



Strategic Property Code Enforcement and Impacts on Surrounding Markets: Analysis of Philadelphia's Implementation of Pennsylvania's Neighborhood Blight Reclamation and Revitalization Law (Act 90, 2010)

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Acknowledgement

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- Housing Alliance of Pennsylvania
- Philadelphia Association of Community Development Corporations
 - Regional Housing Legal Services
 - LISC Philadelphia
 - The Reinvestment Fund

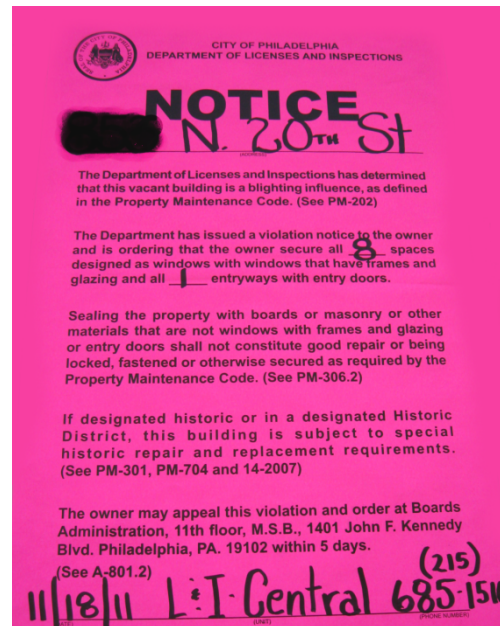
Licenses and Inspections' Act 90 Enforcement

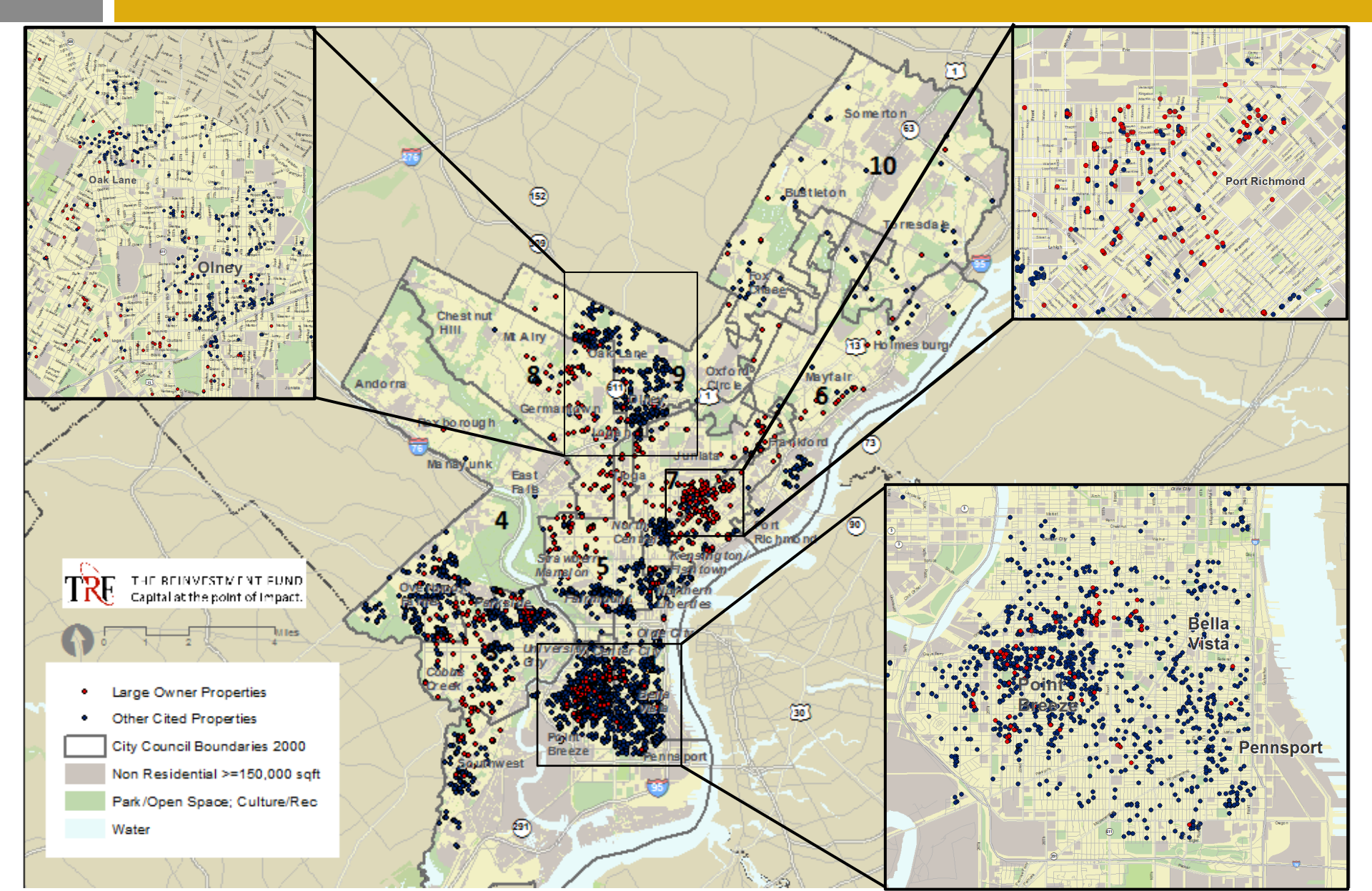
- The City's Doors and Windows Ordinance* requires all structures ***on blocks with at least 80% occupancy*** to have working doors and windows (i.e., not plywood or masonry). Fines are \$300 per opening per day.
- Act 90 allows the City to attach fines to the personal property of Philadelphia Property Maintenance Code violators.
- Taken together, L&I enforcement activity has included:
 - Citing vacant structures that are found upon inspection to violate the *Doors and Windows Ordinance*
 - Targeting *owners of multiple blighting buildings* (i.e., large property owners) for a Blight Court date to arbitrate a resolution of the violations and accrued fines. These buildings are not necessarily located in areas with at least 80% occupancy.

L&I's Theory of Action

- Theory: Blighting properties have a depressing effect on real estate sales and sales prices for nearby properties.
 - Code enforcement that reduces the number of blighting properties mitigates or eliminates the negative externality on the real estate market.
- Therefore neighborhoods that receive concentrated code enforcement should later exhibit more and higher value real estate sales than similar areas that have not.

Example: Targets of the L&I Enforcement Effort





Methodology for Testing this Theory

- TRF received a database from L&I containing a variety of data on vacant Philadelphia properties as of May 2013, including:
 - Known vacant properties
 - Whether those properties are in areas eligible for Doors and Windows citations
 - Whether the property was cited
 - If there was a Blight Court date scheduled for the violation
- TRF identified Census block groups as “Neighborhood Enforcement Clusters” (NEC) based on:
 - At least 50% of known vacant properties cited
 - More than 5 citations in the Census block group
- Comparable neighborhoods (Comps) are then identified based on a number of data points, including: sales price before the intervention, percentage change in sales price, owner occupancy, number of households, HUD-defined *foreclosure risk score*, percentage of properties in foreclosure and distance from the NEC.

Summary of Activity as of May 2013

	Vacant	Cited	Percentage Cited
Philadelphia	25,100	7,533	30.0%
NEC	3,612	2,600	72.0%

Large Owner Citation Activity

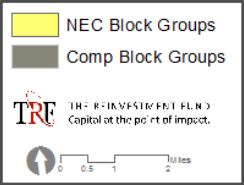
	Totals	Cited	Complied	% Compliance
Large Owners	1,072	1,072	479	44.7%
Blight Court	144	144	115	79.9%
No Blight Court	928	928	364	39.2%

Note: Properties owned by those who own many vacant properties (i.e., “large owners”) need not be located on blocks that are 80% or more occupied. Citations to large owners comprise 14% of all citations. Approximately 20% of properties owned by large owners are in NECs.

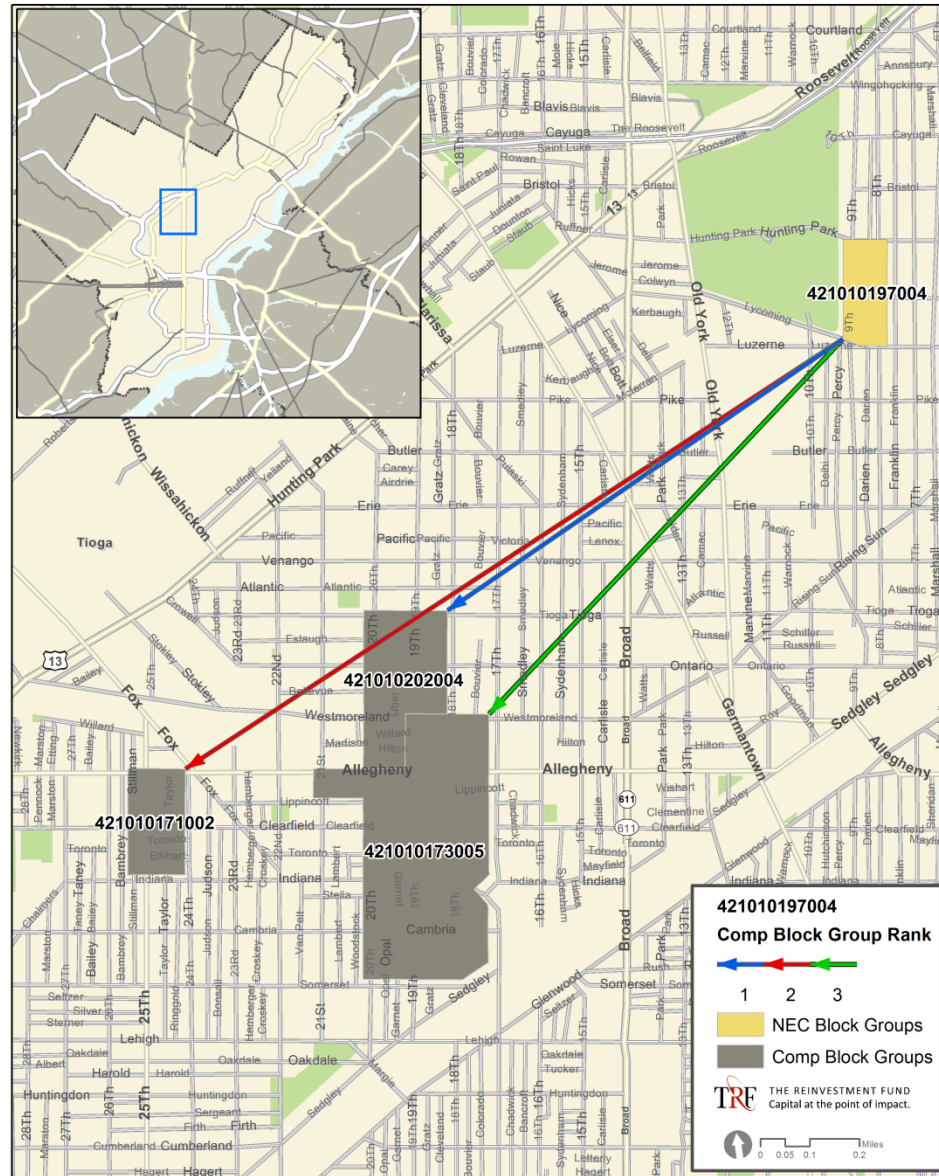
Scoring of NEC Performance Since Intervention

- NECs are compared to their top three comps on:
 - Change in residential real estate market sales price from 2008/ 2009 to 2011/2012 (Data source: Philadelphia Board of Revision of Taxes database)
 - Change in number of tax delinquent properties per number of housing units from 2008/2009 to 2011/2012 (Data source: Philadelphia Office of Property Assessment database)
- NECs are then graded from “A” to “D” on both comparisons.
 - “A” if NEC ‘beat’ all three comps or all comps for which data were available (if less than 5 arms length sales, comp was not graded)
 - “B” if NEC ‘beat’ all but one comp
 - “C” if NEC ‘beat’ one of three comps
 - “D” if NEC did not ‘beat’ any comps

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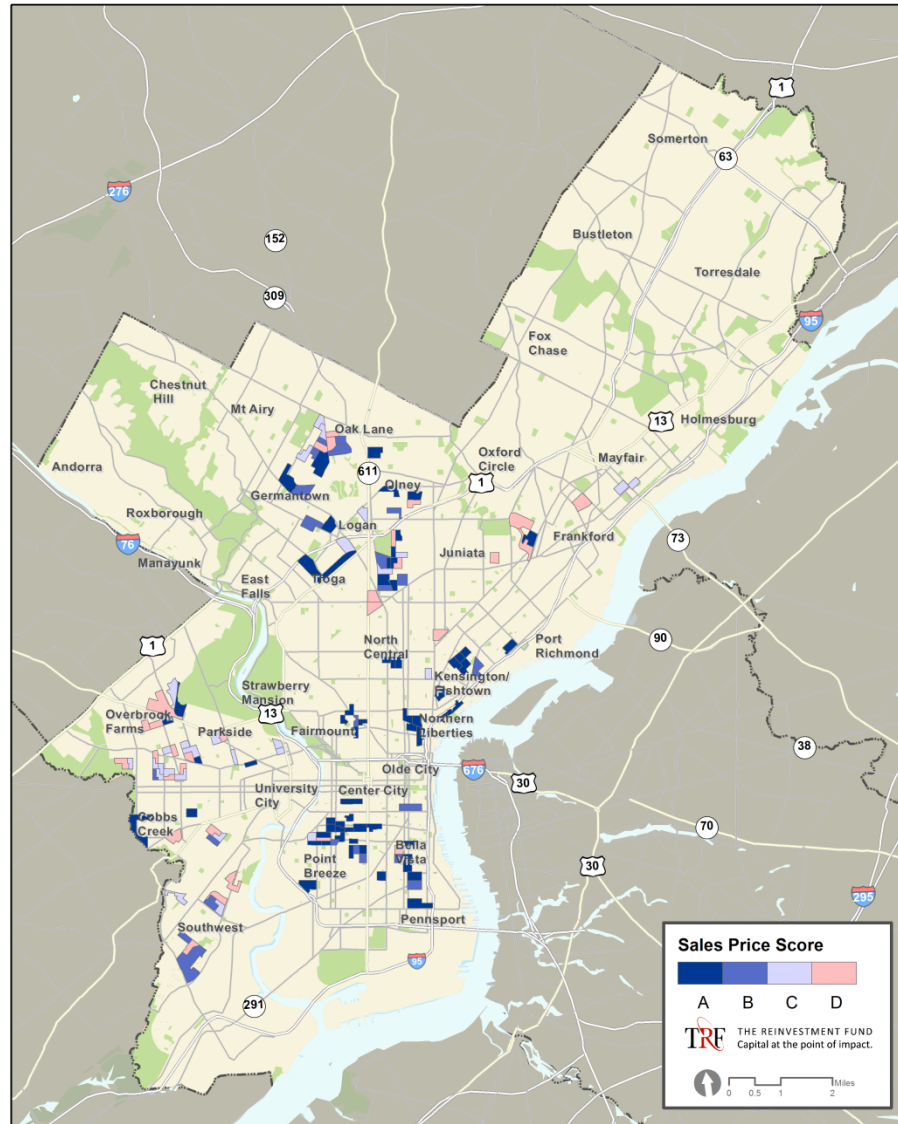
NEC Example: Hunting Park



NEC Performance: Average Change in Sales Price and Tax Delinquency

	Mean Sales Price			Mean Rate of Tax Delinquency		
	2008-2009	2011-2012	Percent Change	2008-2009	2011-2012	Percent Change
NECs	\$72,526	\$95,651	31.9%	36.1%	35.7%	-1.1%
Comps	\$72,239	\$73,411	1.6%	27.0%	28.1%	4.1%

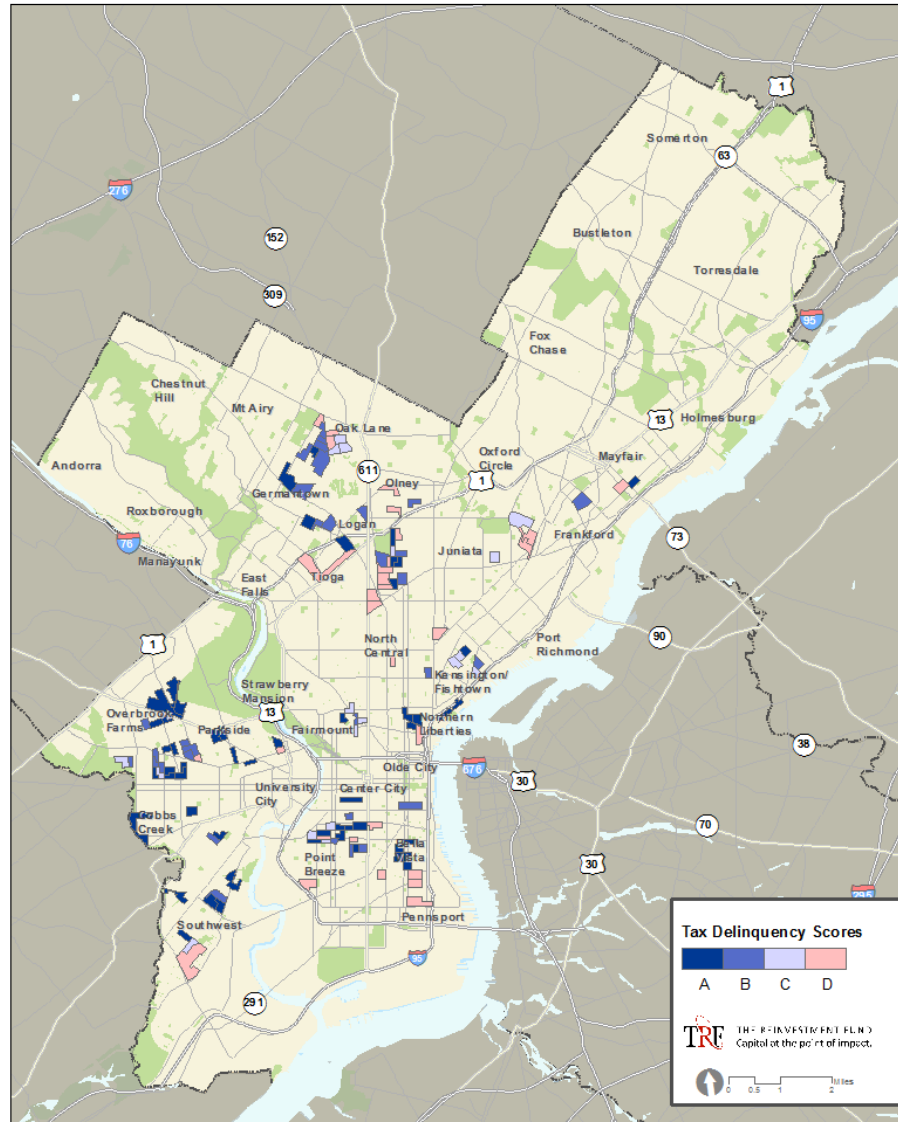
NEC Performance: Sales Price Change



NEC Performance: Residential Sales Price Change

Performance - Sales Price Change			
A	B	C	D
52	27	27	28
38.8%	20.1%	20.1%	20.9%

NEC Performance: Tax Delinquency



NEC Performance: Change in Tax Delinquency

Performance – Change in Tax Delinquency			
A	B	C	D
53	32	19	30
39.6%	23.9%	14.2%	22.4%

NEC Performance: Change in Sale Price by Percent of Vacant Properties Cited

	Percent of Vacant Properties Cited	Sales Price 2008 - 2009	Sales Price 2011 - 2012	Percent Change in Sales Price
Low	50 – 65%	\$68,404	\$83,986	22.8%
Medium	65 – 80%	\$75,824	\$94,617	24.8%
High	80%+	\$82,749	\$122,550	48.1%

The greater the share of the problem L&I addresses, the more substantial the impact.

NEC Performance: Crime Rate

Performance – Crime Rate Change			
	Object	Personal	Total
Citywide	-0.6%	-0.6%	-1.1%
NEC	-1.2%	-0.7%	-1.9%
Comps	0.0%	-1.4%	-1.3%

Personal Crime

Aggravated Assault Firearm
Aggravated Assault No Firearm
Homicide - Criminal
Homicide - Gross Negligence
Homicide - Justifiable
Rape
Robbery Firearm
Robbery No Firearm

Object Crime

Burglary Non-Residential
Burglary Residential
Motor Vehicle Theft
Theft from Vehicle
Thefts

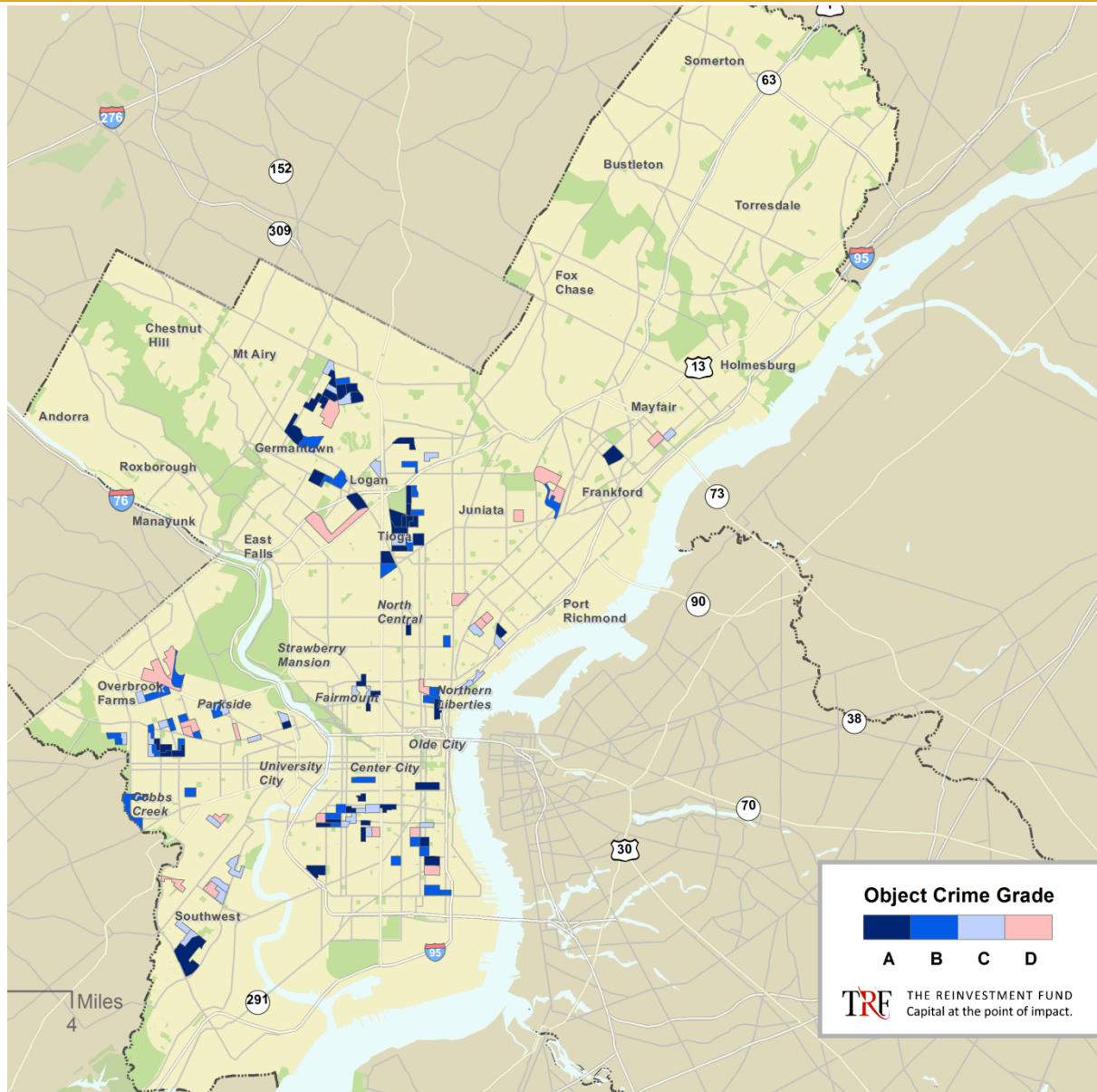
Crime rate data represent two year averages (2008/2009 and 2011/2012).



NEC Performance: Crime Rate

	Crime Rate			
	A	B	C	D
Object	45	35	32	22
Object	33.6%	26.1%	23.9%	16.4%
Personal	36	24	25	49
Personal	26.9%	17.9%	18.7%	36.6%
Total	32	40	30	32
Total	23.9%	29.9%	22.4%	23.9%

NEC Performance and Crime



Before / After L&I Enforcement Effort



Photos are courtesy of the City of Philadelphia,
Department of Licenses & Inspections.

Before / After L&I Enforcement Effort



Photos are courtesy of the City of Philadelphia,
Department of Licenses & Inspections.

Effect of Removing Blight on Nearby Properties

TRF recreated an algorithm from Econsult Corporation's 2010 report *Vacant Land Management in Philadelphia* that measures the effect of blight on nearby property sales.

- Using BRT sales data from 2011 – 2012, TRF found that properties that complied with L&I citations created **\$74 million in sales value for surrounding properties**. This created value resulted in **\$2.34 million in increased transfer tax revenue** to the City.

L&I estimates that an additional **\$1.1 million was returned to the City through permit fees and fines and judgments** from Blight Court against owners of blighting properties.

- See: <http://www.econsult.com/projectreports/VacantLandFullReportForWeb.pdf>

Consistent with the Econsult algorithm, the aggregate financial impact of vacant properties was limited to actual sales within 200 feet of the cited and compliant properties.



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Full report available at:
[http://www.trfund.com/wp-content/uploads/2014/09/
TRF_StrategicPropertyCode.pdf](http://www.trfund.com/wp-content/uploads/2014/09/TRF_StrategicPropertyCode.pdf)

