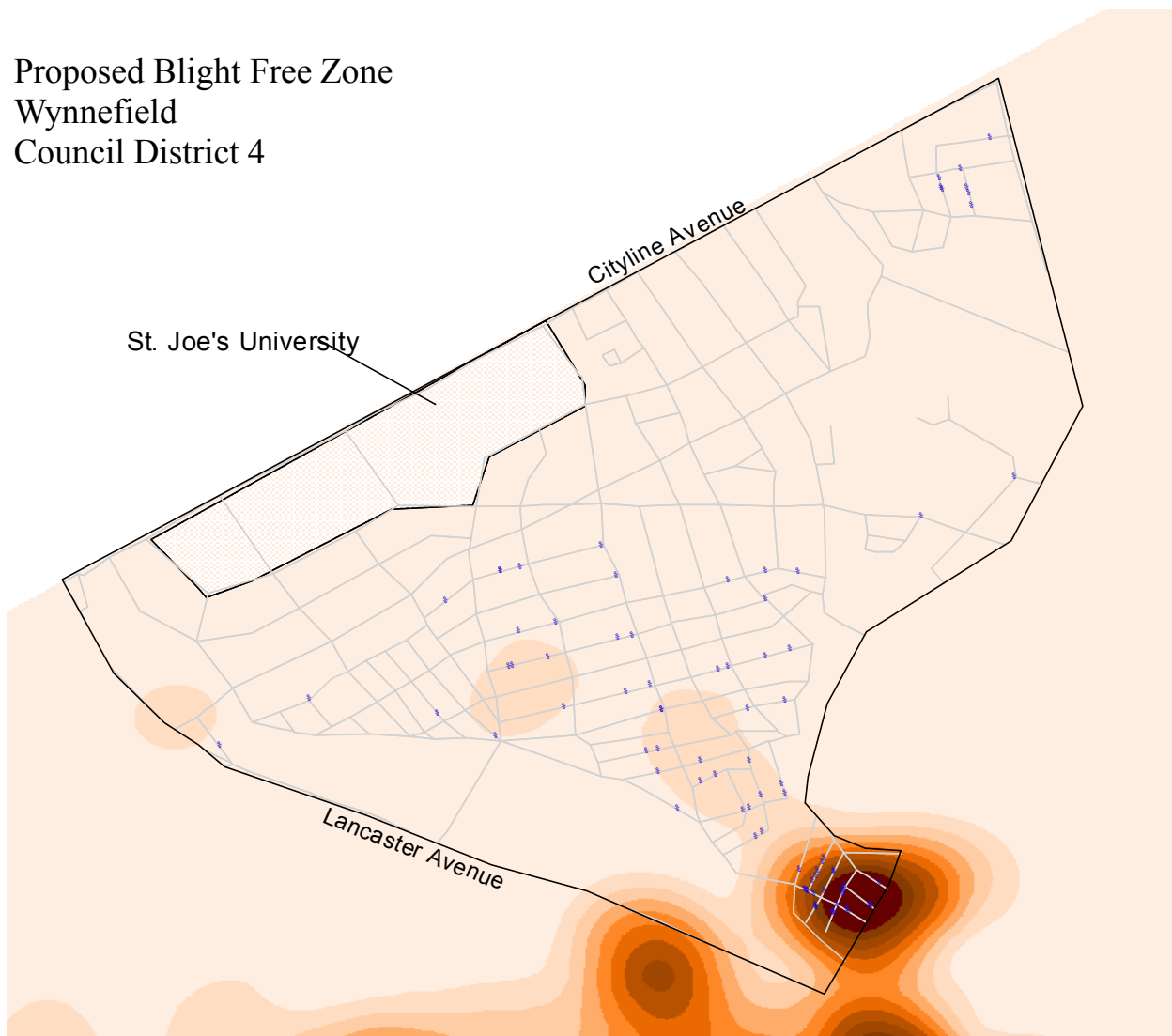
District 5 – North Central Philadelphia

The Strawberry Mansion/North Central Philadelphia neighborhood bounded by Lehigh, Sedgley and Fairmount Park provides a mix of opportunities for both neighborhood stabilization and the creation of new value through housing development. The smaller triangle bounded by Ridge, Sedgley and the Park at the south end of this neighborhood has been assessed by the Philadelphia Commercial Development Corporation as a potential site for market rate housing, based on its proximity to Fairmount Park and the Schuylkill Expressway and the availability of large amounts of vacant land. The area of this neighborhood to the north of Ridge Avenue continues to be a solid residential neighborhood with many intact blocks. Property values are low but appreciating. Despite the challenges facing North Philadelphia, working class families have continued to choose these blocks as places to live and raise families. In many cases, there are several generations tied to this area.

In additional to the value of the park and transportation access, there are significant neighborhood commercial areas along 29th Street between Dauphin and Lehigh, including the Strawberry Square shopping plaza, as well as along Ridge Avenue between Sedgely and 30th Street.

We estimate that public subsidies could be used to leverage private investment in the development of 200 units of mixed market rate and low-income housing in the area between Ridge, Sedgley and 33rd Street. North of Ridge Avenue, encapsulation and renovation of approximately 100 vacant houses on blocks with 1-3 vacant houses would serve to stabilize the value of this residential neighborhood. A total of 900 demolitions would eliminate most of the outstanding abandoned properties that cannot be rehabilitated. The total cost estimate for this proposed Blight Free Zone is $52 million, with $12.6 million from private financing.

Proposed Blight Free Zone
North Central Philadelphia
Council District 5
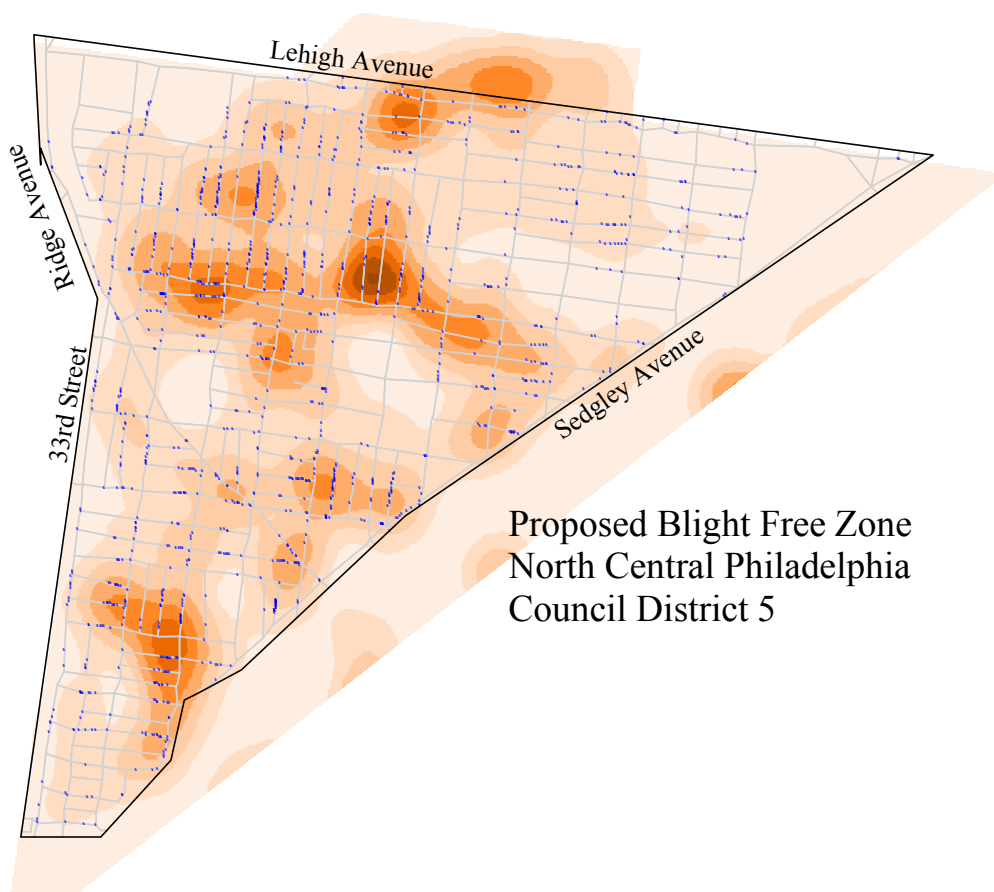
District 6 – Wissinoming

The businesses located east of I-95 in this District continue to be important to the City, while several of the neighborhoods west of I-95 in Wissinoming and Torresdale are beginning to be plagued by blocks with one or two vacants. We propose another business-neighborhood partnership to address these vacants and to improve occupancy on stretches of Frankford and Torresdale Avenue. We expect that this work will include 50 residential acquisitions, renovation, and re-marketing of vacant homes for home ownership, and the purchase, improvement and leasing of 25 storefronts on Frankford and Torresdale Avenues. Property values in Wissinoming fell 25% from 1990 to 2000 and the number of vacant properties is almost six times higher in 2000 than in was in 1984. This precipitous deterioration in neighborhood conditions combined with widespread media

Proposed Blight Free Zone
Wissinoming
District 6

Source: Philadelphia Department of Licenses & Inspections, 2000-2001 Vacant Property Survey.

coverage of sinking homes in one part of the neighborhood make Wissinoming a battleground in the fight to stem the spread of blight into Northeast Philadelphia while creating homeownership opportunities for families. The total proposed budget for this district is $8 million, with $4.5 million from private financing.
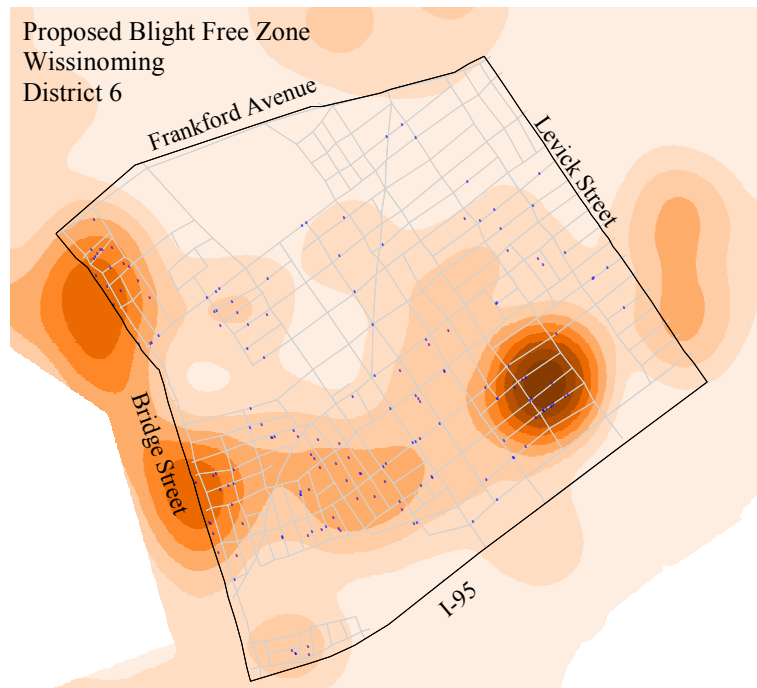
A vacant mixed use resident-commercial corner building at Ditman & Bridge in Wissinoming. Photo taken August 2001.

District 7 – Frankford

Thousands of people pass through Frankford's public transportation terminal every day. National retail market specialists have called it an untapped opportunity for retail sales and tax revenues, which would simultaneously rejuvenate Frankford's distressed main street. As part of the highly r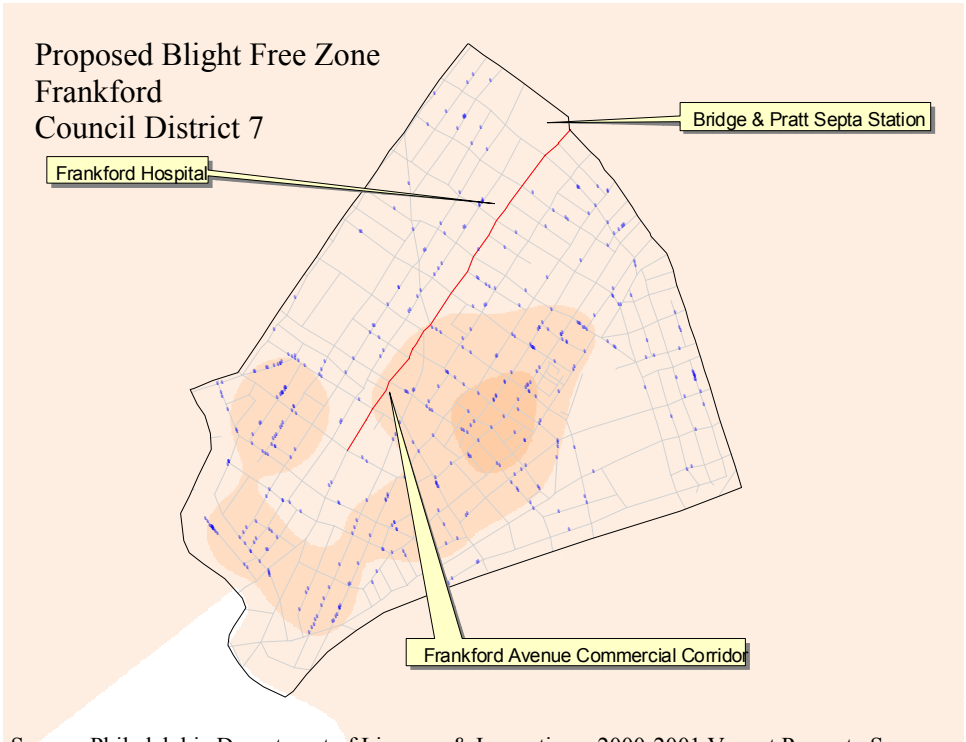egarded Frankford Plan, Frankford Group Ministry CDC has struggled to develop City support for a smaller version of this vision. A joint SEPTA-community retail development, supported by City funds and the purchase, demolition and assembly of land could expand the plan and produce new tax ratables, income, employment and vitality for this former commercial hub. We estimate that this effort will embrace $4,000,000 in condemnations, demolitions, and relocation costs and an additional $1,000,000 in site costs. The vertical construction costs of this effort could be financed privately, and is estimated at $10,000,000.

This retail strategy should improve the value of the residential blocks within the perimeter of the Frankford retail center. Accordingly, we propose the acquisition, improvement and re-sale of approximately 100 homes in Frankford to complement this commercial development. Assessment of specific properties and planning for the first phase of this rehabilitation strategy is already underway in a partnership between St. Joachim Parish-EPOP and Frankford Group Ministry CDC with support from Councilman Richard Mariano. Along with approximately 100 demolitions, these rehabilitations would result in a Frankford neighborhood virtually free of abandoned structures.

The total proposed budget for this Blight Free Zone would be $31 million.

In addition to SEPTA, Frankford Hospital, located at Frankford Avenue and Wakeling Street brings thousands of people to Frankford each year and is an important anchor for the continued revitalization of Frankford. Part of the Jefferson Health Care system, Frankford Hospital has a 121-bed medical/surgical facility offering inpatient medicine, surgery, emergency services, a comprehensive physical rehabilitation unit, a 19-bed transitional care unit, a full array of outpatient services are also provided, including an outpatient diagnostic center, a short procedure unit and an outpatient drug and alcohol treatment program that counsels 500 patients each year. Frankford's Health Center Clinic - with nine outpatient clinics that handle more than 11,500 cases for low-income residents each year. The Hospital's geriatric partial hospitalization program and School of Nursing, which is the largest hospital-based nursing school in Pennsylvania, are located in Frankford.

Proposed Blight Free Zone
Frankford
Council District 7

Frankford Hospital

Bridge & Pratt Septa Station

Frankford Avenue Commercial Corridor

Source: Philadelphia Department of Licenses & Inspections, 2000-2001 Vacant Property Survey.

District 8 – East Mt. Airy

Large and vital uses, such as Germantown Home, at Germantown and Sharpnack Streets line Germantown Avenue. Unfortunately, so do pockets of distressed residential buildings. A City investment could catalyze employer contributions with a preference for marketing the new and renovated housing created to employees. The lower portion of Germantown Avenue in the proposed zone is a Neighborhood Commercial Corridor, targeted for commercial assistance from the City. Renovation of housing on the blocks adjacent to Germantown Avenue will enhance the appeal of the commercial area. EPOP estimates 125 acquisitions, new construction and rehabilitations, and re-sales bordering Germantown Avenue throughout East Mt. Airy, ideally supported by such employers as Germantown Home. The total budget for this Blight Free Zone would be $17.7 million.
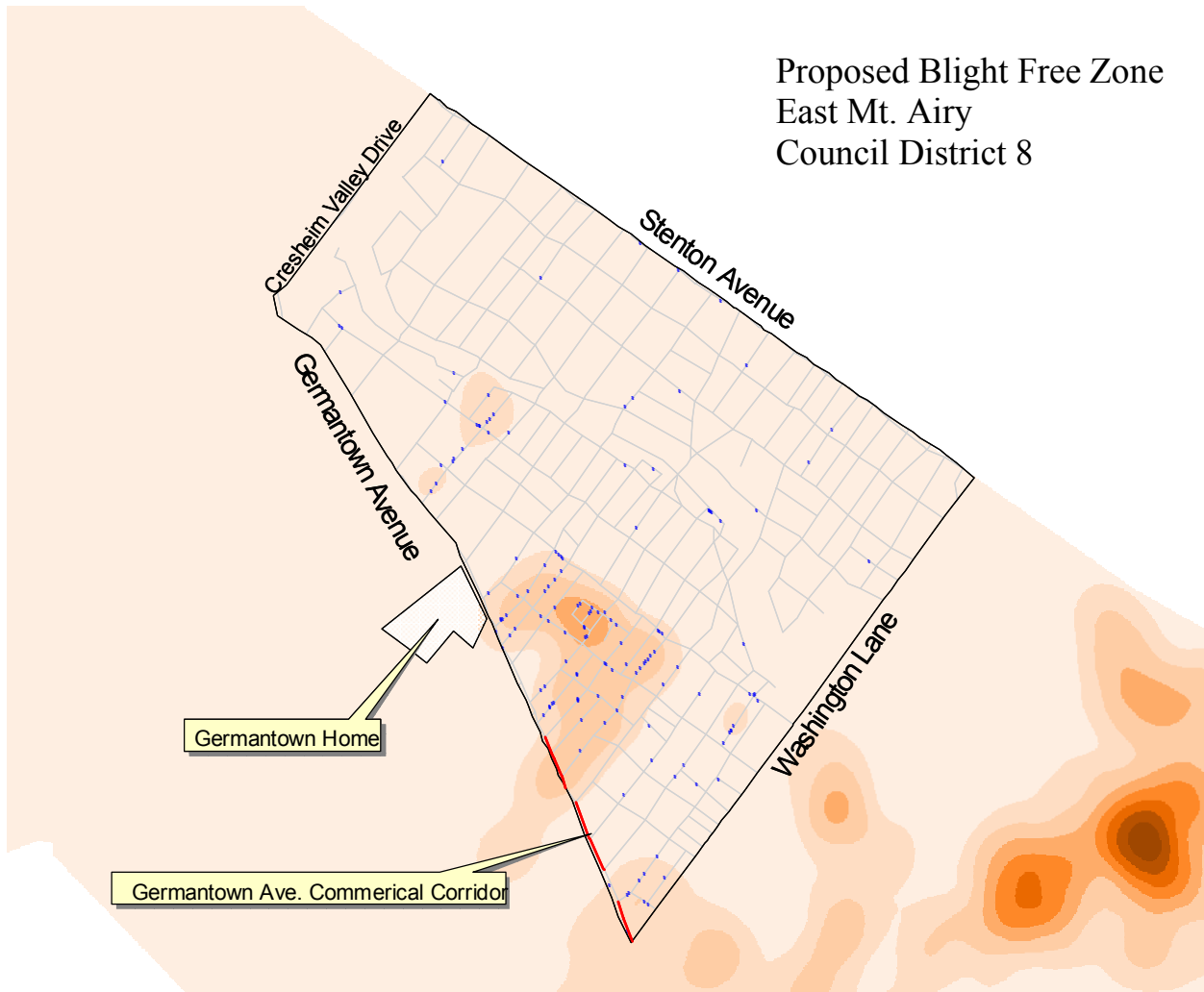
Proposed Blight Free Zone
East Mt. Airy
Council District 8

Source: Philadelphia Department of Licenses & Inspections, 2000-2001 Vacant Property Survey.

District 9 – Olney

Olney is a magnet for new immigrants to Philadelphia and families looking to buy their first homes. Between 1990 and 1998 more than 12% of all new immigrants to Philadelphia settled in the 19120 zip code. These new immigrants have made 5th Street from Roosevelt Boulevard to Godfrey Avenue one of Philadelphia's most vibrant and ethnically diverse commercial corridors. This is a relatively strong retail area with restaurants and offices that attract customers from throughout the City. The concentration of ethnic restaurants along 5th Street is a unique asset to the city. While the residential blocks on either side are largely intact, its scattered vacants threaten the stability of this important moderate and middle-income area and undermine the economic potential of this commercial area.

St. Helena and Incarnation Catholic Parishes, which bring together more than 3,500 families in Olney, have developed a joint Neighborhood Revitalization and Investment Plan for the neighborhood. The plan which has been developed in consultation with Councilwoman Marion Tasco would also involve HUD, the Philadelphia Police Department, City Service Departments focused on cleaning and marketing the 5th Street Commercial Corridor as well as community development investments. To complement efforts to strengthen the commercial corridor between Roosevelt Blvd and Godfrey Avenue, the Blight Free Zone would target housing rehabilitation of up to 100 vacant houses on the blocks adjacent to 5th Street. This neighborhood stabilization strategy would include negotiations with federal government to insure that HUD foreclosed houses end up being made available to homeowners rather than sold to speculators. Potential anchor institutions and economic generators include LaSalle University, Einstein Medical Center and the Olney Shopping Plaza, along the smaller businesses that line 5th Street. The total budget for this Blight Free Zone would be $14 million.

Proposed
Blight Free Zone
Olney
Council District 9

Godfrey Avenue

Olney Shopping Plaza

9th Street

Roosevelt Blvd.

5th Street Commerical Corridor

Source: Philadelphia Department of Licenses & Inspections, 2000-2001 Vacant Property Survey.
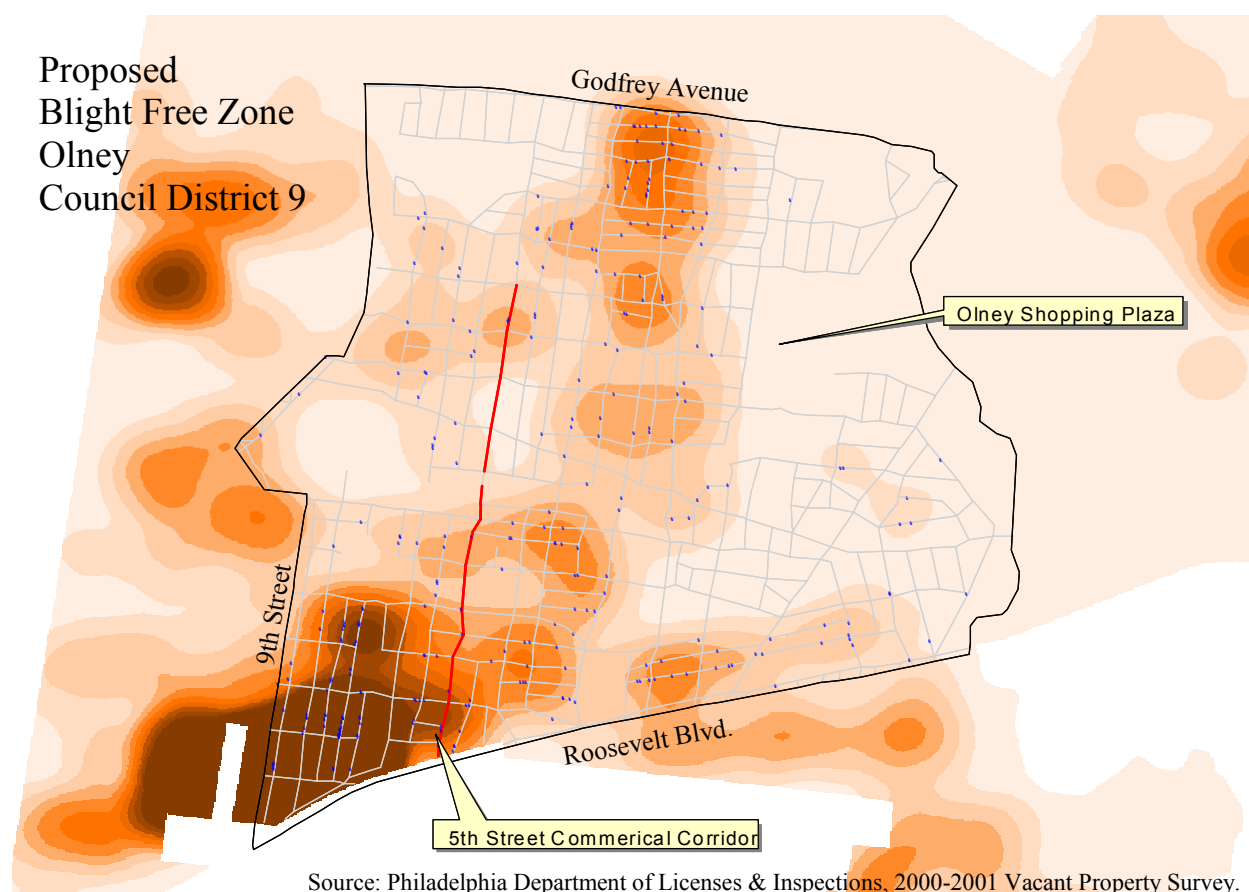
District 10-Lawncrest

Although this neighborhood in the Northeast has few vacant houses and little visible blight, it is beginning to experience signs of deterioration. During the 1990's property values in the neighborhood actually fell 2% without even taking into account inflation. We were able to identify five vacant residential structures that were tax delinquent, including a home at the corner of Montour and Tyson, described in the first section of the report, which is clearly a long term vacant. Subsidies are not needed to return vacant houses to the market in this neighborhood. Nonetheless, targeted assistance in resolving title to vacant properties and addressing other quality of life issues such as street lighting and graffiti could make a big difference in preventing the spread of blight into Lawncrest.

Source: Philadelphia Department of Licenses & Inspections, 2000-2001 Vacant Property Survey.

Districts 5, 7 and 8 – Hunting Park

Hunting Park is a neighborhood that is currently shared by three council districts. An array of industrial uses in and around the industrial park at Front and Hunting Park Avenue sits immediately west of blocks with one and two vacants. If the businesses located in this area perceived that the security and value of their buildings would be strengthened by the stabilization of the residential blocks, a partnership between the two could tackle approximately 100 vacant homes and demolish and clean-out an additional 100 parcels. A residential – business partnership also could be formed on North 5th Street, between Hunting Park and Roosevelt Boulevard, connect-ing to the commercial corridor that runs north through Olney.

In Hunting Park we propose the demolition of 300 properties and the encapsulation and renovation for home ownership of 100 units of housing on blocks with one to three vacants. In the past a local CDC has renovated houses in this community and had good succeess marketing them to first time homebuyers.

Proposed Blight Free Zone
Hunting Park
Council Districts 5,7,& 8

Source: Department of Licenses & Inspections, 2000-2001 Vacant Property Survey.
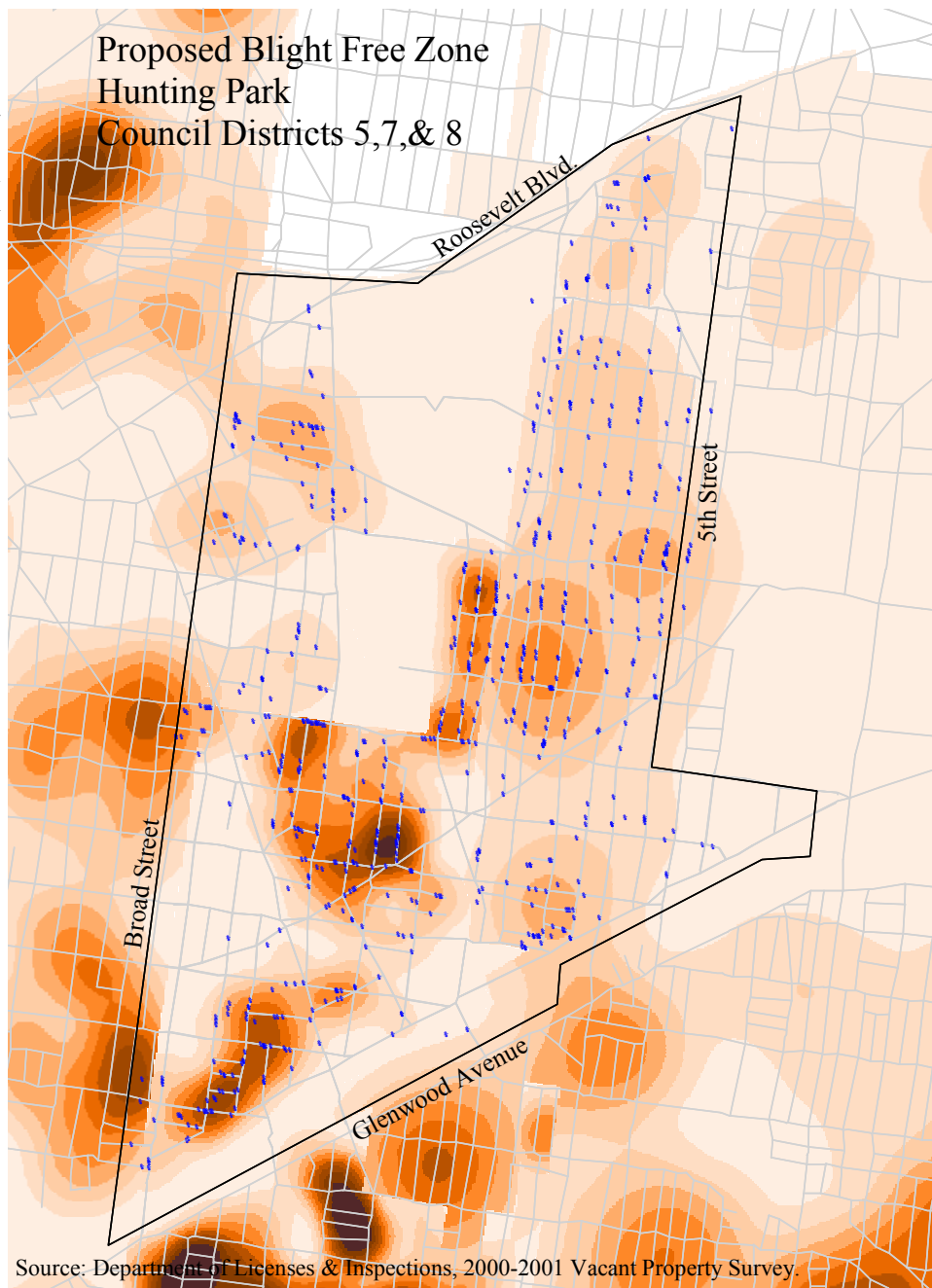
Illustrative Blight Free Zones and
concentrations of vacant structures and land
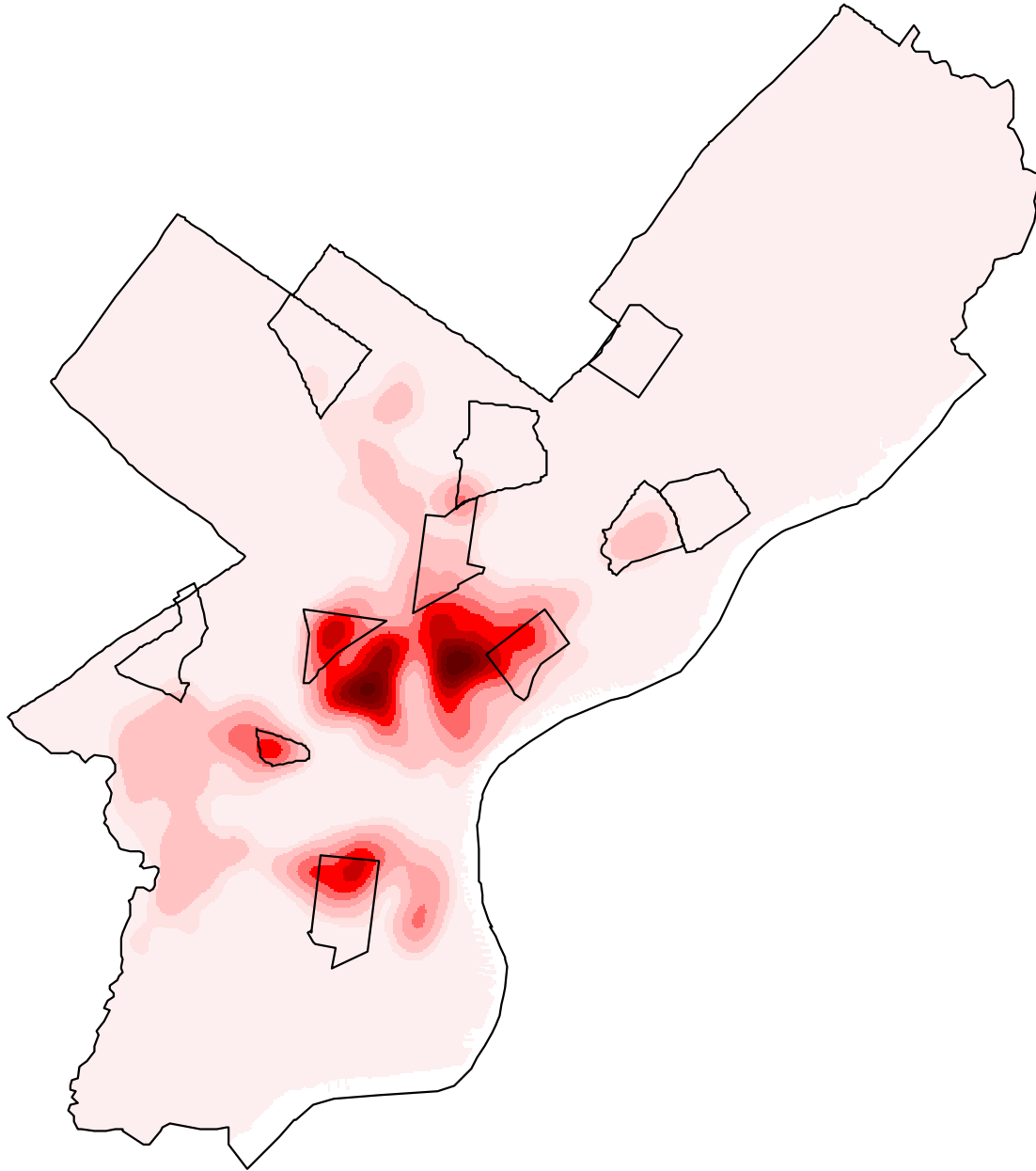
Source: Research for Democracy, Eastern Pennsylvania Organizing Project and Temple Center for
Public Policy

Illustrative Blight Free Zones and
concentrations of blocks with 1-2 vacant houses

Source: Research for Democracy, Eastern Pennsylvania Organizing Project and Temple Center for
Public Policy

Proposed Blight Free Zone Budgets

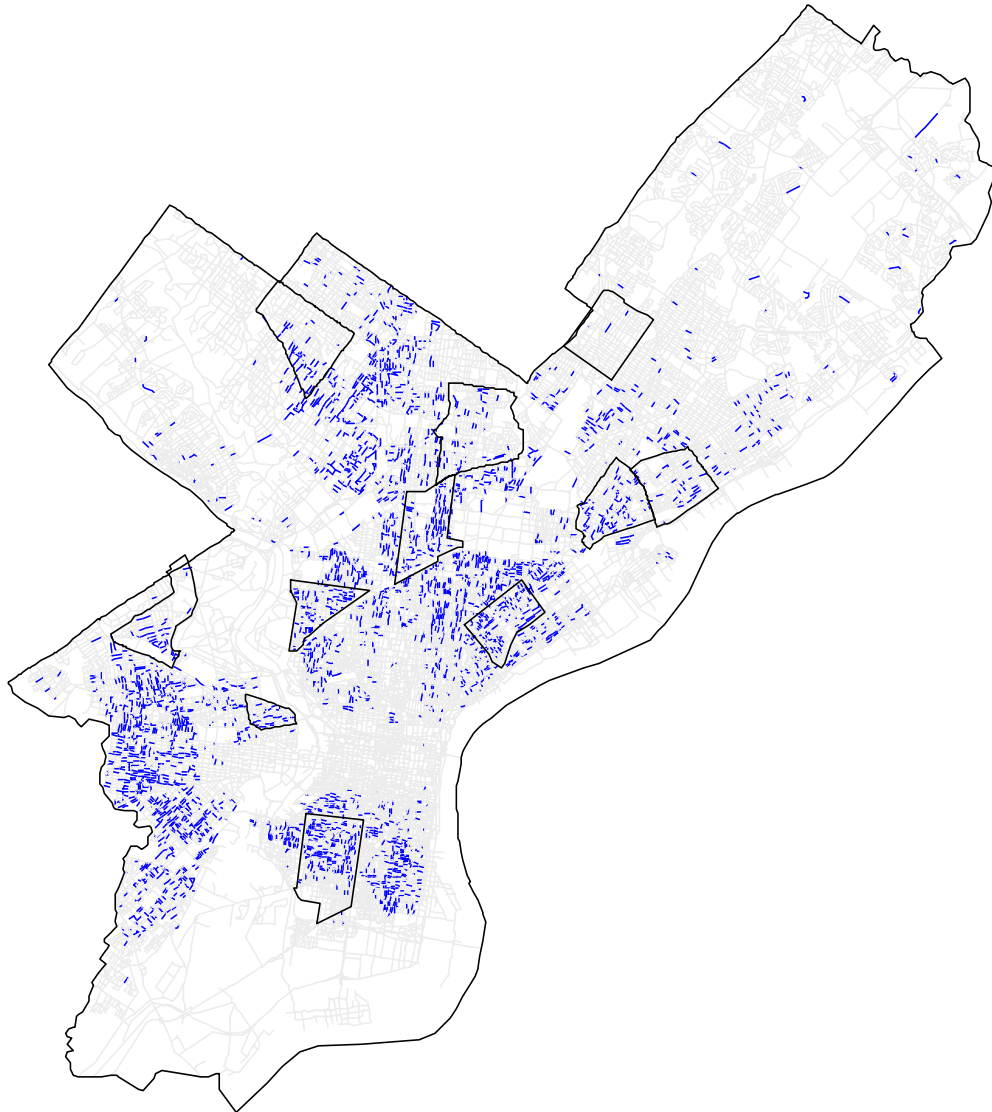| District	Number	1 Per Unit	Total Cost	Number	2 Per Unit	Total Cost
COSTS						
1 Public Ownership Parcels						
Acquisition - Note 1	150	$10,567	$1,585,050	150	$21,350	$3,202,500
Relocation - Note 1a	38	$25,000	$950,000	38	$25,000	$950,000
Demolition	400	$7,000	$2,800,000	700	$7,000	$4,900,000
Encapsulation						
2 Private Ownership Development						
Acquisition - Note 3	225	$10,567	$2,377,575	225	$21,350	$4,803,750
Relocation - Note 3a	25	$25,000	$625,000	25	$25,000	$625,000
Demolition	100	$7,000	$700,000	100	$7,000	$700,000
Encapsulation	100	$12,000	$1,200,000	100	$12,000	$1,200,000
Residential New Construction	100	$125,000	$12,500,000	100	$125,000	$12,500,000
Residential Rehabilitation - Note 2	125	$89,433	$10,679,125	125	$78,650	$9,331,250
Commercial/Retail Construction						
3 Administration by Local Partnership			$500,000			$500,000
4 Central Admin & MIS by City Depts.						
5 Neighborhood Improvements (discretionary)			$1,000,000			$1,000,000
6 TOTAL COSTS			$34,916,750			$39,712,500

District	Number	1 Per Unit	Total	Number	2 Per Unit	Total Sources
SOURCES						
1 Public Funds						
Private Activity Bond Proceeds - Note 4			$5,537,625			$9,581,250
Municipal General Purpose Bonds-Note 5			$4,700,000			$6,800,000
CDBG/HOME Grants- Note 6			$15,466,625			$9,101,250
Capital Budget			$1,000,000			$1,000,000
2 Homebuyer Proceeds- Note 7		$31,500	$7,087,500		$53,800	$12,105,000
3 Private Financing by Partners - Note 8		$5,000	$1,125,000		$5,000	$1,125,000
5 TOTAL SOURCES			$34,916,750			$39,712,500

Note 1 - Acquisition cost assumptions are based on HRP data from 1995-2000 and Sheriff Sale data for vacant property in 2000.
Note 1a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 2 - Renovation costs are reduced $5,000 for units that have been encapsulated.
Note 3 - Acquisitions in District 7 include commercial acquisitions and relocations.
Note 3a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 4 - Private Activity Bonds are calculated upon the assumption that they pay for acquisition and relocation costs, as well as development subsidies in districts that have not been eligible for CDBG/HOME funds in the past.
Note 5 - Municipal Bonds are calculated upon the assumption that they can be used for demolition and encapsulation expenses.
Note 6 - Central administration by City departments is paid for by CDBG/HOME funds. In addition, CDBG/HOME funds are used only to subsidize development in Districts with CDBG eligible Census Tracts per Exhibit 32 in the Year 27 Consolidated Plan. Accordingly, Districts 4, 6, 8 and 50% of 9 are allocated no CDBG/HOME funds.
Note 7 - Based upon HRP Median Sales Prices 1995 through 2000 in the proposed area.
Note 8 - Assumed to equal $5,000 per homeownership unit produced (i.e. for down-payment assistance), or in the case of the retail developments in Districts 5 and 7, the conventional financing of the vertical structures.

Proposed Blight Free Zone Budgets

Districts	3			4		
	Number	Per Unit	Total Cost	Number	Per Unit	Total Cost
COSTS						
1 Public Ownership Parcels						
Acquisition - Note 1	150	$13,750	$2,062,500			
Relocation - Note 1a	38	$25,000	$950,000			
Demolition	150	$7,000	$1,050,000			
Encapsulation						
2 Private Ownership Development						
Acquisition - Note 3	250	$13,750	$3,437,500	40	$25,283	$1,011,320
Relocation - Note 3a	38	$25,000	$950,000			
Demolition	150	$7,000	$1,050,000			
Encapsulation	75	$12,000	$900,000	30	$12,000	$360,000
Residential New Construction	150	$125,000	$18,750,000			
Residential Rehabilitation - Note 2	100	$86,250	$8,250,000	40	$74,717	$2,838,680
Commercial/Retail Construction						
3 Administration by Local Partnership			$500,000			$500,000
4 Central Admin & MIS by City Depts.						
5 Neighborhood Improvements (discretionary)			$1,000,000			$1,000,000
6 TOTAL COSTS			$38,900,000			$5,710,000

District	3			4		
	Number	Per Unit	Total Sources	Number	Per Unit	Total
SOURCES						
1 Public Funds						
Private Activity Bond Proceeds - Note 4			$7,400,000			$2,018,280
Municipal General Purpose Bonds-Note			$3,000,000			$360,000
CDBG/HOME Grants- Note 6			$15,750,000			
Capital Budget			$1,000,000			$1,000,000
2 Homebuyer Proceeds- Note 7		$42,000	$10,500,000		$53,293	$2,131,720
3 Private Financing by Partners - Note 8		$5,000	$1,250,000		$5,000	$200,000
5 TOTAL SOURCES			$38,900,000			$5,710,000

Note 1 - Acquisition cost assumptions are based on HRP data from 1995-2000 and Sheriff Sale data for vacant property in 2000.
Note 1a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 2 - Renovation costs are reduced $5,000 for units that have been encapsulated.
Note 3 - Acquisitions in District 7 include commercial acquisitions and relocations.
Note 3a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 4 - Private Activity Bonds are calculated upon the assumption that they pay for acquisition and relocation costs, as well as development subsidies in districts that have not been eligible for CDBG/HOME funds in the past.
Note 5 - Municipal Bonds are calculated upon the assumption that they can be used for demolition and encapsulation expenses.
Note 6 - Central administration by City departments is paid for by CDBG/HOME funds. In addition, CDBG/HOME funds are used only to subsidize development in Districts with CDBG eligible Census Tracts per Exhibit 32 in the Year 27 Consolidated Plan. Accordingly, Districts 4, 6, 8 and 50% of 9 are allocated no CDBG/HOME funds.
Note 7 - Based upon HRP Median Sales Prices 1995 through 2000 in the proposed area.
Note 8 - Assumed to equal $5,000 per homeownership unit produced (i.e. for down-payment assistance), or in the case of the retail developments in Districts 5 and 7, the conventional financing of the vertical structures.

Proposed Blight Free Zone Budgets

District	5 Num-	5 Per Unit	5 Total Cost	6 Num-	6 Per Unit	6 Total Cost
COSTS						
1 Public Ownership Parcels						
Acquisition - Note 1	300	$10,567	$3,170,100			
Relocation - Note 1a	75	$25,000	$1,875,000			
Demolition	700	$7,000	$4,900,000			
Encapsulation						
2 Private Ownership Development						
Acquisition - Note 3	350	$10,567	$3,698,450	50	$30,000	$1,500,000
Relocation - Note 3a	50	$25,000	$1,250,000			
Demolition	200	$7,000	$1,400,000			
Encapsulation	125	$12,000	$1,500,000	40	$12,000	$480,000
Residential New Construction	200	$125,000	$25,000,000			
Residential Rehabilitation - Note 2	150	$89,433	$12,789,950	50	$70,000	$3,300,000
Commercial/Retail Construction				25	$50,000	$1,250,000
3 Administration by Local Partnership			$500,000			$500,000
4 Central Admin & MIS by City Depts.						
5 Neighborhood Improvements (discretionary)			$1,000,000			$1,000,000
6 TOTAL COSTS			**$57,083,500**			**$8,030,000**

District	5 Number	5 Per Unit	5 Total	6 Num-	6 Per Unit	6 Total
S						
1 City Funds						
Private Activity Bond Proceeds - Note 4			$9,243,550			$2,050,000
Municipal General Purpose Bonds -			$7,800,000			$480,000
CDBG/HOME Grants- Note 6			$6,989,950			
Capital Budget			$1,000,000			$1,000,000
2 Homebuyer Proceeds- Note 7			$30,550,000		$60,000	$3,000,000
3 Private Financing by Partners - Note 8			$1,500,000		$5,000	$1,500,000
5 TOTAL SOURCES			**$57,083,500**			**$8,030,000**

Note 1 - Acquisition cost assumptions are based on HRP data from 1995-2000 and Sheriff Sale data for vacant property in 2000.
Note 1a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 2 - Renovation costs are reduced $5,000 for units that have been encapsulated.
Note 3 - Acquisitions in District 7 include commercial acquisitions and relocations.
Note 3a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 4 - Private Activity Bonds are calculated upon the assumption that they pay for acquisition and relocation costs, as well as development subsidies in districts that have not been eligible for CDBG/HOME funds in the past.
Note 5 - Municipal Bonds are calculated upon the assumption that they can be used for demolition and encapsulation expenses.
Note 6 - Central administration by City departments is paid for by CDBG/HOME funds. In addition, CDBG/HOME funds are used only to subsidize development in Districts with CDBG eligible Census Tracts per Exhibit 32 in the Year 27 Consolidated Plan. Accordingly, Districts 4, 6, 8 and 50% of 9 are allocated no CDBG/HOME funds.
Note 7 - Based upon HRP Median Sales Prices 1995 through 2000 in the proposed area.
Note 8 - Assumed to equal $5,000 per homeownership unit produced (i.e. for down-payment assistance), or in the case of the retail developments in Districts 5 and 7, the conventional financing of the vertical structures.

Proposed Blight Free Zone Budgets

District	7			8		
	Number	**Per Unit**	**Total Cost**	**Num-**	**Per Unit**	**Total Cost**
COSTS						
1 Public Ownership Parcels						
Acquisition - Note 1						
Relocation - Note 1a						
Demolition						
Encapsulation						
2 Private Ownership Development						
Acquisition - Note 3	150	$30,000	$4,500,000	125	$28,283	$3,535,375
Relocation - Note 3a	13	$25,000	$325,000	13	$25,000	$325,000
Demolition	50	$7,000	$350,000	50	$7,000	$350,000
Encapsulation	75	$12,000	$900,000	60	$12,000	$720,000
Residential New Construction	50	$125,000	$6,250,000	50	$125,000	$6,250,000
Residential Rehabilitation - Note 2	100	$70,000	$6,625,000	75	$71,717	$5,078,775
Commercial/Retail Construction			$11,000,000			
3 Administration by Local Partnership			$500,000			$500,000
4 Central Admin & MIS by City Depts.						
5 Neighborhood Improvements (discretionary)			$1,000,000			$1,000,000
6 TOTAL COSTS			$31,450,000			$17,759,150

District	7			8		
	Number	Per Unit	Total	Number	Per Unit	Total
SOURCES						
1 City Funds						
Private Activity Bond Proceeds - Note 4			$4,825,000			$3,860,375
Municipal General Purpose Bonds - Note 5			$1,250,000			$1,070,000
CDBG/HOME Grants- Note 6			$9,200,000			$4,891,275
Capital Budget			$1,000,000			$1,000,000
2 Homebuyer Proceeds- Note 7		$34,500	$5,175,000		$50,500	$6,312,500
3 Private Financing by Partners - Note 8		$5,000	$10,000,000		$5,000	$625,000
5 TOTAL SOURCES			$31,450,000			$17,759,150

Note 1 - Acquisition cost assumptions are based on HRP data from 1995-2000 and Sheriff Sale data for vacant property in 2000.
Note 1a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 2 - Renovation costs are reduced $5,000 for units that have been encapsulated.
Note 3 - Acquisitions in District 7 include commercial acquisitions and relocations.
Note 3a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 4 - Private Activity Bonds are calculated upon the assumption that they pay for acquisition and relocation costs, as well as development subsidies in districts that have not been eligible for CDBG/HOME funds in the past.
Note 5 - Municipal Bonds are calculated upon the assumption that they can be used for demolition and encapsulation expenses.
Note 6 - Central administration by City departments is paid for by CDBG/HOME funds. In addition, CDBG/HOME funds are used only to subsidize development in Districts with CDBG eligible Census Tracts per Exhibit 32 in the Year 27 Consolidated Plan. Accordingly, Districts 4, 6, 8 and 50% of 9 are allocated no CDBG/HOME funds.
Note 7 - Based upon HRP Median Sales Prices 1995 through 2000 in the proposed area.
Note 8 - Assumed to equal $5,000 per homeownership unit produced (i.e. for down-payment assistance), or in the case of the retail developments in Districts 5 and 7, the conventional financing of the vertical structures.

Proposed Blight Free Zone Budgets

District	9			5. 7 & 9		
	Number	Per Unit	Total Cost	Number	Per Unit	Total Cost
COSTS						
1 Public Ownership Parcels						
Acquisition - Note 1	50	$24,883	$1,244,150	50	$9,155	$457,750
Relocation - Note 1a	13	$25,000	$325,000	13	$25,000	$325,000
Demolition	75	$7,000	$525,000	300	$7,000	$2,100,000
Encapsulation						
2 Private Ownership Development						
Acquisition - Note 3	100	$24,883	$2,488,300	100	$9,155	$915,500
Relocation - Note 3a						
Demolition						
Encapsulation	75	$12,000	$900,000	75	$12,000	$900,000
Residential New Construction						
Residential Rehabilitation - Note 2	100	$75,117	$7,136,700	100	$90,845	$8,709,500
Commercial/Retail Construction						
3 Administration by Local Partnership			$500,000			$500,000
4 Central Admin & MIS by City Depts.						
5 Neighborhood Improvements (discretionary)			$1,000,000			$1,000,000
6 TOTAL COSTS			$14,119,150			$14,907,750

District	9			5, 7 & 9		
	Number	Per Unit	Total Sources	Number	Per Unit	Total Sources
SOURCES						
1 City Funds						
Private Activity Bond Proceeds - Note 4			$4,950,800			$1,698,250
Municipal General Purpose Bonds - Note 5			$1,425,000			$3,000,000
CDBG/HOME Grants- Note 6			$893,350			$5,909,500
Capital Budget			$1,000,000			$1,000,000
2 Homebuyer Proceeds- Note 7		$53,500	$5,350,000		$28,000	$2,800,000
3 Private Financing by Partners - Note 8		$5,000	$500,000		$5,000	$500,000
5 TOTAL SOURCES			$14,119,150			$14,907,750

Note 1 - Acquisition cost assumptions are based on HRP data from 1995-2000 and Sheriff Sale data for vacant property in 2000.
Note 1a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 2 - Renovation costs are reduced $5,000 for units that have been encapsulated.
Note 3 - Acquisitions in District 7 include commercial acquisitions and relocations.
Note 3a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 4 - Private Activity Bonds are calculated upon the assumption that they pay for acquisition and relocation costs, as well as development subsidies in districts that have not been eligible for CDBG/HOME funds in the past.
Note 5 - Municipal Bonds are calculated upon the assumption that they can be used for demolition and encapsulation expenses.
Note 6 - Central administration by City departments is paid for by CDBG/HOME funds. In addition, CDBG/HOME funds are used only to subsidize development in Districts with CDBG eligible Census Tracts per Exhibit 32 in the Year 27 Consolidated Plan. Accordingly, Districts 4, 6, 8 and 50% of 9 are allocated no CDBG/HOME funds.
Note 7 - Based upon HRP Median Sales Prices 1995 through 2000 in the proposed area.
Note 8 - Assumed to equal $5,000 per homeownership unit produced (i.e. for down-payment assistance), or in the case of the retail developments in Districts 5 and 7, the conventional financing of the vertical structures.

Proposed Blight Free Zone Budget

All Districts	Total Numbers	Total Costs
COSTS		
1 Public Ownership Parcels		
Acquisition - Note 1	850	$11,722,050
Relocation - Note 1a	215	$5,375,000
Demolition	2,325	$16,275,000
Encapsulation		
2 Private Ownership Development		
Acquisition - Note 3	1,615	$28,267,770
Relocation - Note 3a	164	$4,100,000
Demolition	650	$4,550,000
Encapsulation	755	$9,060,000
Residential New Construction	650	$81,250,000
Residential Rehabilitation - Note 2	965	$74,738,980
Commercial/Retail Construction		$12,250,000
3 Administration by Local Partnership		$5,000,000
4 Central Admin & MIS by City Depts.		$10,000,000
5 Neighborhood Improvements (discretionary)		$10,000,000
6 TOTAL COSTS		$272,588,800

District	Total Numbers	Total Sources
SOURCES		
1 City Funds		
Private Activity Bond Proceeds - Note 4		$51,165,130
Municipal General Purpose Bonds - Note 5		$29,885,000
CDBG/HOME Grants- Note 6		$78,201,950
Capital Budget		$10,000,000
2 Homebuyer Proceeds- Note 7		$85,011,720
3 Private Financing by Partners - Note 8		$18,325,000
5 TOTAL SOURCES		$272,588,800

Note 1 - Acquisition cost assumptions are based on HRP data from 1995-2000 and Sheriff Sale data for vacant property in 2000.
Note 1a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 2 - Renovation costs are reduced $5,000 for units that have been encapsulated.
Note 3 - Acquisitions in District 7 include commercial acquisitions and relocations.
Note 3a - It is assumed that 25% of the acquisitions in this category are occupied, thereby requiring relocation.
Note 4 - Private Activity Bonds are calculated upon the assumption that they pay for acquisition and relocation costs, as well as development subsidies in districts that have not been eligible for CDBG/HOME funds in the past.
Note 5 - Municipal Bonds are calculated upon the assumption that they can be used for demolition and encapsulation expenses.
Note 6 - Central administration by City departments is paid for by CDBG/HOME funds. In addition, CDBG/HOME funds are used only to subsidize development in Districts with CDBG eligible Census Tracts per Exhibit 32 in the Year 27 Consolidated Plan. Accordingly, Districts 4, 6, 8 and 50% of 9 are allocated no CDBG/HOME funds.
Note 7 - Based upon HRP Median Sales Prices 1995 through 2000 in the proposed area.
Note 8 - Assumed to equal $5,000 per homeownership unit produced (i.e. for down-payment assistance), or in the case of the retail developments in Districts 5 and 7, the conventional financing of the vertical structures.

Table 1a: Variable Definition and Sample Statistics

	Mean	Std. Deviation
Sales price in 2000[1]	61,468.24	67,811.77
Total living area (log sq. ft.)	3.01	0.52
Total lot area (log sq. ft.)	5.15	0.36
Binary variable masonry (1 = brick)	0.96	0.2
Binary variable stone (1 = stone)	0.02	0.14
Binary variable row house (1 = row house)	0.8	0.4
Binary variable semi-detached (1 = semi-detached)	0.15	0.36
Binary variable house with garage (1 = with garage)	0.46	0.5
Binary variable one story house (1 = one story house)	0.05	0.21
Binary variable two story house (1 = two story house)	0.82	0.38
Binary variable three story house (1 = three story house)	0.1	0.3
Binary abandonment variable (1 = abandoned)	0.02	0.15
Binary variable summer sale (1 = summer sale)	0.34	0.47
Binary variable winter sale (1 = winter sale)	0.14	0.35
Binary variable spring sale (1 = spring sale)	0.29	0.46
Percentage change in population in block group	5.81	197.09
Percent Hispanic in block group 2000	9.58	17.03
Percent African American in block group in 2000	29.74	35.03
Percent Anglo in block group in 2000	49.49	37.4
Percent Asian in block group in 2000	4.18	8.38
Median household income in tract	26,309.32	8,186.44
Median year structure built in tract	1,944.60	8.86
Percent delinquent more than 100% of market value in tract	0.26	0.85
1-4 Family Purchase Loans Originated in tract, 1999	79.17	54.79
Percent of applications for home mortgages denied in tract, 1999	0.2	0.12
Percent loans originated by sub-prime lenders in tract, 1990-98	25.84	17.6
Distance from the central business district (ft.)	27,428.12	16,398.32
Binary variable vacant residential structure (1 = within 150 feet)	0.15	0.36
Binary variable vacant residential structure (1 = between 150-300 feet)	0.2	0.4
Binary variable vacant residential structure (1 = between 300-450 feet)	0.11	0.32
Binary variable vacant residential structure (1 = between 450-600 feet)	0.08	0.26
Number of parcels on block	36.73	20.94
Binary variable abandoned property on block (1 = one)	0.14	0.35
Binary variable abandoned properties on block (1 = two)	0.06	0.24
Binary variable abandoned properties on block (1 = three)	0.03	0.18
Binary variable abandoned properties on block (1 = four)	0.02	0.15
Binary variable abandoned properties on block (1 = five)	0.02	0.13
Binary variable abandoned properties on block (1 = six)	0.01	0.11
Binary variable abandoned properties on block (1 = seven)	0.01	0.09
Binary variable abandoned properties on block (1 = eight)	0.01	0.09
Binary variable abandoned properties on block (1 = nine)	0	0.07
Binary variable abandoned properties on block (1 = ten or more)	0.02	0.15
Binary variable abandoned properties on block (1 = none)	0.67	0.47

[1] For residential property sales over $1000

TABLE 1B: THE EFFECT OF NEARBY ABANDONED PROPERTY ON RESIDENTIAL SALES PRICES IN 2000 (N=14526, DEPENDENT VARIABLE = LOG SALES PRICE, SHOWN ARE THE B COEFFICIENTS WITH STANDARD DEVIATIONS IN PARENTHESIS)

Independent Variable	Model 1	Model 2	Model 3
(Constant)	-2,836,082.28** (143,150.11)	-2,926,984.12** (141,725.75)	-2,937,331.35** (141,168.46)
Property Characteristics			
Total living area (log sq. ft.)	9,684.68** (817.81)	9,805.99** (816.85)	9,810.22** (815.98)
Total lot area (log sq. ft.)	13,914.30** (1,533.18)	13,578.98** (1,544.36)	13,453.55** (1,535.07)
Binary variable masonry (1 = brick)	3,834.50 (3,007.91)	3,761.99 (3,008.44)	3,835.06 (3,007.05)
Binary variable stone (1 = stone)	26,772.34** (4,104.14)	26,557.48** (4,105.18)	26,608.57** (4,102.52)
Binary variable row house (1 = row house)	-37,103.00** (2,410.94)	-36,506.11** (2,433.26)	-36,643.51** (2,426.55)
Binary variable semi-detached (1 = semi-detached)	-28,315.60** (2,252.36)	-27,925.29** (2,258.67)	-27,976.25** (2,256.33)
Binary variable house with garage (1 = house with garage)	9,710.01** (1,077.85)	9,609.78** (1,090.96)	9,586.69** (1,087.03)
Binary variable one story house (1 = one story house)	-66,194.11** (3,132.75)	-66,158.49** (3,133.14)	-66,226.68** (3,132.03)
Binary variable two story house (1 = two story house)	-69,350.83** (2,564.07)	-68,995.15** (2,568.05)	-69,032.79** (2,565.40)
Binary variable three story house (1 = three story house)	-34,670.22** (2,768.58)	-35,285.79** (2,767.83)	-35,238.03** (2,766.87)
Binary variable abandoned property, 2000 (1 = abandoned)	-21,407.24** (2,797.31)	-18,334.43** (2,846.320)	-18,248.89** (2,835.19)
Season of Sale			
Binary variable summer sale (1 = summer sale)	486.07 (1,087.40)	431.39 (1,087.22)	443.11 (1,086.89)
Binary variable winter sale (1 = winter sale)	-2,272.05* (1,366.77)	-2,175.80 (1,367.15)	-2,170.01 (1,366.39)
Binary variable spring sale (1 = spring sale)	-1,098.33 (1,123.96)	-1,007.80 (1,124.01	-998.80 (1,123.49)

TABLE 1B (CONTINUED): THE EFFECT OF NEARBY ABANDONED PROPERTY ON RESIDEN-TIAL SALES PRICES IN 2000 (N=14526, DEPENDENT VARIABLE = LOG SALES PRICE, SHOWN ARE THE B COEFFICIENTS WITH STANDARD DEVIATIONS IN PARENTHESIS)

Neighborhood Characteristics			
Percentage change in population in block group	1.19 (2.04)	2.04 (1.09)	1.11 (2.04)
Percent Hispanic in block group, 2000	-29.35 (31.72)	0.26 (32.17)	1.94 (32.04)
Percent African American in block group, 2000	-82.32** (24.59)	-52.47** (24.95)	-53.57** (24.92)
Percent Anglo in block group, 2000	-49.62** (20.77)	-38.22* (20.98)	-38.38* (20.94)
Percent Asian in block group, 2000	-160.36** (51.64)	-163.96** (51.84)	-164.84** (51.66)
Median household income in tract	3.73** (0.08)	3.68** (0.08)	3.68** (0.08)
Median year structure built in tract	1,470.94** (73.30)	1,518.56** (72.65)	1,520.70** (72.32)
Percent delinquent more than 100% of market value in tract	2,847.08** (534.42)	3,129.36** (543.65)	3,207.74** (533.38)
Number of single family loans originated in tract, 1999	13.55 (9.60)	12.31 (9.65)	12.23 (9.62)
Number of applications for home mortgages denied in tract, 1999	-14,769.60** (5,573.85)	-13,456.03** (5,600.04)	-12,725.43** (5,584.40)
Percent of loans by sub-prime lenders in tract, 1990-98	-406.15** (52.32)	-412.50** (52.28)	-412.79** (52.24)
Distance from the central business district (ft.)	-1.88** (0.04)	-1.86** (0.04)	-1.85** (0.04)
Abandoned Property Variables			
Binary variable vacant residential structure (1 = within 150 feet)	-7,626.80** (1,259.19)		
Binary variable vacant residential structure (1 = between 150-300 feet)	-6,819.44** (1,126.61)		
Binary variable vacant residential structure (1 = between 300-450 feet)	-3,542.01** (1,359.66)		
Binary variable vacant residential structure (1 = 450-600 feet)	1,343.22 (1,604.90)		
Number parcels on block		-85.68** (21.45)	-83.13** (21.07)

TABLE 1B (CONTINUED): THE EFFECT OF NEARBY ABANDONED PROPERTY ON RESIDEN-
TIAL SALES PRICES IN 2000 (N=14526, DEPENDENT VARIABLE = LOG SALES PRICE,
SHOWN ARE THE B COEFFICIENTS WITH STANDARD DEVIATIONS IN PARENTHESIS)

Abandoned Property Variables (continued)			
Binary variable for abandoned property on block (1 = one)		-6,467.89** (1,233.88)	
Binary variable for abandoned property on block (1 = two)		-7,904.21** (1,804.12)	
Binary variable for abandoned property on block (1 = three)		-5,095.70** (2,386.47)	
Binary variable for abandoned property on block (1 = four)		-8,196.78** (2,866.89)	
Binary variable for abandoned property on block (1 = five)		-10,043.71** (3,339.30)	
Binary variable for abandoned property on block (1 = six)		-7,603.99** (3,700.38)	
Binary variable for abandoned property on block (1 = seven)		-3,245.70 (4,663.28)	
Binary variable for abandoned property on block (1 = eight)		-6,121.75 (4,477.79)	
Binary variable for abandoned property on block (1 = nine)		-1,639.16 (6,158.01)	
Binary variable for abandoned property on block (1 = ten)		-3,910.96 (2,969.98)	
Binary variable for abandoned property on block (1 = none)			6,715.37** (1,042.91)
R^2	0.50	0.50	0.50

* $P \leq .10$
** $P \leq .05$

Table 2a: Descriptive Statistics

	Mean	Std. Deviation
Number of abandoned residential properties, 2000 (log)	1.07	0.86
Number of Homeownership Rehabilitation Program renovated houses 1995-2001	0.82	2.12
Number of Settlement Grants-all years of program	33.45	56.33
Number of Basic System Repair Program grants 95-00	34.63	51.11
Number of dollar amount of Basic System Repair Program grants 95-00 (total)	134,280.41	198,372.94
Average assessment of residential real estate	15,003.10	15,576.15
Number of properties in City Tax Sale 2000	0.97	2.38
Number of properties delinquent greater than market value	25.59	63.7
Number of publicly owned vacant properties in the 1999 survey	35.54	84.31
Single 1-4 Family Purchase Loans Originated, 1999	40.75	43.18
Percent of loans originated by sub-prime lenders	29.44	21.04
Percent of applications for home purchase mortgages denied, 1999	22.87	18.04
Percent of applications for home improvement loans denied, 1999	48.8	20.32
Number of fire department structure fires in residential structures, 2000	5.37	5.34
Binary Center City Variable (1 = Center City)	0.03	0.18
Median household income	25,844.28	13,742.80
Percent of housing units owner occupied, 1990	60.32	22.78
Percent of heads of households 65 years and older	32.7	15.02
Percent African American, 2000	43.33	37.08
Percent Latino, 2000	7.65	14.25
Percent Asian, 2000	3.99	6.95
Percentage change in population, 1990-2000	-3.84	23.74
Percent change in Hispanic population, 1990-2000	167.89	360.45
Percent change in Asian population 90-00	85.62	300.46
Mean sales price 2000 sales of residential property over $100	75,520.71	90,229.24
Number of sales of residential property in 2000 >$100	41.94	43.23
Number of residential parcels	1,193.74	951.37
Number of total parcels	1,535.36	1,078.46

TABLE 2B: THE EFFECTS OF MARKET INCENTIVES AND ACCESS ON LEVELS OF ABANDONED HOUSING FOR PHILADELPHIA CENSUS TRACTS FOR 2000 (N=14526, DEPENDENT VARIABLE = LOG OF NUMBER ABANDONED PROPERTIES, SHOWN ARE THE B COEFFICIENTS AND THE STANDARD DEVIATIONS IN PARENTHESIS)

INDEPENDENT VARIABLES	
(CONSTANT)	0.194992 (0.178596)
Number of Homeownership Rehabilitation Program renovated houses 1995-2001	0.008168 (0.012254)
Number of Office of Community & Housing Development settlement grants-all years of program	0.000645 (0.000688)
Number of Basic System Repair Program grants 95-00	0.003334 (0.002652)
Number of dollar amount of Basic System Repair Program grants 95-00 (total)	0.000000 (0.000001)
Average assessment of residential real estate	-0.000026** (0.000007)
Number of properties in City Tax Sale 2000	0.017350* (0.010478)
Number of properties delinquent ≥ market value	-0.000782 (0.000796)
Number of publicly owned vacant properties	-0.000300 (0.000583)
Single 1-4 Family Purchase Loans Originated	-0.004863** (0.001255)
Percent of loans originated by sub-prime lenders	0.011865** (0.002393)
Percent of applications for home mortgages denied, 1999	0.000143 (0.001792)
Percent of home improvement loans applications denied, 1999	0.004010** (0.001604)
Structure fires in residential structures, 2000	0.003289 (0.006642)
Binary Center City variable (1 = Center City)	-0.015362 (0.180242)
Median household income	-0.000005 (0.000004)
Percent of housing units owner occupied, 1990	-0.000969 (0.001714)
Percent of heads of households 65 years and older	0.002844 (0.001886)
Percent African American, 2000	0.001668 (0.001331)
Percent Latino, census	-0.002164 (0.002177)

TABLE 2B (CONTINUED): THE EFFECTS OF MARKET INCENTIVES AND ACCESS ON LEVELS OF ABANDONED HOUSING FOR PHILADELPHIA CENSUS TRACTS FOR 2000 (N=14526, DEPENDENT VARIABLE = LOG OF NUMBER ABANDONED PROPERTIES, SHOWN ARE THE B COEFFICIENTS AND THE STANDARD DEVIATIONS IN PARENTHESIS)

Percent Asian, 2000	-0.008496** (0.004252)
Percentage change in population, 1990-2000	-0.004587** (0.001713)
Percent change in Hispanic population, 1990-2000	-0.000015 (0.000063)
Percent change in Asian population, 1990-2000	-0.000014 (0.000072)
Mean sales price residential property, 2000	0.000004** (0.000001)
Number of sales of residential property, 2000	0.007308** (0.001639)
Number of residential parcels	-0.001088** (0.000173)
Number of total parcels	0.001039** (0.000152)
R^2	0.821477