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Enablers and Disablers of Private Small-Scale Residential Rehabilitation in Fringe Neighborhoods of Philadelphia

Abstract

Philadelphia displays a clear need for rehabilitation of dilapidated housing through the high percentage of vacant properties in fringe neighborhoods. While government incentives have attempted to solve these issues, there is little documentation on the driving forces and obstacles of private-sector investment in these areas of Philadelphia for the purpose of revitalization. The purpose of this thesis is to uncover and analyze the enablers and disablers of private small-scale residential rehabilitation in fringe areas of Philadelphia through an analysis of literature and interviews with practicing developers.

Contexts include a brief history of the vacant housing problem in order to describe the current supply of vacant housing, include how to understand the process of rehabilitation through real estate investment, and case studies of fringe neighborhoods in order to define relevant areas of study.

The collection of media reports, journal articles, books, and community reports about fringe neighborhoods serves as the initial analysis of categories of enablers and disablers. Recent events and occurrences are used as indicators of effectiveness. From these media reports, interviewees of practicing small-scale residential redevelopers in fringe neighborhoods are selected. Each interview asked the same set of questions to ensure consistency. Then enablers and disablers as defined through the interviews are compared and analyzed to those of the media reports. The final conclusion finds that private small-scale residential redevelopment is a highly flexible and case-specific approach to addressing the vacant housing issue in Philadelphia.

Disciplines

Historic Preservation and Conservation

Comments

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ENABLERS AND DISABLERS OF PRIVATE SMALL-SCALE RESIDENTIAL REHABILITATION IN FRINGE
NEIGHBORHOODS OF PHILADELPHIA

Cassandra Glinkowski

A THESIS

In

Historic Preservation

Presented to the Faculties of the University of Pennsylvania in
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1.0 Introduction

1.1 Abstract

Philadelphia displays a clear need for rehabilitation of dilapidated housing through the high percentage of vacant properties in fringe neighborhoods. While government incentives have attempted to solve these issues, there is little documentation on the driving forces and obstacles of private-sector investment in these areas of Philadelphia for the purpose of revitalization. The purpose of this thesis is to uncover and analyze the enablers and disablers of private small-scale residential rehabilitation in fringe areas of Philadelphia through an analysis of literature and interviews with practicing developers.

Contexts include a brief history of the vacant housing problem in order to describe the current supply of vacant housing, include how to understand the process of rehabilitation through real estate investment, and case studies of fringe neighborhoods in order to define relevant areas of study.

The collection of media reports, journal articles, books, and community reports about fringe neighborhoods serves as the initial analysis of categories of enablers and disablers. Recent events and occurrences are used as indicators of effectiveness. From these media reports, interviewees of practicing small-scale residential redevelopers in fringe neighborhoods are selected. Each interview asked the same set of questions to ensure consistency. Then enablers and disablers as defined through the interviews are compared and analyzed to those of the media reports. The final conclusion finds that private small-scale residential redevelopment is a highly flexible and case-specific approach to addressing the vacant housing issue in Philadelphia.

1.2 Purpose of Thesis

Philadelphia has been suffering from a population decline since the end of World War II. Some of the various factors which cause this decline are deindustrialization, suburbanization, job markets heading south, west, and overseas, depletion of the working class, slowed immigration, lack of rebound from the Great Depression, white flight, and 1960s riots. Poor communities are left behind in neighborhoods that have lost their appeal.

Dilapidated neighborhoods with vacant housing can be improved with private reinvestment, however at a risk of displacement, especially when investments are large-scale. Small-scale investment in these neighborhoods can be a more practical, inclusive, and community-favored alternative to the private sector. Small-scale intervention targets a few properties at a time, for rehabilitating housing stock. Small-scale is a primary focus of this thesis because it intervenes in a suffering neighborhood without the manifesting an entire block at once. There is less of a threat of large-scale intervention sweeping away an entire neighborhood at once. Small-scale is a more sensitive and trial-based approach to reinvesting in the built environment of fringe neighborhoods. Since the communities within these neighborhoods are likely subject to gentrification, they may feel more strongly about battling transformative issues, and may often resist large-scale redevelopment efforts. In order to prevent massive backlash of an upset community, small-scale redevelopment may be a more palatable form of intervention without the threat of displacing an entire community in one transaction.

The residential neighborhoods in distressed areas of Philadelphia have acute need of rehabilitation and community revitalization. However, with homeowners, renters, and residents unable to tend to their own built environment due to lack of access to money, and with little support from the government, developer investment may be necessary, however sensitively.

The effects of small-scale developers in Philadelphia are explored from both the perspectives of the developers themselves and the residents in the areas which are invested, as to whether small-scale redevelopment is beneficial for either or both parties.

This study raises and discusses common perceptions of successful small-scale redevelopment, especially in the case of sensitive or distressed neighborhoods. Small-scale residential redevelopment in neighborhoods in need is a strategy that does in indeed effect the neighborhoods in which it happens. However, with little understanding of how it works, what enables or disables it, and whether or not it will succeed, it is not possible to prescribe small-scale investment as a strategy to encourage neighborhood revitalization. This thesis strives to uncover some of the mystery behind the success and failures of such projects, and eventually recommends successful redevelopment efforts are realistic and feasible in the small-scale investor's hands, and what elements enable or disable such actions from occurring.

1.3 Methodology

After a literature review defining terms and context of revitalization, sources of newspaper articles, journals, magazines, other findings from databases, books, pamphlets, websites, and other media accounts will be analyzed. From this research, categories of "enablers" and "disablers" will be determined. Collecting and organizing data into categories can help compare distressed neighborhoods to others in Philadelphia.

The categories of "enablers" and "disablers" of small-scale, private, residential rehabilitation will be defined and discussed as a result of the neighborhood exploration of case studies. Specific examples of individual cases within the "enablers" and "disablers" categories are referenced throughout.

Then, the result of a series of interviews with practicing developers will be presented; then analyzed against the same set of questions, used in case studies, primarily about what they believe are “enablers” and “disablers” of their work from professional experience.

Finally, a comparison of literature findings with the interview results will help to determine the overlap and help to prove if the literary findings are affirmed through experience. The results of overlaps will be confirmations of enablers and disablers, while any mismatches will have to be further analyzed.

2.0 Contexts

The vacant, dilapidated housing problem in Philadelphia today is the result of historical, social, economic, and political contexts leading up to neighborhoods in disrepair. Private sector rehabilitation of these small, residential properties is just one approach towards progress for these neighborhoods, and complements the public sector's contribution from the planning side. However, the option of rehabilitation must be viewed from the perspective of real estate, because it is an investment as much as any other type of real estate. Likewise, real estate requires a developer. Because every individual developer is different, they each have varying interests driving their decisions to invest. Developers on a small, residential scale include both the entrepreneur and the hands-on homebuyer looking to rehabilitate their own home. No matter what the goal, these decisions from a real estate perspective are driven by a number of largely undocumented factors, to be explored by this thesis. This particular chapter will help to define the historic and social roots of the vacant housing problem, efforts of the public sector, rehabilitation as an approach, how rehabilitation is a form of real estate, what real estate decisions entail, the types of developers who pursue rehabilitation, and emerging trends in real estate for Philadelphia.

2.1 History

It is difficult to comprehend the problem without first understanding the history and the root to the problem. The following brief history of Philadelphia's housing stock: under what circumstances it was built, and under what circumstances it began to suffer.

Philadelphia, often referred to as the city of neighborhoods, shows the effects of a long and complex history through its many streets of rowhouses. While some neighborhoods, like

those in Center City, house vibrant city life on a daily basis, adjacent streets and neighborhoods just outside of Center City tell another story. Philadelphia's development of the street grid generally followed the initial grid plan as intended by William Penn beginning since the 1680s. Interestingly, each neighborhood offered its own variation of housing stock based on the neighborhood's purpose, despite the repetition of the grid-influenced parcel shape and popularity of the rowhouse. Rowhouses could suit the wealthy with large town houses or the working class with smaller worker housing surrounding manufacturing factories. As Philadelphia's economy became increasingly centered around industry from the era of the industrial revolution through the first half of the 20th century, the city drew in even more residing workers, including large amounts of immigrants, native born residents from rural areas, and African Americans from the South.¹ As a result, more worker rowhouses added to Philadelphia's ever-expanding street grid. Worker housing was usually within walking distance of adjacent factories, and most neighborhoods relied on being pedestrian-oriented. By the 1950s, according to the US Census, Philadelphia reached its peak population at 2,071,605 residents living within the city limits,² with a diverse range of ethnic backgrounds, income, and education level. By 1950, 46% of Philadelphia's employable population worked in the industrial sector.³ Additionally, younger working class family members eligible for work who expected a job in a factory would forfeit the opportunity to attend school in order to begin working as soon as possible, usually by their mid-teens.⁴ The homeownership rate in 1950 for Philadelphia was at a

¹ Randal O'Toole, "Population Growth and Cities," *Electronic Journal of Sustainable Development* 1.3, 2009 <http://www.ejsd.org/docs/POPULATION_GROWTH_AND_CITIES.pdf>.

² Population of Counties by Decennial Census: Pennsylvania, 1900 to 1990, Compiled and edited by Richard L. Forstall, Population Division, US Bureau of the Census, Washington, DC, <<http://www.census.gov/population/cencounts/pa190090.txt>>.

³ Walter Licht, *Getting Work: Philadelphia 1840-1950* (Philadelphia, PA: University of Pennsylvania Press, 1999) 12.

⁴ Licht 20-22.

strong 60%,⁵ as earning wages supplied families with enough income to own their own homes. All of these factors combined had a strong effect on what would happen after World War II.

After World War II, the era of deindustrialization in the United States removed many of Philadelphia's job offerings. The working class city suddenly had less available work, and many left the city in search of jobs elsewhere. Those who could afford to move had the opportunity to relocate to the suburbs, as the 1950s also brought the era of car culture and suburbanization. Often characterized as "white flight", more affluent, white populations were able to move while minority populations were forced to stay behind. These working class city dwellers were also poorer, unskilled, and less educated than those who could afford to leave. Minority populations comprised proportionately more and more of the overall population of Philadelphia. Race riots against police enforcement erupted in 1964 in North Philadelphia, beginning a pattern of racial tensions that would remain through the 1980s and 1990s as the black population became the new majority demographic of the city.

The 1960s also introduced the city to the era of Urban Renewal, fronted by Edmund Bacon, head of the Philadelphia City Planning Commission. Urban Renewal was to save Philadelphia from the purported perils of being antiquated, overly dense, and misaligned with the future of American life. Edmund Bacon held sole authority to select architects for Philadelphia's new downtown image, complete with highways, high-rises, and streamlined office plazas. "The face of the city arguably changed from a more structurally diverse and cosmopolitan character into a sterile downtown dominated by bland architecture,"⁶ as Bacon focused heavily on Center City and ignored its surrounding neighborhoods. Despite these

⁵ Philadelphia and Adjacent Area, 1950 Census, Table 2, P57, <<http://www2.census.gov/prod2/decennial/documents/41557421v3p3.zip>>.

⁶ Joseph Kelly II, "Philadelphia Sets a Path toward Revitalization through a Redefined Government Role," *Architectural Record*, 1 Oct. 2004: 73, *LexisNexis Academic*, Web, 21 Jan. 2011.

surrounding neighborhoods showing initial signs of decay due to the rapid decline in population, city planning's vision of Philadelphia's future did not consider what would happen to the majority of Philadelphia's built fabric: the residential rowhouse in outlying working-class neighborhoods.

By the 2000 census, Philadelphia's entire population shrunk by over 25% to 1,517,550, from its peak population of 2,071,605 in 1950. Also in 1950, only 18% of Philadelphia's population was black, but by 2000, 44% was black,⁷ larger than any other racial demographic. This demographic and economic shift left many neighborhoods transformed, both socially and physically. Vast areas of inner city fabric were left deserted. Subsequently, the stores and churches that served them became obsolete.⁸ The role of city planning largely ignored the problems of vacant housing in Center City's outlying neighborhoods until 2000, when John F. Street became mayor.

While Mayor Street sought to settle the racial divides still ongoing in the city, he was also determined to confront the issue of housing vacancy through the elimination of blight in the neighborhoods surrounding Center City. In Street's eyes, blight referred to any areas which seemed unattractive for private redevelopment. This included neighborhoods with dilapidated housing, vacant land parcels, and areas accumulating trash that could otherwise be reassembled into large tracts of empty land eligible for private redevelopment. While luxury condominiums throughout Center City maintained demand during the 1990s and 2000s, Street attempted to attract private development interests towards the adjacent distressed neighborhoods with the

⁷ Stephen J. McGovern, "Philadelphia's Neighborhood Transformation Initiative: A Case Study of Mayoral Leadership, Bold Planning, and Conflict," *Housing Policy Debate* 17.3 (2006): 529-570. <http://www.seas.upenn.edu/~sys502/arcview/Projects/Phil_Housing/Phil_Nbhd_Initiative.pdf>.

⁸ Joseph N. DiStefano, "Saving Neighborhood's Soul; Bank, Church and N. Phila. Community Restore Homes," *The Philadelphia Inquirer* 23 Oct. 2006, Business sec.: D01, *LexisNexis Academic*, Web, 21 Jan. 2011.

Neighborhood Transformation Initiative, or the NTI. The NTI sought to revitalize distressed neighborhoods with almost \$300 million in bonds to fund demolitions, land acquisition, and trash removal in order to assemble these supposedly desirable large tracts of empty land. Street wanted to influence large-scale private developers to look for investment opportunities outside of Center City. This market-oriented vehicle for community revitalization was controversial given the nature of projected demolitions and relocation of residents, and many community activists foresaw controversy and insensitivity to existing communities, much like the wave of Urban Renewal in the 1960s. By the time the 5-year NTI began in 2002, Street became somewhat reluctant to promote the NTI as aggressively as before, and handed off most of the decision-making behind the NTI expenditures to his staff who lacked the strong leadership that Street pushed for. The result was an unspoken compromise in projected expenditures and community desires.⁹

NTI Task	Projected Expenditure ¹⁰	Actual Expenditure ¹¹
Demolition of abandoned housing	\$140 million	\$136 million
Land acquisition, relocation of residents, site preparation	\$35 million	\$44 million
Demolition of large commercial and industrial buildings	\$20 million	\$6 million
Encapsulate Buildings for future Rehabilitation	\$30 million	\$78 million
Neighborhood Preservation	\$20 million	
Upgrade city's information systems for property use	\$5 million	\$5 million

Table 1

⁹ McGovern, 529-570.

¹⁰ McGovern.

¹¹ *NTI Final Report*, City of Philadelphia, Neighborhood Transformation Initiative, Philadelphia, 2007, <<http://www.philadelphiacontroller.org/publications/audits/NTI%20Final%20Report%22-%20Single%20Sided%20%205BEng.%20No.%20400108%5D.pdf>>.

While the efforts of the NTI financed both the demolition and rehabilitations of distressed neighborhoods surrounding Center City, Philadelphia today still hosts a staggering amount of vacant parcels and buildings.¹² The intent of the NTI was to create favorable grounds for private large-scale development, and while some isolated instances of large housing projects occurred in areas like Brewerytown (to be covered in Case Studies in Chapter 3), the City of Philadelphia still has not been able to foster adequate private reinvestment in its distressed neighborhoods to spur successful revitalization.

Other available incentives from the city aimed at attracting development include the 10-year tax abatement, which applies to both new construction and significant expenditures on the improvement of existing structures within Philadelphia's city limits.¹³ The Federal Rehabilitation Tax Credit covers 20% of rehabilitation spending on a Nationally Registered historic property which produces income, and 10% for older, non-designated buildings,¹⁴ though it is not as popular as the 10-year tax abatement. However, neither of these incentives is effective without the presence of a private developer who is willing to invest in dilapidated residential properties, of which Philadelphia has an abundance. The private sector investor is the vehicle for the use of any of these incentives. More incentives will be covered in greater detail in the Enablers of Chapter 4.¹⁵

The capabilities of private sector involvement are largely driven and/or limited by availability of financing and opportunity for profit. Financial Institutions must be willing to lend in order to activate private development. During the national housing boom of the 2000s,

¹² John Kromer, Bridget Greenwald, Ira Goldstein, Jill Feldstein, and Skip Wiener, "Vacant Land Management Panel," University of Pennsylvania School of Design, Philadelphia, 31 Mar. 2011, Lecture.

¹³ Kevin Gillen, "Philadelphia's Ten-Year Tax Abatement: Updated Statistics on the Size and Distribution of Abated Properties in Philadelphia," <http://www.econsult.com/articles/041609_Abatement.pdf>.

¹⁴ "Incentives for Preserving Historic Properties," National Trust for Historic Preservation, 2011, <<http://www.preservationnation.org/issues/rehabilitation-tax-credits/>>.

¹⁵ Glinkowski, page 64.

financial institutions were more flexible and willing to finance development during the productive economy allowed. This boom continued to encourage suburbanization of the metropolitan Philadelphia area outside of city limits because large-scale developers had easier access to loans from private institutions. The relocation trend to the Philadelphia suburbs has been consistently strong for the past 30 years.¹⁶ Lending institutions across the area inevitably issued more mortgages than what they could afford to lend, enabling many new homeowners to purchase properties for much higher than what they could afford. The resulting housing bubble was ready to burst by late 2007, right after the NTI had finished razing blocks of distressed neighborhoods in the hopes to cash in on some of this zealous developer spending.

Indeed, the NTI, from 2002-2007, spurred a large amount of activity; however the housing crash of 2008 interrupted the process for the vision of development to fully follow through as intended. Eager investors bought up large amounts of property while financing was still easily available. However, by the time of the housing crash, obtaining financing to rebuild became impossible. Neighborhoods saw little benefit as foreclosures skyrocketed immediately after the NTI concluded.¹⁷ In the end, neglected neighborhoods remained neglected.

The housing crash of 2008 forced families out of their homes, and a simultaneously slowing economy also left households with diminishing incomes. Foreclosure rates soared within the city, and the housing stock fell out of residents' control as homeowners became renters. According to the American Community Survey results from 2007, Philadelphia had 323,021

¹⁶ Alan J. Heavens, "For '94 Sales, Sluggish Start Outdone by a Strong Finish," *The Philadelphia Inquirer* 29 Jan. 1995, Final ed., Real Estate sec.: K01, *LexisNexis Academic*, Web, 21 Jan. 2011.

¹⁷ Alan J. Heavens, "A Brighter Future for Starter Homes?", *The Philadelphia Inquirer* 16 Aug. 2010, City-C ed., Business sec.: E01, *LexisNexis Academic*, Web, 21 Jan. 2011.

owner-occupied housing units, and by 2009, only had 311,376 owner-occupied units. Conversely, the number of renter occupied units rose from 239,363 to 258,459 from 2007 to 2009.¹⁸

Philadelphia, the nation's fifth largest city, grew to accompany more abandoned lots and abandoned buildings per capita than any other city the country by 2002, and continues to hold that title today.¹⁹ For every abandoned house on a block, surrounding properties lose a supposed \$6500 in value.²⁰ The accumulation of the effects of decreased homeownership, increased abandoned properties, and decreased property values continued to take a physical toll on the city which was already struggling to overcome the longstanding effects of post-industrialism, suburbanization, racial tension, immediate aftereffects of the housing crash, and a slowing economy.

2.2 Types of Vacant Housing

Currently, Philadelphia neighborhoods offer an abundance of single-family rowhomes in need of repair in order to be habitable. The core of the vacant housing problem in Philadelphia is the lack of economic investment in these neighborhoods, according to John Kromer formerly of the Philadelphia Office of Housing and Community Development.²¹ Single-family housing stock within the city has long been viewed as worn out stock to be replaced with new

¹⁸ "Philadelphia County, Pennsylvania: Demographic Characteristics for Occupied Housing Units", Data sets 2007 and 2009, American Community Survey 1-Year Estimates, <http://fastfacts.census.gov/servlet/STTable?_bm=y&-geo_id=05000US42101&-qr_name=ACS_2009_1YR_G00_S2502&-ds_name=ACS_2009_1YR_G00_&-_lang=en&-redoLog=false>.

¹⁹ "Philly's New Street Smarts," Editorial, *Christian Science Monitor* [Boston, MA] 17 Apr. 2002, Editorial sec.: 08, *LexisNexis Academic*, Web, 21 Jan. 2011.

²⁰ Joseph N. DiStefano, "Saving Neighborhood's Soul; Bank, Church and N. Phila. Community Restore Homes," *The Philadelphia Inquirer* 23 Oct. 2006, Business sec.: D01, *LexisNexis Academic*, Web, 21 Jan. 2011.

²¹ Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area are Finding Housing Help. Budget Woes May Cut the Aid," *The Philadelphia Inquirer* 24 Sept. 1995, Real Estate sec.: R01. *LexisNexis Academic*, Web. 21 Jan, 2011.

construction, but in actuality, it is a huge existing resource.²² The potential future for this resource will be covered in the section, “Emerging Trends”, later on in this chapter.

Philadelphia’s current inventory of vacant structures can either be classified as “long-term” vacant structures, “short-term” vacant structures, or “move-ins”. Altogether, there is somewhere around 27,000 vacant housing structures in Philadelphia.²³ About 75% of these houses are one- and two-family structures, i.e., rowhouses.²⁴

“Long-term” vacant houses have been empty for 3 years or more, and are often vacant for over a decade. They are not habitable and require substantial investment to meet safety requirements. They are likely to lack functioning utilities such as electricity, plumbing, and heating systems. They often suffer from fire damage or structural problems. Due to the extremity of deterioration, “long-term” vacant houses may require gutting, including extensive interior demolition and replacement of floors, doors, stairs, walls, and utilities. The development cost per unit to rehabilitate a “long-term” vacant house or unit can be \$70,000-\$150,000, or more. The vast majority of vacant structures in Philadelphia are of the “long-term” vacant houses, totaling around 19,000 structures.²⁵

“Short-term” vacant houses have been vacant for less than three years. They are structurally sound, have intact roofs, and do not suffer from fire damage. Doors and windows of short-term vacant housing have often been sealed to prevent vandalism and trespassing. Short-

²² *New Opportunities for Residential Development in Central Cities: Case Studies of Private New Construction and Rehabilitation*. ULI Research Report #25. (Research Division of Urban Land Institute: 1976) 1.

²³ The most recent comprehensive survey of vacant structures in Philadelphia was conducted by L&I in 2001. While this data is nearly 10 years old, and precedes the efforts of the NTI which sought to raze much of this vacant housing, it is the most comprehensive snapshot of this type of data to date. (151) The numbers used here are an approximation given preceding history, effects of the NTI, and the foreclosure crisis of 2009-2010.

²⁴ John Kromer, *Vacant Property Prescriptions: A Reinvestment Strategy*, (City of Philadelphia Office of Housing and Community Development: July 1995) 11.

²⁵ Kromer 11-13.

term vacant houses are typically enduring a waiting period due to legal proceedings. This waiting period may be a pending decision of an investor on their property, or the housing could be going through foreclosure or resale. Short-term housing rehabilitation does not require a vigorous “replacement” approach and rather just needs some repairs. Little to no interior demolition is required, and any upgrading of utilities can be done while retaining original interior elements. Development cost per unit in short-term vacant housing is under \$70,000, and averages around \$45,000. There are about 6,000 short-term vacant houses in Philadelphia.²⁶

“Move-in” vacant housing has been empty for less than one year, requires few or no Code-related improvements, and still has working systems. Move-in vacant structures can be improved for \$10,000 or less. There are only about 2,000 move-in vacant structures throughout Philadelphia at any given time.²⁷

2.3 Rehabilitation

This thesis focuses on addressing this vacant housing issue, especially long-term and short-term vacant housing, through the strategy of rehabilitation. In order for rehabilitation to occur, initial financing of rehabilitation requires heavy cash investments from the private sector to purchase and renovate homes. There is no substantial program on the city level allowing this to happen in the private sector.²⁸ While Philadelphia offers a Settlement Grant of up to \$500 for

²⁶ Kromer 15-18.

²⁷ Kromer 19.

²⁸ *New Opportunities for Residential Development in Central Cities: Case Studies of Private New Construction and Rehabilitation*, ULI Research Report #25, (Research Division of Urban Land Institute: 1976) 41.

low-income first-time homebuyers to ensure stable homeownership rates, there are not many incentives which recognize homeowners as small-scale rehabilitators of housing in need.²⁹

To clarify, the definition of rehabilitation for the purpose of this thesis will encompass a range of building needs and strategies. Using the *Dynamics of Housing Rehabilitation* as a guide, the term “rehabilitation” can include any of the following:

- The elimination of environmental and structural deficiencies, which, if not addressed, would result in blight.
- The renewal or modernization of existing buildings.
- Turning an uninhabitable building habitable.
- Extensive rebuilding of a property to remove and replace decayed or worn-out parts, with complete installation of modern mechanical serves and floor plans and rebuilding within the shell.
- Restoring a residential building to safe, sound, and sanitary conditions.

The use of the term “rehabilitation” as a strategy in this thesis will also cover a range of levels of intensity. As previously mentioned, Philadelphia’s vacant housing stock consists of “long-term vacant”, “short-term vacant”, and “move-in” housing types. However, the focus of this thesis will aim to address “long-term” and “short-term” vacant housing types, because they comprise the majority of Philadelphia’s vacant housing. However, even if “long-term” and “short-term” vacant housing are likely subject to more intense forms of rehabilitation, every case is different. No matter if a property is a “long-term” or “short-term” vacant property type,

²⁹ Jean L. Cumming, Denise DiPasquale, and Matthew E. Khan, “Affordable Homeownership: Measuring the Net Benefits to Homeownership for Low- and Moderate-Income Households in the City of Philadelphia”, City Research, June 2001, <<http://www.cityresearch.com/pubs/Web%20Final%20Report.pdf>>.

the intended intensity type of rehabilitation is not defined by how long it has been vacant, but in what condition it currently exists.

Rehabilitation of “long-term” and “short-term” vacant housing will likely cover the following intensities of rehabilitation, as defined by the *Dynamics of Housing Rehabilitation*:³⁰

- Minimal Rehabilitation: minor repairs, improving the façade of a building, cosmetic treatments, and code compliance, including all building, housing, fire, and sanitary codes.
- Moderate Rehabilitation: in addition to minimal rehabilitation, includes minor changes to floor plan layout, general interior and exterior repairs, modernization of heating, plumbing, and electrical systems, and replacement of fixtures.
- Extensive Rehabilitation: in addition to minimal rehabilitation and moderate rehabilitation, extensive rehabilitation includes the complete redesigning of floor layouts, as a gutted shell is often the starting point. Major interior and exterior repairs, structural repairs, and replacement of heating, plumbing, and electrical systems are usually necessary in extensive rehabilitation.

The inclusion of a broad range of vacant housing types and appropriate levels of rehabilitation required is intentional in order to encompass the individual cases of Philadelphia rehabilitations. The biggest restriction in the use of the term rehabilitation in this thesis is the notion of complete demolition and replacement of the structure. Additionally, the term “redevelopment” later on will refer to the process of acquiring and rehabilitating vacant housing as defined above.

³⁰ David Listokin, *The Dynamics of Housing Rehabilitation*, Center for Urban Policy Research, Rutgers University, 1973.

In the interest of historic preservation, the reasoning behind the preference for rehabilitation over any other approach to blight of residential neighborhoods above can be briefly summarized by the National Trust for Historic Preservation's *Information* publication series on rehabilitation. According to preservation economist Donovan Rypkema, not only does rehabilitation support "architectural distinction, social continuity, cultural context, urban planning, historical consciousness, environmental protection, and aesthetic excellence" of neighborhoods,³¹ but it is sensibly applicable to the private sector because of its potential economic benefits.

2.4 Real Estate Terms

Rypkema's description of the economics of rehabilitation covers a concise list of real estate terms which are important to define in order to understand how rehabilitation factors into the realm of real estate. Because a historic building is indeed real estate itself, "its economic capacity, measures of return, value as an asset, and attractiveness as an investment are all going to be calculated by investors, bankers, and developers in the same fashion as any other form of real estate."³²

Because real estate is a long-term capital asset, it aims to generate net income to its owner over an extended period of possession. Monetary return on investment to the owner in real estate should come from four sources:

- Cash: The annual net proceeds to the owner after collecting rent, paying bills, and paying financing.
- Appreciation: Selling the property for more than it was purchased.

³¹ Donovan Rypkema, "The Economics of Rehabilitation", *Information*, (National Trust for Historic Preservation: 1997) 1.

³² Rypkema 2.

- Amortization: the reduction of the owner's debt decreases the longer they are able to collect rent because the equity is increased.
- Tax Savings: The ability to retain money that would otherwise have to be spent on taxes through the reduction of taxable income.

These four components of monetary return to the owner depend on specific cases with a number of variables, including: the interests and priorities of the investor, current tax and interest rates, condition of the property, socioeconomic factors, economic growth prospects of an area, community leadership, neighborhood safety, schools, applicable public policies (including incentives and regulations), characteristics of the site, location³³, and the local real estate market.³⁴ The steering effects of the real estate market on development decisions will be further explored in the section "Emerging Trends" section toward the end of this chapter.

Any investment, real estate or otherwise, can attract private interest based on the following nine standards:

- High income – the total amount of dollars generated from the investment
- Dependable income – the certainty of return on investment
- Timing of Return – how fast the return can be realized
- Capital Appreciation – the likelihood the value of the investment will increase during ownership
- Minimum risk of loss – whether there is a chance that value will decrease during ownership

³³ Each of these assets of a property are subject to change over time, except for location. And while location is fixed geographically, its value is dynamic depending on the context of history, community, and recent trends. See: Homer, Arthur M. Weimer. *Real Estate*. Ronald Press Company, NY. 1966.

³⁴ Edward J. Kaiser, Kenneth B. Kenney, John E. Smith, and Shirley F. Weiss, *Residential Developer Decisions: A focused View of the Urban Growth Process*, Center for Urban and Regional Studies, Institute of Research in Social Science, University of North Carolina at Chapel Hill, 1966.

- Favorable tax treatment – whether there are available tax credits for the asset
- Leveragability – whether the rate of return on investment can be enhanced with available financing options
- Ease of management – the intensity of management required to maintain the asset
- Liquidity – how quickly can the asset be turned into cash

Each investment ranks different in each category. While rehabilitation may not score highly in many of the categories, strengths of the investment include favorable tax treatment which can help to balance out the risks found elsewhere. In most cases of dilapidated vacant housing in Philadelphia, a combination of these factors may compel an investment, but each case typically calls for a varying combination. It is important to keep in mind that potential rehabilitation properties must compete favorably with other real estate options if it is to attract private capital.³⁵

In real estate, an investment opportunity such as a potential property rehabilitation project will be more likely to attract the interest of developers if it feasibly returns and exceeds the money invested. The investor must consider the money required in order to cover the four most important categories of dollar spending as defined by Rypkema: Capital Costs, Operating Income, Operating Income, and Financing. Capital Costs includes acquisition price and rehabilitation – ranging from hard costs of construction to design fees. Operating Income involves the revenue generated from renting out the site, including the consideration of vacancy rates in the area. Operating expenses require the owner to keep the property maintained, occupied, and serviced with utilities. The cost of financing itself must be considered as well,

³⁵ Donovan Rypkema, “The Economics of Rehabilitation”, *Information*, National Trust for Historic Preservation, 1997.

because real estate is so intensive in capital investment. Typically, projects are not possible without the support of financing.

While obtaining financing requires cooperation with an institution, their willingness and ability to lend relies heavily on factors that are often out of the developer's control. The amount, cost, term, and availability of financing from a lending institution depends on the economy, the probability of repayment from a successful project, and the history of the interested developer. Financial institutions also assess risk when issuing loans, and the more stable a developer's investment is, the more likely they will be able to obtain financing. Large-scale developers in a suffering economy will have a more difficult time obtaining a loan which covers the value of their project, and may only be able to borrow 60-65% of their project's value. However, small-scale developers such as future owner-occupants may be able to borrow up to 80-90% of their investment's value due to their invested interest, stability, and smaller scale.³⁶

It is important to clarify the term "value" in the economic sense of the word when discussing real estate. According to Rypkema, economic value is "the price at which a typical buyer would buy and a typical seller would sell, in an open and competitive marketplace", which means it depends on the state of the real estate market during that given period of time. Economic "value" is not the same as cost, as clarified earlier. It is also important to note that rehabilitation may seem like a risky and unprofitable investment because the Capital Costs may exceed the economic "value" of the property when it reaches the real estate market. This excess in cost beyond "value" is called the "gap", which will be referred to in later chapters.³⁷

The economic rationale to pursue rehabilitation despite the persistent existence of a "gap" is justified in tax savings otherwise not available to other types of real estate, but also in

³⁶ Rypkema.

³⁷ Rypkema.

the greater long-term benefits to the affected public. In the case of this thesis, this namely refers to small-scale residential rehabilitations offering greater benefits of the neighborhoods in need.

2.5 The Real Estate Process

The process of acquiring real estate as an investment for small-scale rehabilitation varies depending on the conditions of each case, but there are several fundamental steps which projects must legally adhere to. In neighborhoods of Philadelphia is desperate need of developer input, a low acquisition price is sometimes the only obvious advantage of a property in a suffering area. Real estate investors seek cheap property, and cheap properties are those which need substantial rehabilitation.

Typically, real estate acquisition of such properties occurs when the sale of a property transfers the title and deed from the hands of one private property owner to another private investor. Contact between a property owner and a new investor can occur by word of mouth, private deals, or, most commonly, through a real estate agent who has access to Multiple Listing Services, or MLS. MLS allows an investor's agent to search for potential rehabilitation properties using a centralized directory of all property for sale in a particular region,³⁸ such as Philadelphia. However, property in need of rehabilitation in Philadelphia is often not owned privately, and is therefore not listed for sale in MLS.

In Philadelphia, there are 40,000 vacant properties, many of which have structures eligible for rehabilitation. The City of Philadelphia owns roughly 10,000 of these properties,³⁹

³⁸ Adrienne Schmitz and Deborah L. Brett, *Real Estate Market Analysis: A Case Study Approach*, (Washington DC: Urban Land Institute, 2005) 24.

³⁹ John Kromer, Bridget Greenwald, Ira Goldstein, Jill Feldstein, and Skip Wiener, "Vacant Land Management Panel," (Philadelphia: University of Pennsylvania School of Design, 31 Mar. 2011), Lecture.

meaning that one fourth of the properties in need of rehabilitation will require acquisition of city property. These city owned properties are usually not listed in MLS. Although not impossible, the process of acquiring city property depends on the city entity it is owned by, either from the Redevelopment Authority (RDA), Philadelphia Housing Authority (PHA), or the City of Philadelphia itself. Each agency manages its own disposition and sales process with separate staffs, processes, requirements, access to technology, timelines, and expectations. There is no centralized resource that lists vacant city property, all of which is in need of a private investor as the city cannot afford to make use of the property.⁴⁰ Vacant property owned by the city is often very inexpensive, thus making it a considerably good investment for a potential investor.

Similarly, privately held vacant property can be inexpensive, but it must be listed for sale by consent of the original property owner. Most vacant property owned privately is in the name of an absentee landowner who may be difficult to contact in order to initiate the process of a transaction sale.⁴¹ However, if an interested investor is successful in initiating contact with a vacant property owner, whether privately owned or owned by the city, the process of acquisition hold a number of requirements and fees in order for the transaction to occur.

The investor is required to pay the acquisition price as agreed upon by the seller. In order to legally transfer the title and deed of the property, the investor must also pay a number of taxes and fees, such as the transfer tax, inspection fees, and closing costs. Additionally, most rehabilitation work requires permits from the city before a project can begin to be rehabilitated, such as for construction or change of use.⁴²

⁴⁰ "Vacant Lot and Property Management Proposals," City of Philadelphia, Presentation at Philadelphia Association of Community Development Corporations, February 2011.

⁴¹ "Vacant Lot and Property Management Proposals."

⁴² Adrienne Schmitz and Deborah L. Brett, *Real Estate Market Analysis: A Case Study Approach*, (Washington DC: Urban Land Institute, 2005) 68-85.

With all city processes completed and legal requirements met, the investor must be able finance both the price of acquisition and the costs of rehabilitation, which often requires the aid of a financial institution. The accessibility of loans depends on the willingness of the institution, and is largely affected by the current economic climate.⁴³ Additional sources of funding can be obtained through public entities, but only if specific requirements are met for each source. These public incentives will be covered in Section 4.5, City Initiatives and Tax Breaks. After the physical rehabilitation, which requires a construction crew or contractors, a rehabilitated property must legally pass inspections on functioning systems of plumbing, electrical, and mechanical systems. Depending on the final use of the building, requirements for fire safety, accessibility, and building code must also be met.⁴⁴

The completed rehabilitated property can then be resold, rented out, or privately occupied, depending upon the interest of the developer. If the property is not privately occupied by the owner, which is rare, then the marketing process involves advertising the sale of the property. Pricing should be able to cover the financial gap and yet still be competitive with comparable properties in order to succeed in delivering a profit.

2.6 Small-Scale Developers

The key component to conducting rehabilitation as described in this chapter involves small-scale developers, who are traditionally the major initiators of small-scale residential rehabilitation in central cities.⁴⁵ “However, they tend to be more conservative with their efforts

⁴³ Adrienne Schmitz and Deborah L. Brett, *Real Estate Market Analysis: A Case Study Approach*, (Washington DC: Urban Land Institute, 2005) 68-85.

⁴⁴ *International Building Code*, International Code Council, 2006, <http://www.iccsafe.org/cs/codes/Documents/2009-10cycle/FAA/IBC-G_G1-G91.pdf>.

⁴⁵ *New Opportunities for Residential Development in Central Cities: Case Studies of Private New Construction and Rehabilitation*, ULI Research Report #25, (Research Division of Urban Land Institute: 1976) 1.

in high-risk areas,” according to a research study by the Urban Land Institute.⁴⁶ Most redevelopment firms specializing in the rehabilitation of older homes, and which are unassisted by public subsidies, tend to be small firms with closely supervised operations. They have frequent contact, knowledge, and presence in the area in which they work. They are also likely to acquire, rehabilitate, and sell properties to owner-occupants on a speculative basis of achieving profit in the process. The size of the firms must be smaller in order to make spontaneous changes to projects as necessary, making the specifications of each project appropriate to individual sites. Large-scale firms working on small-scale housing are often forced to spend more on supervisors, superintendents, and administrative duties.⁴⁷

That is why it is important to consider who else qualifies as a “small-scale developer”. ULI stresses that it is actually the hands-on homeowner/occupant who is of primary importance for rehabilitation of single-family homes. They obtain the capital of sweat equity and also are more likely to garner the support of the neighborhood in their efforts. The individual owner/occupant rehabilitator is able to customize their home to their liking. ULI refers to them as the “leading edge” of improvement of older neighborhoods, as they often the investment pioneers of an older neighborhood. ULI also estimates they are highly underrated as revitalizers of historic neighborhoods.⁴⁸ Even educating homeowners who occupy housing that is not yet in need of substantial renovations just yet can be a preventative approach to more vacant housing in the future.⁴⁹

Although the numbers of hands-on homeowners is more difficult to document than simply the percentage of homeowners within the city of Philadelphia, homeownership in

⁴⁶ *New Opportunities for Residential Development in Central Cities* 1.

⁴⁷ *New Opportunities for Residential Development in Central Cities* 15-16.

⁴⁸ *New Opportunities for Residential Development in Central Cities* 15.

⁴⁹ Kromer, John, *Vacant Property Prescriptions: A Reinvestment Strategy*, (City of Philadelphia Office of Housing and Community Development: July 1995) 29.

Philadelphia is strong in comparison to most other large US cities. As of 2000, homeownership is over 60% of Philadelphia's population, second highest among the large cities of the US.⁵⁰

Additionally, the median of income of homeowners is 31% lower than that of the United States, proving a wider range of family income types are capable of home owning in Philadelphia, not just the wealthy.⁵¹

2.7 Developer Interests

The term "small scale developer" in Philadelphia's case is flexible. It includes the hands-on occupant and the small-scale private firm for the sake of this thesis. Both the occupant rehabilitator and the small-scale private firm can have a beneficial effect on the dilapidated vacant housing stock of Philadelphia. However, it is important to note that these two types of rehabilitators do not necessarily have the same interests in mind when making an investment decision. Small firms tend to strive toward profit as their primary goal, while homeowners tend to focus more on the impact they have on their own lives and the surrounding neighborhood.⁵² That is not to say that the developer has no interest in the benefit of the neighborhood or that the homeowner is not interested in eventual profit, but their decision making process in investments are often steered from different perspectives.

Briefly, some of the non-monetary benefits that can interest developers include restored cohesiveness of the built neighborhood, rising property values, community presence,

⁵⁰ "Philadelphia in Focus: A Profile from Census 2000", Brookings Institution, November 2003, <http://www.brookings.edu/reports/2003/11_livingcities_philadelphia.aspx>.

⁵¹ Jean L. Cumming, Denise DiPasquale, and Matthew E. Khan, "Affordable Homeownership: Measuring the Net Benefits to Homeownership for Low- and Moderate-Income Households in the City of Philadelphia", City Research, June 2001, <<http://www.cityresearch.com/pubs/Web%20Final%20Report.pdf>>.

⁵² Edward J. Kaiser, Kenneth B. Kenney, John E. Smith, and Shirley F. Weiss. *Residential Developer Decisions: A focused View of the Urban Growth Process*, Center for Urban and Regional Studies, Institute of Research in Social Science, (University of North Carolina at Chapel Hill: 1966) 6-8.

return of residing population, and an inherited positive influence on adjacent property owners, to name a few. However, more benefits and effects of rehabilitation efforts will be further explained in following chapters, as the enablers and disablers of small-scale residential rehabilitation will be analyzed through media reports.

2.8 Emerging Trends

Philadelphia's current demographic diversity makes redevelopment a complicated and fragile subject, when approached insensitively. The majority of Philadelphia's population today is black. There are also many immigrants are locating into densely packed ethnic neighborhoods in areas of North and Southwest Philly. While Philadelphia's population declined overall from 1980 to 2005, the number of foreign-born residents doubled during this time period. Additionally, this figure only represents the documented residents.⁵³ While the current demographic diversity in Philadelphia makes it an interesting, dynamic, and multicultural city, it can also be a source of tension for developers looking to invest in neighborhoods which are strongly defined by their community members. Many Philadelphia neighborhoods are subject to gentrification and out-pricing of local residents due to incoming development out of their control. Redevelopment in Philadelphia as explored by this thesis will include the views of community support and opposition wherever possible.⁵⁴

Philadelphia is also home to a large baby boomer age group, who are approaching retirement age. One suggested trend by the ULI in their 2011 report on Emerging Trends in Real

⁵³ Roger D. Simon and Brian Alnutt, "Philadelphia, 1982-2007: Toward the Postindustrial City," *The Pennsylvania Magazine of History and Biography* 131.4 (2007): 395-444. *JSTOR*, Web, 21 Jan. 2011, <<http://www.JSTOR.org/stable/20093970>>, 399.

⁵⁴ However, while the issue of gentrification is important and should be recognized as a transformative effect on the social makeup of neighborhoods, this thesis will not focus on the causes and effects of gentrification.

Estate predicts that as baby boomers age, they will likely look to downsize in housing options to more manageable, low-maintenance properties.⁵⁵

Another emerging trend described by the ULI predicts that the era of “echo boomers” will be heading to college and searching for student housing.⁵⁶ Philadelphia’s many universities are already experiencing a surge in demand for student housing, and this trend is likely to continue in the immediate future.

A widely reported trend in real estate the supersized home trend is on its way out. For the past three decades, the highest demand in housing has been in increasingly larger square footage. As of 2007, it was the first documented year that the National Association of Home Builders did not announce an annual rise in average square footage of homes being built, confirming this trend. Demand is gravitating toward a preference for luxury amenities instead of pointless space. Smaller space typically means less maintenance, and more time to enjoy living in the home.⁵⁷ The year 2011 is being dubbed “the year of small”, and Philadelphia is capable of accommodating this trend.⁵⁸

Another recent trend in real estate is focusing on greener, energy efficient alternatives, such as rowhomes, to the standard oversized American home. Existing rowhomes also support the idea of going green simply because they have existing embodied energy. Their reuse is the building-sized scale of recycling materials. While the issue of renovation vs. new construction is still up for debate, especially as it ranges from case to case, an appropriate rowhouse renovation

⁵⁵ Jonathan D. Miller, *Emerging Trends in Real Estate 2011*, (Urban Land Institute: 2010) 55.

⁵⁶ Miller 55.

⁵⁷ Al Heavens, “On the House: Supersized Houses May Be on the Way Out,” *The Philadelphia Inquirer* 11 Mar. 2007, Real Estate sec.: J01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁵⁸ Inga Saffron, “Small Stuff Makes Philly Better, a Bit at a Time,” *The Philadelphia Inquirer* 7 Jan. 2011, City-C ed., Features Magazine sec.: E01, *LexisNexis Academic*, Web, 21 Jan. 2011.

can often be much less expensive.⁵⁹ Figuring out how to turn small spaces into modern living areas which are both efficient and comfortable will ultimately set Philadelphia's offerings ahead of the real estate game.⁶⁰

Fortunately, Philadelphia's housing stock as previously described through history maintains hope to become more desirable with forthcoming real estate trends. Philadelphia's enormous stock of vacant worker rowhouses have not been in fashion during the past decades of suburbanization, but the changes in demographics may prove that these smaller, denser housing units within city limits are applicable to popular demand once again. Worker rowhouses typically satisfy lifestyle demands of small- and medium-sized families, within reasonable means, while offering the accessibility of living within the city.⁶¹ They are easily adaptable to accommodate new floor plans, because narrow parcels with rowhouses are supported by exterior walls, not interior walls, making them flexible spaces. Rowhouses are located in walkable neighborhoods and surround the universities of Philadelphia. The built-in benefit of location, from the developer's perspective, ensures the location's success in the future, which is something that suburban development cannot always. Walkability, transportation, connectivity, and neighborhood amenities are already built into most of Philadelphia's neighborhoods.⁶²

⁵⁹ Alan J. Heavens, "Roof Coating 'Sheds' House Heat to Help Elderly Homeowners, a Nonprofit Agency Applies a White Elastomeric Substance. It Reflects Heat and Keeps the Interior Cool," *The Philadelphia Inquirer* 24 Sept. 2000, Sunday D ed., Real Estate sec.: O01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁶⁰ Alan J. Heavens, "A Brighter Future for Starter Homes?" *The Philadelphia Inquirer* 16 Aug. 2010, City-C ed., Business sec.: E01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁶¹ *New Opportunities for Residential Development in Central Cities: Case Studies of Private New Construction and Rehabilitation*, ULI Research Report #25, (Research Division of Urban Land Institute, 1976) 1.

⁶² Edward J. Kaiser, Kenneth B. Kenney, John E. Smith, and Shirley F. Weiss, *Residential Developer Decisions: A focused View of the Urban Growth Process*, Center for Urban and Regional Studies, Institute of Research in Social Science, (University of North Carolina at Chapel Hill, 1966) 3.

3.0 Defining Fringe

The majority of Philadelphia's vacant housing problems as described in the previous chapter occur in "fringe" neighborhoods of Philadelphia. In Philadelphia's case, fringe neighborhoods typically border or are adjacent to more successful and healthy areas. Center City and its neighborhoods are successful neighborhoods in that they have little to no vacant or dilapidated buildings, have organized community presence and interest, maintain a strong demand in the real estate market, and offer amenities to its residents. These amenities include public schools, adequate police coverage, a variety of retail stores, green spaces, and adequate utilities. Conditions are generally livable and safe, with little crime or abundance of trash. However, areas just outside of Center City's neighborhoods often portray a much different picture.

Fringe neighborhoods are neighborhoods within Philadelphia's city limits but do not exhibit a large developer's interest, whether for property development or for residents. Fringe neighborhoods are neither in a stage of improvement or decline, but rather in a stagnant state of market activity. Subsequently, fringe neighborhoods can be defined by an abundance of vacant housing. Often, fringe neighborhoods are considered to be at a tipping point, where the future of the neighborhood is unclear unless some type of action or intervention takes place.

This thesis will focus primarily on fringe neighborhoods because they show a potential to be improved through the piece-by-piece rehabilitation process described in the previous chapter. Fringe neighborhoods are most likely to show the effects of small-scale rehabilitation pursued by developers because they display a visible need for rehabilitation. Not only do fringe neighborhoods offer a substantial amount of candidate vacant properties for rehabilitation, they also merit a movement of revitalization to be considered a healthy neighborhood again.

Though many neighborhoods in Philadelphia may qualify as fringe neighborhoods for the purpose of this thesis, it is important to note that not every fringe neighborhood has the same set of needs or intensity of problems. However, there may be similarities that allow the designation of fringe. Fringe neighborhoods typically have a higher concentration of vacant housing in comparison to the rest of Philadelphia. An abundance of vacant land parcels are also a sign of disinvestment. Property values are generally lower than the average rate of Philadelphia. Any commercial corridors in a fringe neighborhood are also likely to show a lagging local economy with a high percentage of vacant storefronts. Vacancy rates in both commercial and residential space exhibit disinterest in the real estate of the neighborhood. Signs of blight may also be an issue in fringe neighborhoods. According to Pennsylvania's state law, blight is most commonly designated through the criteria: "(1) unsafe, unsanitary, and inadequate conditions, (2) economically or socially undesirable land use, and (3) faulty street and lot layout."⁶³ Though the City of Philadelphia uses these criteria to designate blight for the purpose of redevelopment, it is not the purpose of defining fringe areas in this thesis. However, Philadelphia's criteria for blight can often coincide with issues of fringe neighborhoods.

Neighborhoods in Philadelphia have often displayed the ability to cycle through times of distress and revitalization. The recycling of these neighborhoods is due to the real estate process. Many of these turn-around stories are due to the efforts of developers pursuing properties eligible for rehabilitation. The following collection of case studies of individual Philadelphia neighborhoods will offer examples of neighborhoods that are currently considered fringe, or were once considered fringe in the past. Information on these chosen case studies were drawn from media reports, journals, and current statistical data. If an area once qualified as a fringe

⁶³ "Blight Certification and Redevelopment Area Plan Reports", Community Planning Division, City of Philadelphia, Phila.gov, 2010, <<http://www.phila.gov/cityplanning/blightareaplans.html>>.

neighborhood in the past and has since bounced back through private investment, it is labeled as a “Success”. This type of neighborhood has experienced a successful revitalization, in the sense that community presence is stronger, the local economy has improved, and the number of vacant and dilapidated properties has increased.

3.1 Today’s “Fringe” Neighborhoods

The following neighborhoods are case studies of what currently constitute as a fringe neighborhoods. These are neighborhoods which are adjacent to healthy neighborhoods, but do not share the same success. Most fringe neighborhoods offer a combination of desirable elements and amenities, and yet to not attract substantial interests of developers. Each case study has a substantial amount of vacant housing which can be redeveloped by small-scale investors. These neighborhoods have a high probability of experiencing the resulting successful revitalization with the participation of small-scale investors. These types of neighborhoods are the focus of this thesis because it is largely unknown what enables or disables private small-scale rehabilitation efforts which are strongly needed. However, before determining the enablers and disablers, it is important to understand fully what a fringe neighborhood is. The following are examples of fringe in Philadelphia.

3.1.1 *Mantua*

The neighborhood of Mantua in West Philadelphia has excellent proximity to parks, Center City, public transportation, highways, universities, the museum district, and neighborhood amenities.⁶⁴ Yet the area still suffers from a decreasing resident population and increasing blight. In 1960, Mantua had 16,886 residents, many of whom were displaced by

⁶⁴ Caitlin Francke, “Anti-Blight Effort Turns to Mantua; It Is the Site of the Program’s First Large-Scale Razing,” *The Philadelphia Inquirer* 9 Apr. 2003, City-D ed., Local sec. *LexisNexis Academic*, Web. 21 Jan. 2011.

urban renewal efforts in adjacent University City. By 2003, Mantua had only 6,826 residents.⁶⁵

Across Philadelphia, about 10% of the city's properties are vacant or abandoned. Comparably, in Mantua, one third of its properties are vacant.⁶⁶

In Mantua's case, a longstanding, deep-rooted community aged, and as residents died and children moved on, drug dealers and squatters moved in, and vacant lots became trash dumps and crime hotspots.⁶⁷ During the NTI years, the program razed huge areas of the neighborhood for "clean up", but with no clear vision of what Mantua would look like in the future.⁶⁸ NTI spokesperson Cynthia Bayete insisted that "something had to be done," and so demolition became the only solution to the neighborhood's problem.⁶⁹ However, remaining residents feared a wasteland would be left behind. Much of Mantua's current vacancy is due to misguided redevelopment efforts such as the NTI, which focused heavily on demolition. However, Mantua does maintain some historic housing eligible for rehabilitation.

Today, Mantua does have a passionate and interested community, but this neighborhood has a rare case of multiple smaller organizations and associations who do not communicate with each other, despite their close geographic proximity. There are too many devoted residents backing different community ideals with no unified vision. Such a small neighborhood needs a single organization where everyone can communicate about what they want and how to pursue it, but there is yet to be such an organization. The division between community groups is an issue that can be resolved, however, and could provide the power to

⁶⁵ Francke.

⁶⁶ Francke.

⁶⁷ Francke.

⁶⁸ Francke.

⁶⁹ Francke.

revitalize Mantua.⁷⁰ The presence and passion of an interested community has a greater capacity to voice their desires and to support a strategy which they agree upon, and can help counteract the potential for gentrification. The otherwise unexplained stagnation of the real estate market and lack of current redevelopment projects qualifies Mantua as a fringe neighborhood.

3.1.2 *Strawberry Mansion*

The neighborhood of Strawberry Mansion in North Philadelphia has a favorable location next to Fairmount Park, connectivity to Center City, and an ample stock of grand architecture.⁷¹ Despite these seemingly luxurious amenities and convenient location, the neighborhood suffers greatly from an increasing number of abandoned properties, and the neighborhood demographic is very poor. More than 20% of the neighborhood's housing was vacant as of 2007.⁷²

Notably, Strawberry Mansion has typically lacked any organized neighborhood association, possibly due to its declining population. However, the NTI and the Preservation Alliance noticed the deficiency of rehabilitation activity in the area, and in an effort to salvage some of the historic architecture and to spur revitalization; they teamed up to facilitate the rehabilitation of facades for existing residents in 2007.⁷³ However, during the implementation of this program, the real estate market crashed, and today Strawberry Mansion still lacks any input of private investment or rehabilitation activity.

⁷⁰ David Feldman, "Interview with David Feldman of Right-Sized Homes Philadelphia," Personal interview, 4 Apr. 2010.

⁷¹ Michael Powell, "Knock-Down, Drag-Out Urban Renewal; Philadelphia Program Targets Blighted Areas," *The Washington Post* 14 Mar. 2003, Final ed., A sec.: A03. *LexisNexis Academic*, Web, 21 Jan. 2011, 34.

⁷² David Holtzman, "Neighborhood Power: A Citywide Program to Stop Blight Gets Fairly Good Marks," *Planning* Feb. 2007: 32-34, *EBSCO MegaFILE*, Web, 21 Jan. 2011, 34.

⁷³ Holtzman 34.

Newer residents of Strawberry Mansion are trying to save the neighborhood by greening it little by little. Residents like newcomers Haile Johnston and Tatiana Garcia-Granados began planting trees, installing gardens, and engaging fellow residents in clean-up efforts, in order help fight the neighborhood's reputation for crime, abandonment, and poverty. These small efforts on behalf of the residents are hopeful sign for the neighborhood, making Strawberry Mansion a likely candidate for revitalization and future value.⁷⁴

3.2.3 Fairhill

The neighborhood of Fairhill in Northeast Philadelphia is a large neighborhood made up of large commercial corridors, former industrial factories, and blocks upon blocks of worker rowhouses.⁷⁵ Fairhill is a telling example of Philadelphia's former manufacturing sector, with towering factories, mostly abandoned, adjacent to rows of two-story homes within immediate walking distance. As of the 2000 census, Fairhill was the poorest neighborhood in Philadelphia.⁷⁶ As of 2006, one fifth of all the properties in Fairhill are abandoned. Many of the repairs needed to conduct rehabilitation are considered "extensive" (as defined in chapter 2). Many of these rehabilitation projects cost much more than what the property would even be worth, because property values throughout Fairhill are generally lower than the rest of Philadelphia.⁷⁷

⁷⁴ Virginia A. Smith, "Urban Greenhorns; New to Strawberry Mansion, an Idealistic Young Couple Has Set About Using Trees and Other Plantings and Projects to Turn the Neighborhood Around," *The Philadelphia Inquirer* 29 Dec. 2006, Features Magazine sec.: E01. *LexisNexis Academic*, Web, 21 Jan. 2011.

⁷⁵ Thomas Ginsberg, Linda K. Harris, and Maria Panaritis, "City Data Tell of Affluence, Struggle; Two Faces of Phila.: 'Dirty' and 'livable,'" *The Philadelphia Inquirer* 25 Sept. 2002, City-D ed.: A01. *LexisNexis Academic*, Web, 21 Jan. 2011.

⁷⁶ Thomas Ginsberg, Linda K. Harris, and Maria Panaritis. "City Data Tell of Affluence, Struggle; Two Faces of Phila.: 'Dirty' and 'livable.'" *The Philadelphia Inquirer* 25 Sept. 2002, City-D ed.: A01. *LexisNexis Academic*, Web, 21 Jan. 2011.

⁷⁷ Joseph N. DiStefano, "Saving Neighborhood's Soul; Bank, Church and N. Phila. Community Restore Homes," *The Philadelphia Inquirer* 23 Oct. 2006, Business sec.: D01, *LexisNexis Academic*, Web, 21 Jan. 2011.

However, though the neighborhood's real estate market is in questionable shape, the neighborhood is rich in social and cultural resources. A large number of immigrant families are rooted in the area due to their family ties. The neighborhood also has long-established community centers, social networks, CDCs, literacy programs and adult schools.⁷⁸ New churches are emerging, and a new organization to help minority groups is also offering educational and financial programs to local residents. The Hispanic Association of Contractors and Enterprises CDC works to help homeowners in Fairhill obtain financing and skills to improve their properties.⁷⁹ Latino neighborhoods find great value in their neighbors as a form of a social support system, and new organizations are beginning to provide hope in finances and community empowerment as well.⁸⁰ If these ethnic communities are as dedicated to their neighborhoods as they are to their social resources, the neighborhood of Fairhill has the potential to spark a more grassroots-approach to revitalization.

3.2.4 Kensington

Kensington is one of the most recognizable fringe neighborhoods due to the strong focus on crime reports in the local media.⁸¹ Kensington has recently become notorious for drugs, crime, and sensationalized tragedies like the "Kensington Strangler." Though widely reported as a neighborhood full of vacant lots and alleyways for prostitution, murder, and drugs, Kensington actually maintains a loyal community who is willing to battle this negative image.⁸² Kensington does suffer from vacant lots and blighted grounds, but the neighborhood varies from block to block.

⁷⁸ DiStefano.

⁷⁹ DiStefano.

⁸⁰ DiStefano.

⁸¹ Melissa Dribben, "Kensington's Bright Side Has Its Adherents," *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁸² Diana Lind, "The Bright Side of Blight," *The New York Times* 25 Jan. 2011, Late Final ed., A sec.: 25. *LexisNexis Academic*, Web, 21 Jan. 2011.

Kensington's community presence, as voiced by the recently formed Kensington CDC, aims to rehabilitate the built environment first, and believes that a sense of confidence will be restored. The neighborhood is flexible in finding innovative solutions for vacant land, including small-scale urban farms, community gardens, and cleaned streets.⁸³ The hope of the Kensington CDC is to create a favorable and attractive environment for potential investors and homeowners. The neighborhood of Kensington has managed to improve the neighborhood's curb appeal, but the community is also dealing with the spill-over effects of gentrification from adjacent Fishtown.⁸⁴ As gentrification is slowly creeping up the Northeast corridor of Philadelphia, parts of Kensington in real estate are already being labeled as properties in "Fishtown" because of the less negative connotation.⁸⁵

However, Kensington maintains strong social networks over the past decades, even through deindustrialization. Community-based organizations have built playgrounds, boarded up abandoned buildings, and created a community watch for crime on the streets. Though Kensington once bustled with working-class families, it is now an eclectic mix of class, age, and ethnicity. Kensington has an emerging arts district, a great stock of housing types, and a loyal community, but Kensington also battles issues of extreme poverty, illiteracy, and desperate residents driven to lead lives of crime to make a living.⁸⁶ Kensington is perhaps a more complicated example of a fringe neighborhood, but is already foreseeing the interests of developers because of the neighborhood's proximity to Fishtown.

⁸³ Lind.

⁸⁴ David Holtzman, "Neighborhood Power: A Citywide Program to Stop Blight Gets Fairly Good Marks." *Planning* Feb. 2007: 32-34, *EBSCO MegaFILE*, Web, 21 Jan. 2011, 32.

⁸⁵ Lind.

⁸⁶ Melissa Dribben, "Kensington's Bright Side Has Its Adherents," *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*, Web. 21 Jan. 2011.

3.3 Examples of Success

The following is a list of “successes” which were formerly fringe areas as defined by this thesis, but have since been revitalized. They were adjacent to comparably healthier neighborhoods in the past, and have since improved through efforts of small-scale rehabilitation, or a combination of other efforts. These examples will help clarify the goal of revitalization as defined earlier, because they serve as a model for change.

3.3.1 *West Oak Lane*

The neighborhood of West Oak Lane was successful in maintaining both reasonable pricing of housing and its local residents.⁸⁷ This neighborhood underwent revitalization without suffering from gentrification.⁸⁸ This historically rooted community remains stable through a continuation of generations who choose to stay in the neighborhood and who choose to invest in their surroundings.⁸⁹ The area has also remained a convenient location, close to transportation hubs leading both into and out of the city, walkable to neighborhood amenities, and also close to shopping malls toward the edges of Philadelphia.⁹⁰

However, the era of the 1990s threatened West Oak Lane with blight. West Oak Lane had two designated areas of blight on Stenton Avenue and Ogontz Avenue. During the years of the NTI, the entire neighborhood of West Oak Lane was designated as blighted, include the

⁸⁷ Alan J. Heavens, “Here, Neighbors Unite to Make a Difference the Headlines Tell One Story About West Oak Lane. A Visit to this ‘Neighborhood of Families’ Tells Another,” *The Philadelphia Inquirer* 9 Jan. 1994, Final ed., Real Estate sec.: M01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁸⁸ Alan J. Heavens, “Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid,” *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁸⁹ Alan J. Heavens, “Here, Neighbors Unite to Make a Difference the Headlines Tell One Story About West Oak Lane. A Visit to this ‘Neighborhood of Families’ Tells Another,” *The Philadelphia Inquirer* 9 Jan. 1994, Final ed., Real Estate sec.: M01, *LexisNexis Academic*, Web, 21 Jan. 2011.

⁹⁰ Maria Panaritis, “A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back,” *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01, *LexisNexis Academic*, Web, 21 Jan. 2011.

previously certified areas. However, the official certification of blight as issued by the city clarified that local CDCs and community-based organizations were to be consulted with what to do with acquired blighted properties.⁹¹ Once certified as blighted, these vacant properties are subject to acquisition by the city and put forth to cause that the city finds appropriate. However, the city fortunately determined that in case of West Oak Lane, local officials and CDCs should be able to guide the redevelopment of these parcels.

With the cooperation of the city, West Oak Lane has managed to beat the odds of blight through the assured direction of local CDCs, like the West Oak Lane CDC.⁹² With extended media coverage of the CDC's revitalization efforts and mission to provide reasonably priced housing for local residents, their area currently maintains high demand.⁹³ West Oak Lane CDC rehabilitates properties one at a time, and provides financial counseling to potential homebuyers. The housing stock consists of small-to-medium sized homes which are reasonably priced, making the neighborhood a great option for first-time homebuyers. The only challenge the neighborhood now is keeping the sales price of rehabilitated homes above the cost of rehabilitation, according to executive director Althris Shirdan. There is always a gap and it is difficult to close it. Despite the rising demand for the area, West Oak Lane CDC cannot rehabilitate homes fast enough with their limited funds if they promise to offer reasonably priced housing. The community wants to stay put and refuses to be priced out, and West Oak Lane CDC has made it possible for the neighborhood to experience revitalization without gentrification.^{94 95} West Oak Lane CDC

⁹¹ Esther Ibarra, "Blight Certification for the Area Generally Bounded by Ivy Hill, Broad Street, Cheltenham Avenue, and Stenton Avenue," Philadelphia City Planning Commission, City of Philadelphia, <<http://www.philaplanning.org/plans/areaplans/woaklanebr.pdf>>.

⁹² Heavens, "Here, Neighbors..."

⁹³ "Hand It to CDCs These Groups Know How to Build Communities," *The Philadelphia Inquirer* 10 Sept. 1994, Final ed., Editorial sec.: A10. *LexisNexis Academic*, Web, 21 Jan. 2011.

⁹⁴ Alan J. Heavens, "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work," *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01, *LexisNexis Academic*, Web, 21 Jan. 2011.

ensured that the selling price of these homes were affordable without the persuasion of market-set price increases due to high demand. Although West Oak Lane CDC is not a private developer, their efforts of one-by-one rehabilitations have proven the positive effect of rehabilitation on a distressed neighborhood, by serving long-standing residents.

3.3.2 Hawthorne

The Hawthorne area is adjacent to Center City, South of South Street, along Broad Street, toward Washington Avenue. Through the 1990s, the area's real estate market was relatively stagnant, and hosted a dense collection of vacant properties.⁹⁶ Hawthorne soon became a hot spot for new development after a sweep of city programs paved the way for private development in adjacent areas to Hawthorne. Through the encouragement of city programs, the PHA, and HUD's Hope VI program, the surrounding areas east and west of Broad Street improved little by little, leaving Hawthorne sandwiched between up-and-coming neighborhoods just south of Center City.

These adjacent areas with activity attracted the interest of private developers looking for promising opportunities. The area of Hawthorne was one of the last neighborhoods immediately south of Center City which still exhibited vacant residential housing. Now, it is now a mix of renovated rowhomes, condos, and infill development.⁹⁷ Some investors call this area the "sweet spot" for a rehabilitated rowhome in Center City. Rowhomes in this area are typically priced between \$200,000 to \$350,000 – which is can be considered both reasonable and borderline high-end for comparable properties to the east and west. Even with market-rate

⁹⁵ Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid," *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011

⁹⁶ Alan J. Heavens, "An Urban Makeover." *The Philadelphia Inquirer* 7 Mar. 2010, City-C ed., Business sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

⁹⁷ Heavens.

housing prices on the rise, the neighborhood maintains a large range of diversity of family types, income types, and housing options. Hawthorne offers a substantial amount of affordable housing units, as some developers funded their projects with government subsidies requiring affordable units. Affordable housing subsidies offer a way for developers to close the gap between cost and price, and also ensure a range of housing types, prices, and diversity of residents. Overall, Hawthorne is an example of for-profit developers seeking a potential area of future activity, and filling the space between other successful neighborhoods with private investment.⁹⁸

3.3.3 Ludlow

The Ludlow neighborhood extends from 5th Street to 10th Street north of Girard Avenue toward Cecil B. Moore. The neighborhood offers proximity to Center City, shopping, Girard Medical Center, and Temple University. The area retains much of its original architecture, unlike many other parts of lower North Philadelphia. It is also on the edge of the gentrifying area of Fairmount Avenue, but maintains resident diversity, largely due to the massive PHA-sponsored affordable housing neighborhood (Ludlow Homes) to the immediate west, and private-public partnerships throughout the neighborhood ensuring affordable housing prices.⁹⁹

Fifteen years ago, the Ludlow neighborhood did not appear to be as promising of a logical investment as it is now. Owner/developer Joseph Laragione and architect Gerald Linso took a chance to rehabilitate enormous twin properties in an area where only smaller units were in demand. This business partnership initially projected the rehabilitation of two 4,000 sq. ft. homes through a reconfiguration of floor plans to meet community needs. Each 4,000 sq. ft.

⁹⁸ Heavens.

⁹⁹ Frances McInerney and Kellie Meyer, "Ludlow: New Faces Change Fifth and Thompson," *Philadelphia Neighborhoods*: 3 Mar. 2011. Temple University. <http://sct.temple.edu/blogs/murl/2011/03/03/ludlow-new-faces-change-fifth-and-thompson/>

home was converted into a duplex. Two thousand square feet per unit is ample space for a small family, and the complete reconfiguration of the floor plans also allowed for dramatic two-story foyers, large bathrooms, and walk-in closets. These manageable duplex were targeted towards homeowners looking to occupy one unit and to rent out the other unit in order to supplement their mortgage payments. This allowed for purchasing feasibility for new homeowners and also accustomed renters to adjacent homeowners. This accustoms new homeowners to the financial responsibility of a mortgage and renters also learn of possibilities to purchase their own home in the future.¹⁰⁰ This dynamic approach to revitalization through rehabilitation by private developers ensured that both the success of the neighborhood and the avoidance of gentrification.

3.3.4 *Spring Garden*

The Spring Garden neighborhood is one of the best examples of a neighborhood which was revitalized through little else than an active and hands-on community. Individual homeowners became developers themselves when they took adjacent vacant structures into their own hands, rehabilitating them one by one.¹⁰¹ Gilbert and Robin Palley moved to the Spring Garden neighborhood in the 1970s when it was still notorious for crime, drugs, and property abandonment. Despite the convenient location and borders with Center City, few developers dared to invest in any of the potential rehabilitation properties in the formerly fringe neighborhood. However, a few venturing pioneer investors and homeowners, like they Palleys, gave the neighborhood a chance, as they pursued their own personal interests in investment

¹⁰⁰ Alan J. Heavens, "Affordable Homes, With Rental Twist Four Families Will Be Living in Three-Story Duplexes. They'll Be Owners and Landlords at the Same Time," *The Philadelphia Inquirer* 9 July 1995, Sunday Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁰¹ Alan J. Heavens, "Spring Garden's Wait is Over; The Neighborhood at the Edge of Center City Has Changed Since Shells of Houses Sold as Little as \$7,000 in the '70s. Prices of \$400,000-Plus Are Typical Today," *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Advance ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

instead of only prospective profit. As homeowners, their driving interests to invest in the Spring Garden neighborhood were the benefits of its heterogeneous community, the proximity to Fairmount Park, and the views of the skyline. Gilbert and Robin Palley even imagined it could one day be a good place to raise their children.¹⁰²

As occupant rehabilitators, these individual homeowners discovered the potentials of other shell properties in their neighborhood. As these homeowners and other small investors began rehabilitating shells in the area one by one, the neighborhood was transformed throughout the 1980s and 1990s. The visible return of the community through property rehabilitation reestablished value in the area. Today, Spring Garden is one of the most expensive neighborhoods near Center City.

3.3.5 *University City*

Despite the historic and continued presence of universities and hospitals in the University City neighborhood of West Philadelphia, the surrounding neighborhoods were once so unsafe that students feared for their lives. After a string of murders in the 1990s, the University of Pennsylvania undertook the responsibility to improve its surrounding neighborhood of University City. Penn invested in offering safety amenities to serve the entire neighborhood in addition to protecting their student population and employees.¹⁰³ While Judith Rodin spearheaded the university's initiative to create a safer University City, the subsequent real estate efforts continued to transform West Philadelphia.¹⁰⁴

¹⁰² Heavens, "Spring Garden's..."

¹⁰³ Murray Dubin, "A Hot Neighborhood With History; 'University City Still Has the Things That Originally Attracted People,' a Longtime Resident Says," *The Philadelphia Inquirer* 22 Sept. 2004, City-D ed., *Where We Live-Report on Life in University City* sec.: G03. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁰⁴ Dubin.

John Fry's efforts while at Penn recruited developers to create commercial corridors along Walnut and 40th Streets, while taking into account the voice of avid community associations. He successfully guided the process of the conversion of an old General Electric building into today's high-end student lofts at the Left Bank. Penn also offered financial counseling and a mortgage plan for its employees in order to encourage them to live in the surrounding neighborhood. While Penn has radically transformed many areas of West Philadelphia for the better, it has also remained receptive to the concerns of the local community. Penn is very invested in the health of the communities in West Philadelphia not only for the sake of their student population, but for the residents who call University City home. ULI has recognized the successful revitalization of University City as Standard of Excellence in 2003¹⁰⁵ for reinvesting in the neighborhood and dramatically improving the standard of living.¹⁰⁶

This case of successful revitalization began with the presence and interests of a local institution, which later initiated a series of transformative rehabilitation efforts led by the university. As neighborhood amenities improved, the subsequent rise in property values triggered smaller, private investments throughout the neighborhood. In this case, small-scale private rehabilitations rounded out the efforts towards the success of University City, instead of pioneered them (as was the case in Spring Garden.)

John Fry recently became President of Drexel University and has since advocated Drexel's involvement in the redevelopment surrounding the university. While Powelton Village has received elevated student demand for housing, the commercial corridors and neighborhood

¹⁰⁵ Judith Rodin, *The University & Urban Revival out of the Ivory Tower and into the Streets*. Philadelphia, PA: Univ. of Pennsylvania, 2007, Print, 183.

¹⁰⁶ Alan J. Heavens, "A Global Award for Local Square; West Philadelphia project Wins Global Land-Use Award Hamilton Square Near Penn Is Among Urban-Renewal Sites of Excellence," *The Philadelphia Inquirer* 16 Nov. 2003, Advance ed., Real Estate sec.: J01, *LexisNexis Academic*, Web. 21 Jan. 2011.

participation are future priorities of Drexel's involvement in surrounding neighborhoods. Areas like West Powelton and Mantua will be neighborhoods to watch in the future, as they may exhibit a similar success due to university involvement.

3.4 Transition Neighborhoods between Fringe and Success

The final set of case study neighborhoods in this chapter are neighborhoods which could have been considered fringe until a particular event or program changed the prospect of the neighborhood's future. The following neighborhoods of Point Breeze and the area west of Temple Campus have recently felt the effect of a single transformative intervention which has disqualified it from being a fringe neighborhood as defined by this thesis. Whether or not these interventions contribute to a successful revitalization inclusive of the community's concerns has yet to be determined, but should be closely watched in the future.

3.4.1 *Point Breeze*

The Point Breeze neighborhood is a predominantly African-American neighborhood with an essential commercial corridor in South Philadelphia, adjacent to the Grays Ferry area. It has an organized community base that is devoted to the improvement of their neighborhood, but who are also very wary of being forced out of their area by the hands of external developers. Many residents of Point Breeze formerly lived in the Grays Ferry or Graduate Hospital areas, but were displaced due to incoming private development and subsequent rising property values. Point Breeze has one of the highest foreclosure and vacancy rates in all of South Philadelphia but community-based organizations and CDCs are aiming to keep the area affordable and yet livable.

As a result, Point Breeze is a property for Philadelphia's Neighborhood Stabilization Program 2, or NSP2. The NSP2 offers incentives for owner-occupants to renovate their homes and businesses in the neighborhood in an effort to retain existing fabric. It prioritizes supporting local residents with the resources to own and rehabilitate their own housing before attracting outside developers to do so.¹⁰⁷ Over the past 10 years, Point Breeze has been steadily improving, as median income of the neighborhood is beginning to climb above the poverty rate. John Kromer, former director of the city's Department of Housing and Community Development, believes this is also due to successful offerings of affordable housing in the area.¹⁰⁸

The NSP2 focuses heavily on equipping local residents with the capacity to rehabilitate their own housing, which is a notable resource that many fringe areas do not have access to. However, it is still too early to determine the effectiveness of the NSP2 on Point Breeze's capacity to make use of its built fabric through rehabilitation.

3.4.2 West of Temple Campus¹⁰⁹

The neighborhoods to the west of Temple University in North Philadelphia are experiencing an insurgence of developer activity at a very rapid rate. This private development boom is largely due to Temple's recent spike in student enrollment, resulting in an increased demand for student housing near campus. After the collapse of the real estate market in 2008, weakening labor markets, and high unemployment nationwide, job seekers are taking the

¹⁰⁷ "Neighborhood Stabilization Program 2," Office of Housing and Community Development, City of Philadelphia, Philadelphia, 2009, <<http://www.phila.gov/OHCD/nsp/Philadelphia%20NSP2%20application%20final.pdf>>, 10.

¹⁰⁸ Alan J. Heavens, "Making Home-Buying a Reality Homeownership in Philadelphia Is at Record Levels. Initiatives to Turn Low- and Middle-Income Residents Into Buyers Are Working. Many See Cause for Celebration." *The Philadelphia Inquirer* 14 May 2000, Sunday D ed., Real Estate sec.: 001. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁰⁹ Jennifer Lin, "PHA Set to Sell Off 1,800 Blighted Properties," *The Philadelphia Inquirer* 17 May 2009, City-C ed., Philadelphia sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

opportunity to go back to school in hopes they will graduate in time for an improved economy. Temple University could not resist the demand for education, and the number of students has outnumbered the availability of dormitories on campus. During the past decade, Temple's enrollment has spiked from 20,000 to 29,000 students, 40% of whom live off campus.

As a result, the neighborhoods west of Temple University are seeing a surge of private residential development.¹¹⁰ Redevelopment of the area at such a high speed has left little room for planning or a defined vision representing the desires of the residents. Long-term residents are suffering from parking messes, trash, and parties.¹¹¹ Despite the nuisances, property values in the area in the past 10 years have gone from a median price of \$16,000 in 2001 to \$86,000 in 2010, even after the housing crash.¹¹² With this newly injected value, the largely poor and black community is being infused with thousands of middle-class youths.

Fortunately, Temple has recognized the emerging potential hazards of an influx of demand into its surrounding communities, and wants to do something about it. Temple is currently creating a 10-year development blueprint for the university called the 2020 Plan, which includes building more dorms to house students on campus. Temple has also confirmed that it does not plan on increasing enrollment numbers anytime soon.¹¹³

As of 2011, Councilman Darrell Clarke has put a hold on allowing permits for residential development adjacent to Temple. Developers can take it up with local residents if they want to,

¹¹⁰ Joseph N. DiStefano, "PhillyDeals: Building Boom Continues Around Temple." *The Philadelphia Inquirer* 16 July 2010, City-C ed., Business sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹¹¹ Vernon Clark, "New Temple Student Housing Stirs a Renaissance West of Broad Street." *The Philadelphia Inquirer* 15 Oct. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹¹² Clark.

¹¹³ Vernon Clark, "New Temple Student Housing Stirs a Renaissance West of Broad Street." *The Philadelphia Inquirer* 15 Oct. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

but will likely not be received favorably.¹¹⁴ This recent resurgence of demand in real estate requires more control and planning in the future if local residents are to see any benefit from this process.

Unlike the success of University City, which was more gradual, planned, and inclusive of community needs, Temple University induced an immediate developer response to its surrounding neighborhood with the increase of enrollment. The neighborhood surrounding Temple should be monitored to determine if success is possible in retrospective planning efforts.

¹¹⁴ Clark.

4.0 Enablers for Small-Scale Rehabilitation in Fringe Neighborhoods of Philadelphia

The established framework from Chapters 2 and 3 have laid the groundwork for an analysis of enablers and disablers of private, small-scale, residential rehabilitation in fringe neighborhoods of Philadelphia. Philadelphia's defined problem of vacant housing has yet to be addressed through the possibility of private investment, and what may drive the interests of rehabilitation. The potential for rehabilitation as a strategy for successful revitalization is difficult to predict in fringe neighborhoods which do not offer an obvious developer interest. However, the following analysis of recent media reports, journal articles, and community accounts will help to define and analyze past instances of rehabilitation occurring in fringe neighborhoods of Philadelphia.

As found in chapter 2, the typical recipe for a profitable investment on behalf of a developer should ensure a guaranteed return on investment. However, developer interest may include both monetary and nonmonetary investments, as the term of small-scale developer in this thesis can also refer to the occupant rehabilitator. This chapter explores the various underlying factors of influence in fringe neighborhoods which have compelled redevelopment to occur in small instances in the recent past. Many of these defined enablers aligned with common understandings of the real estate world, while some gave light to less recognized enabling factors.

4.1 Location

Perhaps the most widely known enabler for real estate development in the general sense also rings true for fringe areas of Philadelphia: location. Location is considered an amenity

to a property beyond the physical parameters of the property itself. Many Philadelphia neighborhoods have been in decline for decades despite their convenient location, but they are not going unnoticed. Developers seek to advertise an amenity like location as a benefit to their property because it is a built-in feature and requires no monetary input. The assets of a favorable location include proximity to commercial corridors, schools, parks, Center City, or centers of employment.

In serving towards the real estate market, convenience and access to basic service needs are important in Philadelphia. Proximity to a shopping area where residents can provide for themselves is key, and Philadelphia's historic grid often does not allow for chain-stores, supermarkets, or strip malls. However, as reassembled vacant blocks begin to accommodate larger retail spaces and familiar store names emerge, developers tend to seek the surrounding blocks for properties that would potentially benefit from the proximity of a modern, large-scale retail space. The presence of a Rite Aid and a full-service grocery store near Cobbs Creek mimic amenities that are typically found only in the suburbs. This shopping center proved that city living can be comparable in shopping convenience and familiarity of stores to the offerings of the suburbs.¹¹⁵

4.1.1 *Connectivity*

Ease of connectivity to other parts of the city is also important. Cobbs Creek experienced even more redevelopment of vacant housing when the El was renovated, as it became a lifeline for the neighborhood. Public transportation plays a huge role in developer decisions, whether the perspective of the private firm or the hands-on homeowner. Proximity to

¹¹⁵ Maria Panaritis, "A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back." *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

subway lines is especially valuable. The neighborhood of Fern Rock in North Philadelphia has held on through even the toughest of times because of its proximity to the Broad Street line and connecting transportation centers. Public transportation, shopping, schools, and the elimination of a need for a car continue to influence development in Fern Rock.¹¹⁶

4.1.2 *Green Space*

Access to bike lanes, trails, parks, and recreational space is in higher demand because of its rarity in Philadelphia. Recent graduates of Penn, Haile Johnston and Tatiana Garcia-Granados, decided to make their first living investment in the distressed area of Strawberry Mansion because of its proximity to Fairmount Park, and the ability to ride bikes through trails and conveniently to center city within minutes. After rehabilitating their own home, they began rehabilitating surrounding vacant and dilapidated properties with the intent to sell. Strawberry Mansion, they claim, has a lot of “green potential” because of the amount of vacant lots and greening initiatives happening in the neighborhood. Similarly, East Park Revitalization Alliance helps to sponsor the tree planting in Strawberry Mansion through Philadelphia Green. This made what some would consider a seedy area into an attractive one, and also suits the lives of these two post-grads and their active lifestyles.¹¹⁷

4.1.3 *University Presence*

University presence in a neighborhood is a complicated factor because it can both enable small-scale redevelopment and yet push it aside in favor of large-scale development. However, in neighborhoods where housing stock is abundant, developers tend to view

¹¹⁶ Alan J. Heavens, “A Feeling of Pride Energizes Residents,” *The Philadelphia Inquirer* 17 July 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹¹⁷ Virginia A. Smith, “Urban Greenhorns; New to Strawberry Mansion, an Idealistic Young Couple Has Set About Using Trees and Other Plantings and Projects to Turn the Neighborhood Around.” *The Philadelphia Inquirer* 29 Dec. 2006, Features Magazine sec.: E01. *LexisNexis Academic*. Web. 21 Jan. 2011.

university presence as a guarantee for future rental properties. Both Temple University and University of Pennsylvania have attracted private firms, large and small, to its surrounding neighborhoods in search of potential student housing.

However, developers seeking to make a profit off of students are not all bad, and universities often offer much more in return. 30-year resident Mike Hardy remembers a University City where crime was high and property values were low, even through the late 90's. However, he witnessed Penn's attractiveness for young students, recent grads, and faculty to the surrounding area, all of which boosts local businesses.¹¹⁸ University City's proximity to Penn and Drexel has kept demand afloat, but Penn has also willingly delivered numerable services to the neighborhood to aid in its continued improvement. Penn offers a mortgage program to employees, which encourages them to buy and rehabilitate properties in the surrounding neighborhoods.¹¹⁹ The convenience of the proximity to the University alone is an important interest for developers. Penn's efforts in University City as an enabling institution also prove that not only universities have the power to influence developer decisions.

Institutions like Penn and Mercy Hospital played a large role in attracting smart small-scale investment into Cobbs Creek, and also created initiatives for street cleaning, safety, and revitalizing commercial corridors. Their purchasing of white elephant buildings eliminated looming eyesores where few developers dared to venture. The presence of these institutions

¹¹⁸ Murray Dubin, "A Hot Neighborhood With History; 'University City Still Has the Things That Originally Attracted People,' a Longtime Resident Says." *The Philadelphia Inquirer* 22 Sept. 2004, City-D ed., Where We Live-Report on Life in University City sec.: G03. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹¹⁹ Dubin.

can aid and supplement the neighborhood where citizens cannot and developers are unwilling.¹²⁰

4.2 Neighborhood Attributes

4.2.1 *Neighborhood Diversity*

Residents tend to make decisions to enter into a fringe neighborhood based on personal interest when buying a property, and often do not expect to become small-scale developers themselves. Gilbert and Robin Palley bought a shell of a rowhome in the Spring Garden neighborhood back in 1977, venturing where few first-time homebuyers would consider investing. However, they thought Spring Garden would one day be a good neighborhood to raise a family. As rehabilitating occupant homeowners, their interests sought diversity in age, race, and household types of the neighborhood, and the convenience of close proximity to the city. Spring Garden seemed like a good fit, despite the prevalence of crime and abandoned homes at the time. The presence of these initial pioneers of rehabilitation seemed to deter hesitance for other new rehabilitating occupants to follow. Both the Palleys and their neighbors decided to start buying as many dilapidated properties to rehabilitate in the area as possible. Residents in the area gained in number, they took action to clean the streets, added more neighborhood amenities, and fought crime. The Palleys are considered neighborhood ambassadors, as they were pioneers for rehabilitation in the neighborhood, all because they initially sought a diverse community.¹²¹

¹²⁰ Maria Panaritis, "A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back," *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹²¹ Alan J. Heavens, "Spring Garden's Wait is Over; The Neighborhood at the Edge of Center City Has Changed Since Shells of Houses Sold as Little as \$7,000 in the '70s. Prices of \$400,000-Plus Are Typical

Their quest for neighborhood heterogeneity is mirrored in residents who are choosing to move to Southwest Center City, where development projects are appealing to a blend of singles, young couples, and longtime residents.¹²² The opportunity for offering multiple household types is considered a safe investment, because developers can make each following investment decision based on the success of the past in a trial-and-error fashion. Doctor-turned-developer Joe Williams sees his neighborhood at 15th and Bainbridge as successful because of its diverse offerings for households of varying incomes. Philadelphia neighborhoods need a certain mix of ingredients to succeed in the face of an economic downturn: reasonably priced housing, property-tax abatements, an active residents' association, and proximity to center city saved the Bainbridge neighborhood from the worst of the housing crash. The neighborhood continues to house a blend of singles, young couples, longtime homeowners and willing developers.¹²³ When a neighborhood offers multiple options for varying income types, it is less likely to suffer in tumultuous economy.

4.2.2 *Involved Community*

An engaged community can also buffer against the negative effects of economic downturns. Fern Rock residents find pride in their homes and carefully maintain and landscape their properties simply to show that they care. "Neighborhood pride fuels neighborhood power", states Shirley Stevenson, a resident of 30 years. Residents of Fern Rock pushed successfully for the rehabilitation of playgrounds, parks, and vacant lots.¹²⁴ These residents may not have realized their full impact, because they attracted a favorable environment for investors to take

Today." *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Advance ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹²² Alan J. Heavens, "In Philly, Southwest Center City Is the Place to Buy." *The Philadelphia Inquirer* 19 Dec. 2008, City-D ed., National sec.: O01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹²³ Heavens, "In Philly..."

¹²⁴ Alan J. Heavens, "A Feeling of Pride Energizes Residents." *The Philadelphia Inquirer* 17 July 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

interest. Existing and involved community members of Fern Rock also communicate their concerns with local institutions, like the Pennsylvania College of Optometry, who have and supported their revitalization efforts.

The residents of Kensington likewise set an example of success in taking small strides to better their community environment. Community members replace shot-out street lamp bulbs and patrol their own neighborhood for crime through Neighborhood Watch initiatives. The recent creation of a skate park and a playground where an abandoned drug rec center used to be has made the area trendier and a more likely option for relocating families.¹²⁵ Although redevelopment has been slow in the area, the community is already preparing the neighborhood for future opportunities.

In West Philadelphia, an involved community has taken resident participation to a new level. African-American property developer Bill Henderson's efforts to rehabilitate 130 individual apartment units in the neighborhood of Parkside drew massive support from the community, after first meeting with interested residents to see what they would like to have done. In return, five Parkside residents are currently employed full-time in managing these rehabilitated properties. Community involvement has ensured a participatory effect for even the poorest residents, while economically empowering them.¹²⁶ Bill Henderson only starts a development project if he has the backing of a willing community, and it has worked to his benefit. He also rehabilitated larger scale properties into facilities for rehabilitated drug addicts in West Philadelphia.

¹²⁵ Melissa Dribben, "Kensington's Bright Side Has Its Adherents." *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹²⁶ Alan J. Heavens, "20 Blocks Filled with Hope and Potential Some Have Written Off Parkside. But Don't Tell That to Its Residents. They're Working for the Future of this City Neighborhood." *The Philadelphia Inquirer* 3 Apr. 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

4.2.3 Community Associations

Involved community members become even more powerful in the realm of development in their area when they form cohesive organizations. When residents collaborate and work together, small groups can achieve greater goals, and communication with potential developers occurs more easily when residents unite.

Community Associations like the Spruce Hill Neighborhood Association and the Spring Garden Neighborhood Association formed after residents noticed large amounts of drug trafficking in their areas.¹²⁷ By taking action in the interest of their own communities, they took hold of the problem themselves and created a more favorable environment for investment. Through grassroots participation and the creation of parks, even more families sought to move to the area, and approaching developers can now consult with associations to assess demand and accommodate accordingly.¹²⁸ When community associations communicate with developers, they essentially offer a free service which guarantees appropriate neighborhood demand by expressing their interests in future projects. Additionally, these community associations paved the way through the resolution of crime-ridden areas into family neighborhoods with homes selling at over \$500,000.

The Business Association of West Parkside teams up with Parkside Association of Philadelphia, and together they created a more favorable business environment for residents to become employed. District designation coordinator Jim Brown met with the local church to

¹²⁷ Alan J. Heavens, "Check It Out: A Community Tool Library." *The Philadelphia Inquirer* 21 Mar. 2008, City-D ed., Features Magazine sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹²⁸ Alan J. Heavens, "Spring Garden's Wait is Over; The Neighborhood at the Edge of Center City Has Changed Since Shells of Houses Sold as Little as \$7,000 in the '70s. Prices of \$400,000-Plus Are Typical Today." *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Advance ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

make a lasting and meaningful impact on the neighborhood, which now attracts residents for its improved housing stock and increased economic opportunities.¹²⁹

Churches can also represent an already collected community who is organized and driven. The physical buildings housing churches themselves “add to visibility in the neighborhood”, as is the case in Parkside, where Christ Church provides shelter to the homeless, soup kitchens, and a home for abused women.¹³⁰ Additionally, Christ Church remains active in communicating with interested developers.

4.2.4 Community Resources

Oftentimes, community resources that stretch beyond what a neighborhood association can offer enables development as well. For example, PhillyCarShare has become a sought-after amenity of a neighborhood as noted by developer Guy Laren of West Philadelphia, who sees a potential in properties surrounding proximity to PhillyCarShare lots.¹³¹

Guy Laren, a long-time West Philadelphia developer, has also been instrumental in the founding of the West Philly Tool Library – a community non-profit that lends home repair tools to local residents. The tool library offers a valuable amenity to homeowners, but also enables renters to familiarize themselves with rehabilitation projects. Renters who undertake small repairs are more likely to buy homes for themselves later.¹³² This alone is a form of self-empowerment through skill. It allows renters to take gradual steps towards the potential of

¹²⁹ Alan J. Heavens, “20 Blocks Filled with Hope and Potential Some Have Written Off Parkside. But Don’t Tell That to Its Residents. They’re Working for the Future of this City Neighborhood.” *The Philadelphia Inquirer* 3 Apr. 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹³⁰ Heavens.

¹³¹ Leonard J. Fleming, “Problem of Blight Hits Home for Mayor Street; The House He Owns With His Nephew Sits Vacant and Boarded Up. The Family is Trying to Decide What to Do.” *The Philadelphia Inquirer* 2 Aug. 2003, City-D ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹³² Alan J. Heavens, “Check It Out: A Community Tool Library.” *The Philadelphia Inquirer* 21 Mar. 2008, City-D ed., Features Magazine sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

homeownership and rehabilitation. New homeowners also take home repair into their own hands, and it saves them money. The building where West Philly Tool Library is located on Woodland Avenue was donated by Guy Laren.¹³³ He made an investment in his own development efforts by offering one of his properties as an amenity for the neighborhood he works in, and to encourage others to rehabilitate their own properties.

Parkside-Girard Community Design Center – started by four volunteers from Penn, Rev. Dr. Laurence Henry, and architect Robert M. Skaler – created a comprehensive plan to save Parkside in the 1970s to save the neighborhood from being razed.¹³⁴ Since then, the center has been an invitation to potential investors of rehabilitation projects in the area to enable them to take action in accordance with the community vision. Public-private partnerships allow for developer access to communities like Parkside as well. The Business and Technology Center at 5070 Parkside Ave, provides resources, employment opportunities, and networking to a neighborhood that once lacked developer interest. This business center paved the way for demand in the area.¹³⁵

However, an even larger influence of demand in a neighborhood can be found in local employment opportunities, which not only make an area attractive, but economically empower a resident to become a homeowner and undertake rehabilitation themselves. The Job Opportunity Investment Network is a public-private partnership that supports workforce training on the hyperlocal level, keeping skilled workers within Philadelphia, and finding them

¹³³ Alan J. Heavens, “Check It Out: A Community Tool Library.” *The Philadelphia Inquirer* 21 Mar. 2008, City-D ed., Features Magazine sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹³⁴ Alan J. Heavens, “20 Blocks Filled with Hope and Potential Some Have Written Off Parkside. But Don’t Tell That to Its Residents. They’re Working for the Future of this City Neighborhood.” *The Philadelphia Inquirer* 3 Apr. 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹³⁵ Heavens.

the economic means to take housing into their own hands.¹³⁶ The retention of skilled residents is important for the sustained demand of housing in a neighborhood. Similarly, the West Philadelphia Skills Initiative educates low-skilled Philadelphians and then matches its graduates with prestigious universities and medical centers within walking distance of their neighborhoods.¹³⁷ By enabling a local workforce, the Initiative helps to stabilize the neighborhoods residents live in. There is no valid reason that universities and hospitals in Philadelphia are surrounded by downtrodden neighborhoods, but the decline of a neighborhood is often due to its lack of demand. When the residents are enabled to return to a neighborhood they want to live in and that is convenient for them, development serves where people seek to be.

Philadelphia's top employers (in the era of the post-industrial economy) are education, healthcare, biotechnology, and tourism. Facilitating employment in and around these sectors helps to bring residents, and demand, back to fringe neighborhoods.¹³⁸

4.3 CDCs

Community Development Corporations provide a link between a neighborhood and its demand. Due to their multiple services to a neighborhood, CDCs can combat blight, economically enable residents, and boost demand in an area where developers cannot do so on their own.

Financial counseling services can help facilitate housing investment for first time home buyers or low-income residents, and introduce them to renting and purchasing from the private

¹³⁶ Diana Lind, "The Bright Side of Blight." *The New York Times* 25 Jan. 2011, Late Final ed., A sec.: 25. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹³⁷ Lind.

¹³⁸ Carol Goar, "Sharing the Burden: Philadelphia's Hope for Renewal," *The Toronto Star* 29 Oct. 1995, Sunday Second ed., Context sec.: F1. *LexisNexis Academic*. Web. 21 Jan. 2011.

sector. Real estate writers agree, that “the need and the link between home ownership, stable neighborhoods, and safe, prosperous cities is clear. As more renters become owners, property values increase, businesses open, and people get a greater sense of pride. That’s the final payoff of true community development.”¹³⁹

However, CDCs can also fight blight by taking development of properties into their own hands, much like developers would. Oftentimes, they help spur a favorable investment market by taking initial steps to rehabilitating homes in fringe areas, where developers will not yet go.¹⁴⁰ West Oak Lane CDC is one of those instances. West Oak Lane CDC has a program where they rehabilitate houses and put them into the hands of needy but financially capable residents. On average, they rehabilitate 15 houses per year but currently have a waiting list of 300 hopeful homeowners. The demand has skyrocketed since their operations began. However, they differ from private developers in that they fight to prevent gentrification of wealthier neighborhoods taking over their own. Their greatest difficulty is meeting rehabilitation costs with the purchase price targeted toward lower and middle-income homeowners. Yet as a CDC, this gap is closed with the help of funding from government subsidies and the HUD program.¹⁴¹ Because West Oak Land CDC is a CDC, it is eligible for various public incentives, but a pinched budget slows the rate of rehabilitation projects.

New Kensington CDC has just recently started in 2010 to help take action on behalf of the residents to propel community revitalization and make it a less scary place.¹⁴² They believe

¹³⁹ "Hand It to CDCs These Groups Know How to Build Communities." *The Philadelphia Inquirer* 10 Sept. 1994, Final ed., Editorial sec.: A10. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁴⁰ Hand It to CDCs These Groups Know How to Build Communities."

¹⁴¹ Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid." *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁴² Melissa Dribben, "Kensington's Bright Side Has Its Adherents." *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

there is a lot of investment potential in the neighborhood if only the negative stigma of the neighborhood can be tamed through efforts of the CDC.

Both of these CDCs are having similar effects on their respective neighborhoods through parcel-by-parcel rehabilitations, much like a private developer would. However, this pioneering grunt work is taken care of with the help of government funding for CDCs, and developers to follow benefit from spurred activity in the area. The first leap in initiating rehabilitation activity is already taken care of.

4.4 Targeting the Lower-Middle Class

Philadelphia offers an abundance of smaller-scale homes from simpler times, and they work great as starter homes. Additionally, because the houses are cheaper in the city, they are great homes for first-time homebuyers, which could make up a large portion of Philadelphia real estate sales.¹⁴³ Moderately priced housing is Philadelphia's biggest seller, and it often does not fluctuate in price as much as luxury homes can in times of real estate crashes. Generally, houses in Philadelphia priced under \$150,000 tend to suffer proportionately less during a housing crash.¹⁴⁴

However, targeting the lower-middle class can be a challenge because they are the first demographic that is "more likely to secure the financial resources to relocate to the suburbs."¹⁴⁵ In Philadelphia's experience, the suburbs have the power to draw residents out of the city as

¹⁴³ Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid." *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁴⁴ Ingrid Gould Ellen, Amy Ellen Schwartz, Ioan Voicu, and Michael H. Schill. "Does Federally Subsidized Rental Housing Depress Neighborhood Property Values?" *Journal of Policy Analysis and Management* 26.2 (2007): 257-80. *JSTOR*. Web. 21 Jan. 2011.

¹⁴⁵ Alan J. Heavens, "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work." *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011

long as the city maintains and undesirable reputation. Another chief obstacle to targeting the lower-middle class is “not the cost of housing itself but the fear of taking the first step. Many of these people do not come from a tradition of homeownership, so they need to be persuaded to make the move” through financial education.¹⁴⁶

Fortunately, there are many programs in Philadelphia that help future homeowners obtain low-interest loans and counseling, including CDCs, public and private agencies, lending institutions, for-profit developers, and non-profit organizations. The key to any of these options working successfully, however, is government’s willingness to fund programs. Without some sort of aid in funding from city and/or federal funding, the transformation of low- and middle-income families becoming first-time homebuyers in nearly impossible. However it is a necessary step to invigorate the housing economy. When the economy is stronger, the housing market improves, and homes become rehabilitated. It is a cyclical process.¹⁴⁷

Some of the programs available to the Philadelphia area include the very popular Delaware Valley Mortgage Plan, which offers mortgages to low and median income families. According to the Delaware Valley Mortgage plan, about 50% of those who seek help have never had any help in how to acquire property, and need to be guided every step of the way. All they needed was education and outreach.^{148 149}

¹⁴⁶ Heavens.

¹⁴⁷ Alan J. Heavens, “Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid.” *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁴⁸ Alan J. Heavens, “Renaissance Via Rehabs Homeownership Renews Lives and Neighborhoods Under a Program That Fixes Up Eyesore Properties. Lower-Income Buyers Benefit. ‘It’s a Dream Come True,’ Says One Owner-to-Be.” *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Final ed., Real Estate sec.: L01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁴⁹ Alan J. Heavens, “Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid.” *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

There are also resources available through HUD mortgages, FHA and VA mortgages, 203K loans to acquire and rehabilitate properties, and counseling programs help to enable low- and moderate-income buyers a place of their own to purchase.¹⁵⁰ Counseling and educating lower and moderate income families to buy homes is essential in connecting first-time homebuyers to the properties they can rehabilitate and live in. Financial counseling gives them motivation and capabilities they would not realize on their own.¹⁵¹

Delores Dennison and her neighbors started buying vacant buildings on their street on North 20th Street in Nicetown and rehabilitated them one at a time, with each project financing the next. These residents took the bold first move, and have since created a corporation that battles blight. "Once you take the initiative, things get better," she says. Now they have moved on to North Revere Street.¹⁵²

Establishing pride in homeownership for first-time homebuyers encourages more entrepreneurialism in those who occupy the homes they rehabilitate.¹⁵³ Even if rental properties are created instead of sold to a homeowner, "it's better than a beat up shell," says Scott Orens, because it puts people back on the street.¹⁵⁴ Residents and communities benefit from an empowered lower-middle class, but so do developers. When a neighborhood has a presence,

¹⁵⁰ Alan J. Heavens, "For '94 Sales, Sluggish Start Outdone by a Strong Finish." *The Philadelphia Inquirer* 29 Jan. 1995, Final ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵¹ Alan J. Heavens, "Renaissance Via Rehabs Homeownership Renews Lives and Neighborhoods Under a Program That Fixes Up Eyesore Properties. Lower-Income Buyers Benefit. 'It's a Dream Come True,' Says One Owner-to-Be." *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Final ed., Real Estate sec.: L01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵² Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid." *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵³ Alan J. Heavens, "Affordable Homes, With Rental Twist Four Families Will Be Living in Three-Story Duplexes. They'll Be Owners and Landlords at the Same Time." *The Philadelphia Inquirer* 9 July 1995, Sunday Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵⁴ Maria Panaritis, "A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back." *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

identity, and pride, it is less likely to suffer from blight. Additionally, affordable housing makes developers eligible for more tax credits and provides a greater return on investment.

4.5 City Initiatives and Tax Breaks

The most widely-reported enabler of redevelopment and rehabilitation is found in the tax breaks, initiatives, and grants available to developers who embark in neighborhoods in dire need of revitalization. A 1987 program for Affordable Housing Tax Credits enacted by Congress saved Cobbs Creek from turning to ruin, and multiple small-scale developers simultaneously saw promise in the area with a huge cut in tax expenses.¹⁵⁵ Private investors are lured by tax breaks such as the Federal Tax Credit for Rehabilitation, as they can combine tax breaks. In the case of larger properties such as the Oliver Wendell Holmes School, Rehabilitation Tax Credits are worth \$1 million per year for its much needed rehabilitation in West Philadelphia.¹⁵⁶

The public incentive offerings for homeowners can also be instrumental in spurring development in fringe areas, as the Office of Housing and Community Development (OHCD) opened a pool of subsidies to promote homeownership. They offer up to a \$30,000 grant to a home which costs \$65,000 to purchase and rehab, and then offer a mortgage for \$35,000. However, if the owner moves out within 10 years they must pay back the grant. This program ensures that potential homeowners are introduced fairly to the neighborhoods, and that they

¹⁵⁵ Alan J. Heavens, "Affordable Homes, With Rental Twist Four Families Will Be Living in Three-Story Duplexes. They'll Be Owners and Landlords at the Same Time." *The Philadelphia Inquirer* 9 July 1995, Sunday Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵⁶ Maria Panaritis, "Renovation to Bring New Life for Historic Site Thanks to a Private Developer and a Concerned Neighbor, the Oliver Wendell Holmes School, Vacant Since 1983, Will Become a Seniors Complex." *The Philadelphia Inquirer* 18 Mar. 2000, DCity ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011

will have a lasting presence.¹⁵⁷ This presence and participation is vital to transforming renters into stable owners, and owners tend to care more for their properties than renters.¹⁵⁸

The City of Philadelphia's Redevelopment Authority's \$20 million Neighborhood Stabilization Programs have been largely influential in the investment decisions of occupant rehabilitators.¹⁵⁹ It enables occupant developers to easily acquire and rehabilitate vacant houses in neighborhoods with high foreclosure rates.¹⁶⁰ The property must then be owner-occupied for 15 years. Buyers of rehabilitated properties must not have an income exceeding 120% of the area's median income, and also must complete counseling by a HUD-approved agency.¹⁶¹ Since July of 2009 under this program, the Redevelopment Authority has provided financing to acquire and rehab 64 properties. The Redevelopment Authority can also sweeten deals with private investors to pursue vacant properties if the developer can offer benefits to the city in return, by transforming eyesores into integral parts of the built community.¹⁶²

The Neighborhood Transformation Initiative largely funded the removal of debris, dead plants, abandoned cars, and blighted properties. The program included \$300 million in bonds, plus millions from the city, federal, state, and private dollars. It lasted from 2002-2007 and strove for the "removal of blight". The program also funded the construction of new housing developments, focusing on those projects that produce 40 units or more.

¹⁵⁷ Maria Panaritis, "A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back." *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵⁸ Thomas Ferrick Jr., "Graying Homeowners a New City Woe / the Problem: the Housing Surplus Will Worsen Dramatically." *The Philadelphia Inquirer* 15 Sept. 1997, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁵⁹ Alan J. Heavens, "A Brighter Future for Starter Homes?" *The Philadelphia Inquirer* 16 Aug. 2010, City-C ed., Business sec.: E01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁶⁰ Heavens.

¹⁶¹ Heavens.

¹⁶² Maria Panaritis, "Renovation to Bring New Life for Historic Site Thanks to a Private Developer and a Concerned Neighbor, the Oliver Wendell Holmes School, Vacant Since 1983, Will Become a Seniors Complex." *The Philadelphia Inquirer* 18 Mar. 2000, DCity ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

The NTI was controversial from the start, as it did not target any particular cause other than “removal of blight”, and categorized neighborhoods by order of their economic healthiness. Little was mentioned as to economic empowerment of existing neighborhoods, and instead seemed to only reach outwards to influence investment decisions of larger scale developers. Participation of residents would have been ideal.¹⁶³ Unfortunately, the NTI did little to fund smaller, individual investments of properties of existing residents, and its bureaucracy made it difficult for promising developers to acquire vacant land. Ola Solanke’s efforts to open the Arts Garage restaurant and gallery stopped short of his goal after he had already spent \$500,000 of his own money in the rehabilitation project.¹⁶⁴ Even nominated “NTI ambassadors” like Solanke did not find the program to be wholly helpful, though it did facilitate some of his efforts. It is difficult to gauge the long-term success of the NTI, as many neighborhoods felt ravaged by the program’s efforts to demolish swaths of existing neighborhoods in order to make attractive investment opportunities. Up to today, the NTI primarily attempted to reorganize large parcels of vacant land but has not followed through in attracting investment as promised.

Another government institution includes Philadelphia’s “biggest landlord”, the Philadelphia Housing Authority. The PHA often sells off properties it cannot afford to rehabilitate for reasonable prices to increase its working budget. In 2009, it announced the selling of 1,800 blighted properties to the private market to stimulate revenue.¹⁶⁵ These properties are inexpensive and available in a clean title, and also detract from the massive

¹⁶³ Clea Benson and Cynthia Burton. “Street Outlines Massive Revitalization Plan.” *The Philadelphia Inquirer* 19 Apr. 2001, City-D ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁶⁴ Anthony S. Twyman, “Neighborhood Revitalizers Celebrate; More Than 80 ‘Ambassadors’ for the City’s Transformation Effort Were Honored.” *The Philadelphia Inquirer* 25 May 2005, City-D ed., Local sec.: B05. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁶⁵ Jennifer Lin, “PHA Set to Sell Off 1,800 Blighted Properties.” *The Philadelphia Inquirer* 17 May 2009, City-C ed., Philadelphia sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

amount of land from the “biggest landlord in Philly” to a collection of individual developers. However, acquisition of a PHA process can be bureaucratic and time consuming.¹⁶⁶

The Philadelphia real estate transfer tax fluctuates and makes an impact on buying decisions of investors.¹⁶⁷ One such case occurred in the 1990s, when Mayor Rendell signed a bill that exempts developers from this tax who buy vacant properties to rehabilitate or redevelop.¹⁶⁸ This caused a huge resurgence of rehabilitated properties throughout Philadelphia by developers who would have otherwise decided not to invest.

Equally important for a developer taking advantage of tax breaks and public incentives, is the garnering of political support from local politicians. Garnering the support of local councilwoman Jannie Blackwell enabled extensive fund raising for private developers Scott Mazo and Larry Starkman in Cobbs Creek and throughout West Philadelphia. Jannie Blackwell also proved the ability to persuade OHCD and Redevelopment Authority to condemn property entangled in liens in order to put it into private hands.¹⁶⁹ Blackwell helps with letters of support on zoning changes and variances when she supports a project.

Jannie Blackwell’s support also persuaded the School District to sell the vacant building at 55th & Chestnut Streets – the Oliver Wendell Holmes school – to private developer Scott Mazo. Mazo was invited by a local resident to look into the vacant property, and over the course of four years, he, through the help of Jannie Blackwell, purchased the property for \$1 from the Redevelopment Authority with the promise to meet environmental clean-up standards. The

¹⁶⁶ Lin.

¹⁶⁷ Heavens.

¹⁶⁸ Heavens.

¹⁶⁹ Maria Panaritis, “A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back.” *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

former Oliver Wendell Holmes School now serves as senior housing and benefits the atmosphere of the neighborhood.¹⁷⁰

4.6 Making a “Niche” in the Market

Some developers of Philadelphia have found that making your offer unique from all other offerings of the area will make your property stand out, and often helps it to sell once it enters the real estate market. For example, in a neighborhood with few single-family houses, a single-family will sell faster.¹⁷¹ Also, turning larger residential properties in fringe neighborhoods into duplexes offers homeowners the ability to live and rent out their property, and create more efficient living space.^{172 173}

Competing with the offerings of the suburbs is a huge challenge for properties in the city as it has been for decades. City housing often cannot boast the same amenities that suburban housing offers. However offering suburban-style amenities in city dwellings combines market demand with a convenient location at a reasonable price. Philadelphia rowhomes can be praised for their energy-efficient, safe, and modernized floor plans, as is the case of the standard rehabilitation offerings of properties under the direction of Bill Salas of the Hispanic Association of Contractors and Enterprises CDC.¹⁷⁴ He works in Fairhill in North Philadelphia and transforms outdated properties into updated and desirable housing. Philadelphia Neighborhood Housing

¹⁷⁰ Maria Panaritis, “Renovation to Bring New Life for Historic Site Thanks to a Private Developer and a Concerned Neighbor, the Oliver Wendell Holmes School, Vacant Since 1983, Will Become a Seniors Complex.” *The Philadelphia Inquirer* 18 Mar. 2000, DCity ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁷¹ Laura J. Bruch, “Housing Sales Are Hot Again in Center City at the Core of a Regional Rise in Prices.” *The Philadelphia Inquirer* 8 Aug. 1999, Sunday-D ed., Local sec.: M01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁷² Alan J. Heavens, “Affordable Homes, With Rental Twist Four Families Will Be Living in Three-Story Duplexes. They’ll Be Owners and Landlords at the Same Time.” *The Philadelphia Inquirer* 9 July 1995, Sunday Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁷³ See the case study on the Ludlow neighborhood in Chapter 3.

¹⁷⁴ Alan J. Heavens, “Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work.” *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

Services also rehabilitates 1890s floor plans into modern floor plans to give them a competitive edge.¹⁷⁵

The real difference between the suburbs and the city is the price: you can offer the same building inside and outside of city limits, and an investor will likely save money, as a homebuyer, in the city.¹⁷⁶ More recent trends in city planning and modern land development emphasize “New Urbanism,” which entail livable, walkable, mixed-use neighborhoods on a human scale. Fortunately, long established historic neighborhoods in Philadelphia already offer what many large-scale developers are trying to replicate in the suburbs: walkability, human-scale neighborhoods, mixed-income housing, and coexisting residential/retail land uses. These features are not as easily mimicked in the suburbs, and often feel forced.¹⁷⁷ Witold Rybczynski’s *Last Harvest* details the quest for developers to mimic city structure in the suburbs with rear alleys, shared sidewalks, and corner stores. However, Philadelphia neighborhoods inherently began with these concepts, but already stand, waiting for investors.

Another rare offering of housing in the city includes the character retention of historic neighborhoods. Preserving historic character alongside modern upgrades and amenities offer what no new construction can.¹⁷⁸ Rehabilitation of older homes contributes to existing street scale and fabric. Features such as “old Hardwood floors, winding staircases, and French doors” remind residents of Fern Rock of the homes they grew up in, and provide a sense of belonging even in other historic homes they move into.¹⁷⁹ Similarly, housing stock worthy of preserving in

¹⁷⁵ Heavens.

¹⁷⁶ Heavens.

¹⁷⁷ Heavens.

¹⁷⁸ Alan J. Heavens, “Affordable Homes, With Rental Twist Four Families Will Be Living in Three-Story Duplexes. They’ll Be Owners and Landlords at the Same Time.” *The Philadelphia Inquirer* 9 July 1995, Sunday Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁷⁹ Alan J. Heavens, “A Feeling of Pride Energizes Residents.” *The Philadelphia Inquirer* 17 July 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

East Parkside include some of the city's only examples of 1890s German Renaissance and German Gothic styles, and attract developers who want to save these rarities because there are none other like them in all of Philadelphia.¹⁸⁰

4.7 Gut-Rehabilitation Approach

Although it may seem more laborious, it can often be cheaper to gut and then rehabilitate a long-term vacant structure rather than to try to salvage materials, according to Althris Shirdan.¹⁸¹ Making use of large available space from a gutted property allows for flexibility, and can include: two-story living rooms, alcoves, storage space, and closets,¹⁸² much of which historic homes did not originally offer but are in demand today. The extensive rehabilitation of the apartments at the Carl Mackley Complex in Juniata Park gutted all the properties and allowed for a clean slate in reconfiguring floor plans. The apartments were built in the 1930s, and became obsolete to today's standards. Today, after rehabilitation, these apartments offer amenities that today's population craves.¹⁸³

4.8 The Multiplier Effect

Media reports document time and time again that once a neighborhood shows signs of redevelopment, more developers become interested in that neighborhood. Even if the reasoning behind emerging market activity in a neighborhood is unclear, it is still an indicator to

¹⁸⁰ Alan J. Heavens, "20 Blocks Filled with Hope and Potential Some Have Written Off Parkside. But Don't Tell That to Its Residents. They're Working for the Future of this City Neighborhood." *The Philadelphia Inquirer* 3 Apr. 1994, Sunday Final ed., Real Estate sec.: H01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁸¹ Alan J. Heavens, "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work." *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁸² Alan J. Heavens, "Affordable Homes, With Rental Twist Four Families Will Be Living in Three-Story Duplexes. They'll Be Owners and Landlords at the Same Time." *The Philadelphia Inquirer* 9 July 1995, Sunday Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁸³ Julie Stoiber, "Historic Apartments Revived for a New Day." *The Philadelphia Inquirer* 25 June 1999, SF City ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

other developers that the neighborhood might have potential. “An active market begets more activity,” according to Center City realtors Elizabeth Caulk and Ellen Steiner.¹⁸⁴ Developers who purchase property before others and wait to in times of a hot market will make an easy profit. Even more money can be made if the house offers amenities, luxuries, and add-ons.

However, even without luxurious add-ons, communities can experience the benefit of multiple rehabilitations creating a multiplier effect in their neighborhood. “You begin with a small part of a blighted area, and rehab one house or perhaps two,” rehabber Althris Shirden explains. “Then someone, believing that the area is in an upswing, buys a third house and rehabs it. And from the core of two or three houses, a street is rescued from decay.”¹⁸⁵ West Oak Lane turned around through the vigilance and persistence of its long-term residents. West Oak Lane CDC facilitates revitalization through buying multiple dilapidated properties at a time to transform the feel of entire blocks, turning a stagnant real estate market into an eye-catching one.¹⁸⁶ In a short span of five years, they doubled the value of properties across the entire neighborhood because through the elimination of vacant properties. “Philadelphia regenerates itself small bits at a time. Sometimes, however, bits accumulate in close-enough proximity that an entire neighborhood is transformed,” Real Estate Writer Alan Heavens explains.¹⁸⁷

¹⁸⁴ Laura J. Bruch, “Housing Sales Are Hot Again in Center City at the Core of a Regional Rise in Prices.” *The Philadelphia Inquirer* 8 Aug. 1999, Sunday-D ed., Local sec.: M01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁸⁵ Alan J. Heavens, “Here, Neighbors Unite to Make a Difference the Headlines Tell One Story About West Oak Lane. A Visit to this ‘Neighborhood of Families’ Tells Another.” *The Philadelphia Inquirer* 9 Jan. 1994, Final ed., Real Estate sec.: M01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁸⁶ Alan J. Heavens, “Renaissance Via Rehabs Homeownership Renews Lives and Neighborhoods Under a Program That Fixes Up Eyesore Properties. Lower-Income Buyers Benefit. ‘It’s a Dream Come True,’ Says One Owner-to-Be.” *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Final ed., Real Estate sec.: L01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁸⁷ Alan J. Heavens, “An Urban Makeover.” *The Philadelphia Inquirer* 7 Mar. 2010, City-C ed., Business sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

5.0 Disablers for Small-Scale Developers in Fringe Neighborhoods of Philadelphia

The previous chapter extracted a list of “enablers” from past reported occurrences of rehabilitation in fringe neighborhoods of Philadelphia. Similarly, this chapter will use the same methodology to extract an analysis of “disablers” of small-scale rehabilitation efforts in fringe neighborhoods of Philadelphia based on past events. Media reports and journal articles are the primary source of information for recent history of rehabilitation efforts, and will help to theorize what indicators of a neighborhood could be potential obstacles for revitalization of a fringe neighborhood through private rehabilitation.

5.1 Fighting a Bad Reputation

Each of Philadelphia’s neighborhoods speaks for its own individual set of assets and downsides. No two neighborhoods are wholly alike. Philadelphia’s housing market offers a wide diversity of options at any given time. However, many of Philadelphia’s neighborhoods have acquired a bad reputation over the years, whether due to abandonment of property, crime, drug trafficking, or poverty. Most neighborhoods don’t have definite boundaries, and characterizing a neighborhood on one block may not coincide with the next street. In some neighborhoods, Philadelphia is defined block-by-block. Even if a particular neighborhood is doing well, gaps between thriving areas can still harbor blight.¹⁸⁸ For example, West Oak Lane is a thriving neighborhood undergoing revitalization, and it is full of working and middle class families, playgrounds, and convenient amenities. However, despite its successes, West Oak Lane still hosts many static areas between its many blocks. Though West Oak Lane is healthy in most

¹⁸⁸ Alan J. Heavens, “Here, Neighbors Unite to Make a Difference the Headlines Tell One Story About West Oak Lane. A Visit to this ‘Neighborhood of Families’ Tells Another.” *The Philadelphia Inquirer* 9 Jan. 1994, Final ed., Real Estate sec.: M01. *LexisNexis Academic*. Web. 21 Jan. 2011.

areas, the health of the neighborhood is geographically discontinuous.¹⁸⁹ Another example of this discontinuous health exists in parts of Kensington. As previously mentioned, properties in need which are for sale are often marketed as “Fishtown” despite its farfetched location, because realtors are trying to avoid scaring off potential buyers with the infamous title of “Kensington.”¹⁹⁰

5.1.1 *Discontinuous Fabric*

At 55th and Chestnut Streets in West Philadelphia, a neighborhood historically rooted with longstanding residents experienced revitalization by the hands of community members who vowed to take responsibility for keeping their streets clean and safe. However, a looming empty building, once the Oliver Wendell Holmes School, sat vacant for two decades. For 20 years, it housed vandals, squatters, and drug users, and stood as a symbol of neglect in the neighborhood despite of the revitalization efforts occurring around it. No matter what the residents’ effort, they could not hide the overbearing abandoned building’s effect on the reputation of their neighborhood. The devoted residents took action to find help to rehabilitate the building, where they themselves could not undertake the large project themselves. The residents reached out to private developer Scott Mazo who, with the help and support of city councilwoman Jannie Blackwell, renovated it into senior housing. Now, the neighborhood is cohesive as a thriving neighborhood, and no longer deals with the crime that the formerly empty building brought.

Instances like the formerly abandoned Oliver Wendell Holmes School prove that discontinuous health of a neighborhood’s fabric not only occur when a building is vacant and

¹⁸⁹ Heavens.

¹⁹⁰ Melissa Dribben, “Kensington’s Bright Side Has Its Adherents.” *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

facilitates crime, but also occur when long-existing structures and neighborhood fabric is unexpectedly torn out without being given another chance. In Northern Liberties, many of the blocks are characterized by rows of modest rowhomes and warehouses. In the 2000s, the NTI sanctioned abandoned properties for demolition at 4th and Poplar Streets to initiate “cleanup” of designated blighted properties, but residents felt that would only leave a gaping hole in rows of social and physical city fabric. They preferred the cohesion of the built environment over physical gaps, especially since their personal account of the neighborhood was that the neighborhood was making a comeback. The residents petitioned, stating they would rather see the city offer subsidies toward rehabilitation.¹⁹¹

If vacancy of buildings can be prevented in the first place, there is always hope that a neighborhood will be able to undergo an easier process of revitalization in the future. Even if property values are low, once properties in a neighborhood become vacant, it is difficult to convince investors to return. This is much like the opposite effect of the Multiplier Effect as described in the Enablers chapter. Old City did not have much of a problem bringing back residents after the difficult 1980s and 1990s because it never suffered from high vacancy. Even if properties were underused during slow economic times, they were never fully empty.¹⁹²

Empty and vacant properties are seen as a stigma for poverty, crime, and loss of hope for future revitalization. It is the city’s responsibility to partner with neighborhood groups to determine the most suitable abandoned buildings and lots for redevelopment, and to help lure companies and projects to employ newly retrained residents. Abandoned properties can be

¹⁹¹ Nathan Gorenstein, “On the Edge of Prosperity Near Center City, Hope Begins to Build.” *The Philadelphia Inquirer* 21 Oct. 2000, Saturday D ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁹² Philip S. Gutis, “Focus: Philadelphia; ‘Old City’ Stirring With Life.” *The New York Times* 3 Aug. 1986, National ed., 8 sec.: 1. *LexisNexis Academic*. Web. 21 Jan. 2011.

used to be viewed as future job sites instead of crime scenes waiting to happen.¹⁹³ In the cases of Philadelphia neighborhoods with vacant properties throughout, neighbors generally seem to prefer seeing the salvage of the building, rather than demolition. Although there is no concrete method to quantifying the negative effects of one having a worse effect than the other, a preference to rehabilitate seems to be more popular than to demolish without a plan.

5.1.2 Eyesores

Other eyesores besides vacant lots and abandoned buildings include abandoned or underused railroad tracks, garbage dumps, power plants, badly maintained houses, poorly maintained public buildings, major highway proximity, factories, transmission lines, broadcast towers, airports, and graffiti. These are all eyesores that typically leave a bad impression on potential investors and homebuyers when looking at a potential investment property.¹⁹⁴ Michael McCann of Prudential Preferred Properties in Center City attests to the effects of graffiti, trash, and adjacent dilapidated properties on his properties for sale. In order to effectively market properties at a higher price, it may often be worth asking to help repaint a neighboring house that has peeling paint, especially since rowhomes share a continuous façade along a street. Real estate agents who have an interest in marketing a particular property have found ease in selling properties when they paint the surface of a paint-chipping neighboring rowhouse, or cleaning up trash from an abandoned adjacent vacant lot.¹⁹⁵ These surrounding factors play a huge role in the buying decisions of prospective property owners.

¹⁹³ Diana Lind, "The Bright Side of Blight." *The New York Times* 25 Jan. 2011, Late Final ed., A sec.: 25. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁹⁴ Alan J. Heavens, "Putting Up Smokescreens / When t Comes to Real Estate, It's Not What's Nearby, But What Buyers Think of It, That Matters." *The Philadelphia Inquirer* 19 Oct. 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁹⁵ Heavens.

One property can have a big impression upon the next, and will often make the ultimate difference in the property's ability to sell. However, train tracks, utility lines, and highways are definitely out of the realtor's control. However, these inconveniences associated to visible utilities can sometimes fall behind the value they deliver. The convenience of some of these items, mainly infrastructure, can prove to be advantageous, depending on how they are marketed. Proximity to SEPTA routes add an average of \$5,594 (in the 1990s) to the selling price of a property, even despite the noise they might bring. According to most realtors, "convenience is most important" when marketing a property for investors.¹⁹⁶

5.1.3 *Crime and Drugs*

Lower North Philadelphia suffers from a reputation of illegal drugs and crime, which fragments a neighborhood and pushes away developers and families, creating a grim future. Crime and drug activity consequently tend to exacerbate vacancy problems.¹⁹⁷ Drug trafficking is a problem many homeowners don't want to have to face, and developers seek to invest in areas which are in higher demand for families to move into. However, grassroots movements and community participation have eradicated the problem of drugs and crime in neighborhoods like Spring Garden and West Oak Lane, a method that has proven effective since the 1980s.¹⁹⁸

More recently, drugs, crime, prostitution, and murder have recently scarred Kensington's reputation, and make investors wary of looking into a crime infested

¹⁹⁶ Heavens.

¹⁹⁷ Michael Janofsky, "Philadelphia Neighborhood Reborn." *The New York Times* 24 Feb. 1998, Late Final ed., A sec.: 12. *LexisNexis Academic*. Web. 21 Jan. 2011.

¹⁹⁸ Alan J. Heavens, "Spring Garden's Wait is Over; The Neighborhood at the Edge of Center City Has Changed Since Shells of Houses Sold as Little as \$7,000 in the '70s. Prices of \$400,000-Plus Are Typical Today." *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Advance ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

neighborhood.¹⁹⁹ An investor risks having a project vandalized, equipment stolen, and a lack of demand once a rehabilitation project is finished. If the selling or rental price of a property does not break even with investments in the end, it may not be worth seeking property in a neighborhood suffering from a crime problem.

The negative effect on property values due to crime was especially evident in University City during the 1990s. The killings of students in University City in 1994 and 1996 had a very negative effect on the neighborhood's reputation and property values. However, these murders proved to be a wakeup call for the University of Pennsylvania. After Penn took action in surveillance of streets under university President Judith Rodin,²⁰⁰ median sale price of homes climbed over 200% from 1997 to 2003.²⁰¹

Other instances of crime's effect on a neighborhood have left some neighborhoods in shambles for decades. The MOVE bombings in West Philadelphia in 1985 caused both an immediate and longstanding down slope on housing values. Not only did the city-led bombings leave blocks of West Philadelphia in shambles, the city earned a bad reputation of crime nationwide during this time.²⁰² West Philadelphia dropped in desirability, and consequently investors knew demand was weaker.²⁰³

¹⁹⁹ Melissa Dribben, "Kensington's Bright Side Has Its Adherents." *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁰⁰ Judith Rodin, *The University & Urban Revival out of the Ivory Tower and into the Streets*. Philadelphia, PA: Univ. of Pennsylvania, 2007. Print. 2.

²⁰¹ Murray Dubin, "A Hot Neighborhood With History; 'University City Still Has the Things That Originally Attracted People,' a Longtime Resident Says." *The Philadelphia Inquirer* 22 Sept. 2004, City-D ed., Where We Live-Report on Life in University City sec.: G03. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁰² Alan J. Heavens, "Spring Garden's Wait is Over; The Neighborhood at the Edge of Center City Has Changed Since Shells of Houses Sold as Little as \$7,000 in the '70s. Prices of \$400,000-Plus Are Typical Today." *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Advance ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁰³ Maria Panaritis, "A Face-Lift in West Philadelphia with Much Effort All Around, Cobbs Creek is Coming Back." *The Philadelphia Inquirer* 19 Apr. 2000, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

5.2 Competing with New Construction

5.2.1 *Within the City*

One of the results of the NTI on the cityscape of Philadelphia is the vast amount of vacant land parcels remaining after demolitions. Some vacant lots are sprinkled among existing homes, while entire blocks of North Philadelphia were razed. While the transformative effects of the NTI on Philadelphia during the early 2000s left large amounts of vacant land behind, a new niche in the real estate market formed: new construction. This enabled developers to construct buildings from new, cheap materials within the denser areas of the city. Conversely, older homes in need of renovation now faced competition.²⁰⁴ Some developers have found that a blank slate is easier to work with than existing buildings, which was one of the NTI's goals from the beginning: to create a more attractive investment environment. However, the effects on existing properties which were left standing in between were not as well planned for. Whether razing a dilapidated block will attract developers is still an issue of heated debate within the city. Planners, communities, and politicians all seem to have varying perspectives on the effects of razing blocks through the NTI.

Mayor Street saw the problem of blighted areas to be that they were unattractive to large-scale developers, and thus funneled \$295 million in demolition costs to raze 14,000 abandoned rowhouses and dilapidated Victorian mansions. "We simply can't rehab, we're at the point where we have to build new neighborhoods", said Mayor Street in 2003. However, city residents and onlookers were wary of this plan – "We'd like to see more talk of supporting existing neighborhoods with renovation instead of tear-downs and building new ones," said

²⁰⁴ Alan J. Heavens, "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work." *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

Gordon Whitman of Temple University's Center for Public Policy in response. Unless the city can restore its economic core, tens of thousands of new residents will be difficult to find for these prospective "new neighborhoods." Large-scale developers don't just want vacant empty land; they also need demand in the area.²⁰⁵

Rosemary Cubas of Norris Square witnessed the attempted demolition of parts of her neighborhood through the NTI because PHA had neglected properties throughout the 2100 block of North 2nd Street. With her group, Citywide Coalition to Save Our Neighborhoods, they stopped the demolition proceedings and found new owners to rehabilitate the properties. Even their neighborhood church was labeled as "blighted", despite its continued use and the presence of a well-organized community. They refused to lose their neighborhood to the NTI, and instead chose to make their area more attractive to developers in a more participatory way.²⁰⁶ This is just one instance of when the NTI did not take concerns of the neighborhood into account, and a successful backlash occurred.²⁰⁷

Other criticisms of the NTI include John Gallery's assessment of the initiative. Gallery, of the Preservation Alliance, says the plan had no clear, defined path. He thinks the city should focus on the facilities and assets that neighborhoods do have, instead of just tearing down what is not being used. The city could potentially compete to attract developers, but existing properties are not being adequately marketed as part of long-standing neighborhoods. Historic

²⁰⁵ Michael Powell, "Knock-Down, Drag-Out Urban Renewal; Philadelphia Program Targets Blighted Areas." *The Washington Post* 14 Mar. 2003, Final ed., A sec.: A03. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁰⁶ Twyman, Anthony S. "Street's Fight Against Blight Proceeds Ahead of Schedule." *The Philadelphia Inquirer* 2 Jan. 2005, City-D ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁰⁷ Anthony S. Twyman, "Street's Fight Against Blight Proceeds Ahead of Schedule." *The Philadelphia Inquirer* 2 Jan. 2005, City-D ed., City & Region sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

architecture is being painted as impediments to new neighborhoods. John Gallery also states that the program does not adequately plan for the future, after all the demolition occurs.²⁰⁸

In response, NTI director Patricia Smith thinks a master plan would be unproductive. It would become outdated by the time development begins to occur.²⁰⁹ Smith argues that the NTI is all part of a continually moderated process that flows with the current times.

However, dilapidated properties competing with vacant parcels for a developer willing to invest depends on what the developer is willing to commit to the project. However, many professionals agree, that ultimately the success of any project, whether it is a rehabilitation or new construction, depends largely upon addressing underlying, existing social issues. "I think that I have inadvertently contributed to an illusion – that you can rebuild a poor neighborhood by building houses" said Ed Schwartz, director of Office of Housing and Community Development when under Mayor Goode.²¹⁰ He had originally advocated for investment of new construction in fringe areas of Philadelphia in order to provide a facelift, but soon saw the real cause of the problem.

Before new construction can be promoted, demand must be secured. Ed Schwartz also believed that the city needs to focus on funding existing neighborhoods which are falling apart before new buildings are introduced. In order for this to happen, allocations of funds and initiatives need to be reassigned. "There is plenty of money subsidizing new construction and

²⁰⁸ Joseph Kelly II, "Philadelphia Sets a Path toward Revitalization through a Redefined Government Role." *Architectural Record* 1 Oct. 2004: 73. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁰⁹ Kelly.

²¹⁰ Nathan Gorenstein, "Rethinking Revitalization." *The Philadelphia Inquirer* 11 Apr. 2001, City-D ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

not enough to existing structures”, (then councilmember) Michael Nutter explained. “We have not done enough to stabilize and promote many other areas of the city.”²¹¹

Existing fabric has a strong argument on behalf of city planning, but these virtues are often overlooked by developers. The truth is that old neighborhoods require more work. Historic properties tend to require more maintenance and care, even after renovations occur. While original materials look nicer than vinyl siding, the effort and funds to maintain need to be committed, well beyond the sale of the property.²¹²

5.2.2 *Competing with the Suburbs*

While the existing buildings in need of rehabilitation may have to compete for developers and investment locally with vacant lots capable of infill, existing buildings also compete with the greater amenities of the suburbs. The suburbs offer an element of space, amenities, privacy, and tranquility that almost no fringe neighborhood can offer.

Philadelphia real estate’s biggest competition has been the suburbs since the 1950s, and this continues to be the case even today.²¹³ North Philadelphia suffers from families moving out to the suburbs of New Jersey to pursue better schools and opportunities to upgrade housing amenities. They may also move to escape drugs, crime, and excessive city taxes.²¹⁴ Many job opportunities exist in the suburbs, and even while Philadelphia tries to hold onto the jobs it can offer in order to attract more residents, large tracts of open land and areas of with ample

²¹¹ Nathan Gorenstein, “Rethinking Revitalization.” *The Philadelphia Inquirer* 11 Apr. 2001, City-D ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²¹² Amy Worden, “Tax Plan Raises Hopes for Historic Renovation Bill Would Create Incentives to Restore.” *The Philadelphia Inquirer* 12 Feb. 2001, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²¹³ Leonard N. Fleming, “Street Sets 7 Areas for Revival; The Mayor Detailed Plans That Call for 16,000 New Mixed-Income Housing Units Over the Next Five Years.” *The Philadelphia Inquirer* 4 Feb. 2003, City-D ed., Philadelphia sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²¹⁴ Gorenstein.

parking are more favorable for suburban office complexes instead of the city.²¹⁵ Although not associated with residential properties, the wage tax within in the city limits remain a disincentive for businesses to stay within the city limits. When businesses seek to avoid these types of taxes and relocate to the suburbs, they drive demand for office development outside of the city limits, bringing their workers with them.²¹⁶ This also influences a lessening commercial demand of space to rent within the city.²¹⁷

The cost effectiveness of building in the suburbs was once obvious for developers looking to build mass-produced housing in order to cut costs, but many areas around the Philadelphia city limits have been maxed out. The increased distance away from the metropolitan area to find land that has yet to be developed is difficult to justify for many potential homeowners, and demand begins to fade the farther they have to commute.²¹⁸

5.3 Inability to Mass-Produce Cheap Housing

Conventional real estate developers use the suburbs as an opportunity to mass produce modular housing to keep costs down. These neighborhoods offer spacious amenities, are comparatively inexpensive to build, and allow the developer a larger profit. Many of these new construction techniques are not always a possibility in the city of Philadelphia, so developers

²¹⁵ Roger D. Simon and Brian Alnutt. "Philadelphia, 1982-2007: Toward the Postindustrial City." *The Pennsylvania Magazine of History and Biography* 131.4 (2007): 395-444. *JSTOR*. Web. 21 Jan. 2011. <<http://www.JSTOR.org/stable/20093970>>. 402.

²¹⁶ Joseph Kelly II, "Philadelphia Sets a Path toward Revitalization through a Redefined Government Role." *Architectural Record* 1 Oct. 2004: 73. *LexisNexis Academic*. Web. 21 Jan. 2011.

²¹⁷ Simon and Alnutt, 402.

²¹⁸ Witold Rybczynski, *Last Harvest: How a Cornfield Became New Daleville : Real Estate Development in America from George Washington to the Builders of the Twenty-first Century, and Why We Live in Houses Anyway*. New York: Scribner, 2007. Print.

must be innovative to cut costs.²¹⁹ In some cases, developers have been able to obtain discounts with high-volume contracting and purchases within the city.²²⁰

New construction is generally cheaper, faster, and more efficient. It also does not require as much craftsmanship skill as rehabilitation does. When a conventional developer is able to cheaply build housing, they do not typically need public subsidies to turn a profit. Nick Pizzola was able to build an entire block of new construction mimicking the fashion of rowhomes in the Temple University neighborhood. One of his accomplishments of the project was the avoidance of applying for subsidy help because the cheaper construction paid for itself in renting price.²²¹

5.4 Closing the Financial Gap While Being Sensitive to Community Needs

Property rehabilitation is difficult to successfully complete while turning a worthwhile profit without some sort of public assistance or subsidy. This may be considered a huge disadvantage for a developer. However, for those who are familiar with obtaining subsidies, many developers regularly seek affordable housing credits or rehabilitation credits in order to ensure the success of a project.²²²

Affordable housing and rehabilitation tax credits also offer a benefit to the community in return. When a developer blindly seeks profit only, they cannot predict the reaction of the community whose neighborhood they choose to invest in. Especially in fringe areas of

²¹⁹ Alan J. Heavens, "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work." *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²²⁰ John Kromer, Bridget Greenwald, Ira Goldstein, Jill Feldstein, and Skip Wiener. "Vacant Land Management Panel." University of Pennsylvania School of Design, Philadelphia. 31 Mar. 2011. Lecture.

²²¹ Joseph N. DiStefano, "PhillyDeals: Building Boom Continues Around Temple." *The Philadelphia Inquirer* 16 July 2010, City-C ed., Business sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²²² Paul Nieback and John B. Pope. *Residential Rehabilitation: the Pitfalls of Non-Profit Sponsorship*. Philadelphia, PA: Univ. of Pennsylvania, 1968. Print. 3-7.

Philadelphia where gentrification may be at stake, the community will likely fight back and make the development process difficult. However, subsidies can help ensure that a greater cause is being promoted. The developer can close a gap on costs and the community can benefit from a city-backed initiative. This kind of public support ensures a cause beside the sole benefit of the developer is promoted. Although subsidies and tax credits ensure a greater public cause, they also require more restrictions, processes, and limits on what developers can do.

5.5 Community Opposition

However, just because a project is backed politically, a community may still oppose a project to the point of disabling it. Community opposition has stronger merit when properly organized. If a community is unified behind a particular argument, and active in voicing their concerns to the city, they can have a significant negative effect on a developer's project.

When a developer chooses to engage in the community they invest in, it is to their benefit to promote a greater cause beyond self-profit, even when they are not receiving a government-backed incentive. Community members who feel they will be forced out of their neighborhood once new development begins will likely bring up these important issues to the Planning Commission. For example, upscale development which is in high contrast to the existing neighborhood is not favored by community members, and the community will likely retaliate. Community members generally want to voice their input on large developments that have a transformative effect on their neighborhoods.²²³ Smaller, more sensitive interventions of investment are less likely to face community backlash.

²²³ Rita Giordano, "For Jefferson Square, 2 Approvals / Two City Agencies Gave Their Blessings to Plans for the Controversial Project in S. Phila." *The Philadelphia Inquirer* 28 Apr. 1999, SFCity ed., City & Region sec.: M01. *LexisNexis Academic*. Web. 21 Jan. 2011.

Take, for example, the case of Brewerytown in North Philadelphia. The RDA has the ability to declare land as “blighted” so that the use of eminent domain can then turn the property over to developers. The Westrum Group, led by John Westrum, was scheduled to build a large-scale upscale residential complex in Brewerytown, but community organizer Al Alston and his community were determined to reverse the title of “blight” which would have taken away their community center. They avidly followed through in the city’s proceedings and refused to let go of their modest cinder-block community center. This single lot prevented Westrum from creating the huge block-encompassing project, all because of one property with a voice behind it. When asked to reflect on the course of events that shut down his luxury condo project, he did not understand the stubbornness the determined community. “Their community center could go anywhere,” Westrum complained.²²⁴ His unwillingness to communicate directly with the community before pursuing the project created a huge obstacle in the end.

Yet, there are also instances of community opposition even in the attempts of a greater community cause. For example, when a neighborhood is designated as historic on the National Register, qualifying properties within the district are eligible for the rehabilitation tax credit. When developers pursue this tax credit, the resulting wave of preservation can be beneficial for the built environment as a whole. It raises property values, and can typically attract an intelligent workforce – doctors, lawyers, professionals, academics – looking to live in an area of renovated properties rich in history and pride. However, this new wave of higher-paying residents could implicitly cast the preceding locals as “uncivilized” for not having taken care of the neighborhood, even in cases where they were unable to, according to author Andrew

²²⁴ Jennifer Lin, “Eminent Domain Turned on Its Ear in Brewerytown; Amid Upscale Redevelopment, a ‘Strategic’ Center for Poorer Residents Challenges City Plans.” *The Philadelphia Inquirer* 10 Aug. 2006, National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

Henry.²²⁵ Though only a theory, many historically designated neighborhoods in Philadelphia show this effect. The historic districts of Powelton Village, Society Hill, and Old City all used to house neighborhoods stricken with poverty and low property values. However, since their historic designations, whether or not those designations had a direct effect, these neighborhoods have shifted demographically and now house considerably wealthier populations.

However, historic designation does not always mean gentrification will inevitably follow. While many studies seek to confirm or deny this correlation, most agree that when a neighborhood receives a historic designation, it strengthens community ties. A historic district can solidify a community's attachment to a sense of place and create social cohesion among residents. Yet this social attachment of a community to its physical neighborhood can also aggravate social tensions when the poor are priced out of their own neighborhoods. This attachment of a rooted community can operate as a debilitating mechanism of capital investment opportunism.²²⁶ While Historic Designation may be successful in attracting museums, shops, restaurants, clubs, residents, tourists, property values, and rigid architectural controls, historic designation has an undetermined effect on creating stable, harmonious communities that endure both before and after designation.²²⁷

5.6 Alignment of Goals between Community, Developer, and City

Yun Kim, owner of Lunar Deli in Brewerytown, heard of plans to raze entire blocks to make way for super shopping centers, and opposed it. "We have a business district here already,

²²⁵ Andrew Hurley, *Beyond Preservation: Using Public History to Revitalize Inner Cities*. Philadelphia: Temple UP, 2010. Print. 5.

²²⁶ Hurley xi.

²²⁷ Hurley, x-2.

and we don't take care of it," he pointed out.²²⁸ He believes that the real way to sustain a shopping area is beautify the existing one, which can be facilitated with the neighborhood's designation as a historic district and various city programs.

Even in University City in the 1990s, community distaste for university involvement stemmed from local residents observing the amount of property Penn acquired, especially at an escalating rate. The impression was that Penn was steadily gaining control of real estate in West Philadelphia, and residents developed fears of exclusion in the decision-making process. It was also difficult to predict what Penn would buy next, as their acquisitions were often inconsistent and what they did with them would widely vary.²²⁹ However, Penn's strategic approach included a long-term plan for sustainable investments and community involvement where residents could be heard.²³⁰ Penn took measures to align the goals of the community, developers, university, and the city in its efforts in University City, and overall is seen as a successful project.

5.7 Working Too Closely with the City

We learned in the previous chapter about Enablers that working closely with the city can aid the process of development, particularly when seeking to acquire abandoned land, city owned property, or obtaining permits. We also learned that the inability to close the gap between cost and final economic value can drive a developer away from a potential project, unless they work with the city to obtain additional funding or incentives.

²²⁸ Jane M. Von Bergen, "His Hopes Are High for an Area Laid Low / Among the Many Tasks is Convincing Retailers That the Area Has Promise." *The Philadelphia Inquirer* 12 Mar. 1998, SF ed., Business sec.: C01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²²⁹ Andrew Hurley, *Beyond Preservation: Using Public History to Revitalize Inner Cities*. Philadelphia: Temple UP, 2010. Print. 3-11.

²³⁰ Judith Rodin, *The University & Urban Revival out of the Ivory Tower and into the Streets*. Philadelphia, PA: Univ. of Pennsylvania, 2007. Print. 185-6.

However, funding and incentives often come with strict city regulations in order to qualify for this public aid. Government incentives also come with their share of shortcomings. Investment costs must be kept down in order for a project to survive, but subsidies from the city have their downsides. City incentives such as the affordable housing credit require developers to hire unionized labor and pay them union-level wages, which are often higher than market rate. Sometimes building code requires contractors to use atypically expensive materials in order to pass inspection.²³¹ Additionally, including new building standards in existing buildings which were not made to house new technologies can prove to be difficult but necessary.²³² The combination of keeping costs down and finding other sources of funding can be a great obstacle, and oftentimes investors see little incentive to jump through these extra hoops.

However, studies out of the Academy for Contemporary Problems (Ralph R. Widner and Gary C. Cornia) and Academy of Political Science (Philip M. Klutznick) suggest that restrictions on development in order to qualify for incentives do not guarantee that developers will not pursue the project. Usually, every state and city has its own form of taxing system with its own incentives, and restrictions or taxes often have trade-offs elsewhere.²³³

Despite its large amount of historic building stock, Pennsylvania does not offer state incentives for developers to rehabilitate properties, yet 18 states in the United States offer some sort of income-tax credit for historic preservation efforts, and nine other states offer

²³¹ Nathan Gorenstein, "Rethinking Revitalization." *The Philadelphia Inquirer* 11 Apr. 2001, City-D ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²³² Henry, Michael. "Building Pathology: Class 9." Lecture. HSPV 551. University of Pennsylvania, School of Design, Philadelphia. 25 Mar. 2011.

²³³ Philip M. Klutznick, "The Effects of Property Taxation on Investment Decisions." *Proceedings of the Academy of Political Science* 35.1 (1983): 72-85. *JSTOR*. Web. 21 Jan. 2011. 78.<<http://www.JSTOR.org/stable/3700946>>

property-tax abatements.²³⁴ Pennsylvania has the opportunity to offset some of the shortcomings Philadelphian developers face by offering additional incentives for building rehabilitation. This would only help to argue the theory that the trade-off between required restrictions and reward is worth it.

5.8 Slow Acquisition of Property for Rehabilitation

Historic properties would likely be in even higher demand if the city also offered incentives to rehabilitate residential structures. Because such an incentive does not exist, the real money makers in the existing property rehabilitation realm are the rehabilitation projects that require the least amount of input for the highest return on investment. Such projects would include minimal or moderate rehabilitation projects on short-term and move-in vacant housing.²³⁵ These types of projects allow for developers to cut costs in labor and materials.²³⁶

It is always better to acquire a property before it becomes vacant for too long for multiple reasons.²³⁷ Occupied properties are not only likely to still be habitable, but also are more likely to have a contactable owner to easily obtain a clear title. Obtaining the title to a vacant property can take an especially long time when the owner is not present, or if the vacant property is already owned by the city. West Oak Lane CDC works with such properties, and their patience in working with the city is essential in their efforts.²³⁸

²³⁴ Amy Worden, "Tax Plan Raises Hopes for Historic Renovation Bill Would Create Incentives to Restore." *The Philadelphia Inquirer* 12 Feb. 2001, SF ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²³⁵ For details, see Chapter 2: Sections on Rehabilitation and Vacant Housing Types.

²³⁶ Alan J. Heavens, "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work." *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²³⁷ Heavens.

²³⁸ Alan J. Heavens, "Renaissance Via Rehabs Homeownership Renews Lives and Neighborhoods Under a Program That Fixes Up Eyesore Properties. Lower-Income Buyers Benefit. 'It's a Dream Come True,' Says One Owner-to-Be." *The Philadelphia Inquirer* 16 Mar. 2003, Sunday Final ed., Real Estate sec.: L01. *LexisNexis Academic*. Web. 21 Jan. 2011.

Extensively vacant properties often take a long time to acquire because they must ensure a lengthy legal process – whether through condemnation, foreclosure, or donation. This process can often take years, and by the time a developer can finally start working on a property, it may have deteriorated so badly during the waiting process that original projected costs exceed profit.²³⁹ Most agree that the bureaucracy of the city slows the acquisition process, forcing developers to wait in the wings.

One of the biggest challenges in infill and rehabilitation development is getting to the property before any usable remnants give out. L&I tends to exacerbate the waiting times for developers. In the case of infill, L&I often requires extra demolition standards before the project can begin. Walter Evans of Allegheny West Foundation has tried forming a relationship with L&I to get his foot in the door of politicians' favor, but has not succeeded, although he wishes he could. Without political support and close relationship with the city, the wait times are so long that after waiting too long of a time, rehabilitation will no longer add up financially.²⁴⁰ In the worst case scenario, any remaining salvageable material can be lost and the whole project will have to be new infill.

Cynthia Bayete, assistant director at Office of Neighborhood Transformation, agrees that the process of getting vacant and city-owned properties into the hands of willing developers needs to be more efficient and timely.²⁴¹ The following examples are individual

²³⁹ Heavens, Alan J. "Making Housing Affordable / The Newest Inner-City Houses Have Amenities that Match Many in the Suburbs. Keeping the Cost Down is Hard Work." *The Philadelphia Inquirer* 11 May 1997, Sunday D ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁴⁰ Vernon Loeb, "Building a Future on Streets Long Abandoned by Hope." *The Philadelphia Inquirer* 24 May 1994, Final ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁴¹ Amy Worden, "Legislators Unveil Plan to Fight Blight Early; proposed Laws Would Give Phila. and Other Cities Greater Power to Develop Potentially Hazardous Buildings." *The Philadelphia Inquirer* 12 June 2001, City-D ed., Philadelphia sec.: B01. *LexisNexis Academic*. Web. 21 Jan. 2011.

small-scale private rehabilitation efforts halted by the bureaucracy of obtaining city-owned property.

The NTI failed to address the issue of the difficult process of obtaining city-owned property, even though they sought to hand it over to developers. NTI offered high recognition of Ola O. Solanke's self-funded rehabilitation process of a cluster of homes in North Philadelphia, turning them into a business, art gallery, and community space. He was decorated as an "NTI Ambassador" and as proof of the possible successes of the NTI. However, his efforts were halted by bureaucratic steps towards acquiring city-owned vacant land adjacent to his property, despite his support through the NTI. When he confronted the NTI about how they did little to help his ongoing efforts in return, they chose not to comment.²⁴²

The Northern Liberties Neighborhood Association helped initiate the neighborhood's revitalization, and members were willing to advertise properties eligible for rehabilitation through their marketing efforts. However, these properties were either city-owned or long abandoned. While they would find many interested developers quickly, it was difficult to get the city to follow through on selling the property. Additionally, the city lacked code enforcement, communication with neighborhoods, and willingness to expedite getting abandoned properties into the hands of investors willing to fix properties.²⁴³ According to the neighborhood association, this was Northern Liberties' biggest obstacles in starting a comeback.

West Powelton resident and rowhouse rehabber John Lindsay of Lindsay Enterprises sees potential in the rising population of Drexel for his housing, but has halted most of his

²⁴² Anthony S. Twyman, "Neighborhood Revitalizers Celebrate; More Than 80 'Ambassadors' for the City's Transformation Effort Were Honored." *The Philadelphia Inquirer* 25 May 2005, City-D ed., Local sec.: B05. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁴³ Nathan Gorenstein, "On the Edge of Prosperity Near Center City, Hope Begins to Build." *The Philadelphia Inquirer* 21 Oct. 2000, Saturday D ed., Local sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

projects because of his inability to acquire more properties from the city.²⁴⁴ He specifically recalled “two properties that could have been rehabbed 20 times over if only anyone could get their hands on it from the city”,²⁴⁵ but instead they continue to sit vacant and inaccessible.

Another example includes Boris Kaplun’s attempt to obtain a long-derelict house on Lindley Avenue in Philadelphia’s Logan section for the past two years. He set out to buy the abandoned house from the RDA. Since Mayor Nutter became mayor, he has been pushing the RDA to expedite the sale of derelict buildings to willing developers. However, by state law, City Council remains the “gatekeepers” to selling publicly owned property, and they were not notified of the Lindley House being sold to Kaplun. Kaplun was signed over the property in from the RDA in 2008, after he had already successfully renovated an adjacent duplex. His plans were to rehabilitate the newly acquired adjoined duplex. However, despite the property’s original intent as a duplex, he needed to obtain a zoning variance to renovate the duplex, because the permit had since expired. When appearing in from of the Zoning Board of Adjustments, Councilwoman Marian Tasco learned of the project for the first time and denied him the permit for a duplex, presumably out of spite, stating that the neighborhood would much better benefit from a single-family home. But Kaplan could not make a return on his profit if he was to only be granted one unit. After completing about three fourths of the legal process to obtain the property, his project was halted, and the building still remains empty today.²⁴⁶

Kaplun was stuck in the middle of growing tension between the RDA and City Council. With no support from the council, the project could not go through, and because city council was kept out of the loop when the RDA signed off the property, they did not support it. City

²⁴⁴ Gorenstein.

²⁴⁵ John Lindsay, "Interview with John Lindsay of Lindsay Enterprises," Personal interview, 1 Apr. 2011.

²⁴⁶ Jennifer Lin, “Renovator Stymied by Power Struggle of Agency, Council.” *The Philadelphia Inquirer* 25 June 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

Council maintains that state law requires that they be the first in order of contact to obtain city property. Even though Kaplun stated he repeatedly tried to contact Tasco about the project, she ignored his letters, calls, and email.²⁴⁷ Meanwhile, local resident Natasha Jackson stated she would much rather prefer a duplex than a crumbling vacant property. Residents seem to prefer anything over nothing, but because of political tension within city government, the process on 922 Lindley was completely halted in 2010.²⁴⁸

5.9 Adjacent Absentee & Irresponsible Landlords

However, while any occupancy is better than vacancy in the eyes of many residents, absentee or irresponsible landlords might also have a negative effect on the neighborhood. The difference between a vacant property and a rehabilitated one occurs when the new property owner actually takes action. Some landlords in North Philadelphia leave an effect of physical decay on neighborhoods when they abandon their properties, often refusing to maintain them or even rent them out, oftentimes because they do not care to make the investment right away. Sometimes they even ignore tax bills and eventually walk away from their properties.²⁴⁹

Many such cases exist in Philadelphia, including the case of Judge Willis J. Berry Jr. acting as a property investor. Judge Berry purchased properties as a side job with the intent of rehabilitating properties in his free time. He bought the cheapest properties still in habitable condition that he could find, but rarely renovated them. Oftentimes, he would leave them sitting vacant, believing the real estate market would improve in the areas of Erie Ave in North Philadelphia so that he could easily flip a profit solely with the force of a changing real estate

²⁴⁷ Lin.

²⁴⁸ Lin.

²⁴⁹ Roger D. Simon and Brian Alnutt. "Philadelphia, 1982-2007: Toward the Postindustrial City." *The Pennsylvania Magazine of History and Biography* 131.4 (2007): 395-444. JSTOR. Web. 21 Jan. 2011. <<http://www.JSTOR.org/stable/20093970>>. 433.

market. Waiting to resell can cause the surrounding neighborhoods to suffer from the resulting eyesores. These neighborhoods usually cannot do anything about it, and in the case of residents around Judge Berry's properties, no one answered their pleas for action, whether they call L&I or the judge himself. Judge Berry was also relatively uncompromising in meeting code or caring for his properties. The effect of this process of neglect damages the quality of the neighborhoods where his 11 properties sit.²⁵⁰

5.10 Slow Economy

In the case of absentee property owners are simply waiting for the market to improve so they can flip an easy profit, one of the stems to this prolonged vacancy is the slow economy. The housing market, the job economy, and government spending are all at a low point, and it can stem a multitude of problems beyond intentionally idle developers.

5.10.1 *Wary Financial Institutions*

Hesitant financial institutions are not as willing to lend money for projects as they once were, and government spending is continually cut year after year.²⁵¹ A financial institution is also likely to look at a developer's history, their current loans, the neighborhood they look into, and the likelihood of project success. All of these are highly influenced by recent trends of the real estate market, and are often not in tune with the workings of specific neighborhoods and cases which hold promise.²⁵² For example, in the 1960s, it was nearly impossible to obtain a commercial loan to rehab residential property in the neighborhood of Queen Village due to the

²⁵⁰ Nancy Phillips, "Dilapidation on His Docket." *The Philadelphia Inquirer* 29 Apr. 2007, Jersey ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁵¹ Inga Saffron, "Small Stuff Makes Philly Better, a Bit at a Time." *The Philadelphia Inquirer* 7 Jan. 2011, City-C ed., Features Magazine sec.: E01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁵² Paul Nieback and John B. Pope. *Residential Rehabilitation: the Pitfalls of Non-Profit Sponsorship*. Philadelphia, PA: Univ. of Pennsylvania, 1968. Print. 66-7.

politics and recent real estate trends in that one specific area, despite the fact that the area proved to hold promise as it is one of the most successful turnarounds in Philadelphia.²⁵³

5.10.2 *Inappropriate Exceptions through City Desperation*

However, when an area is classified as desperately in need for incoming investment in the perspective of the city, the city occasionally allows for exceptions and even mistakes. For example, Queen Village has two laws forbidding garage-fronted rowhomes for all the arguments that keep a neighborhood welcoming, safe, and continuous in rhythm. But in March 2009, because the economy was so slow and Queen Village desperately needed real estate market activity, Queen Village made an exception with developer Louis Zahner for the sole sake of stimulating investment activity. He would not have built his project had he not been allowed to include street-front garages, but the City Council voted to allow him to do so despite the neighborhood's laws suggesting that garages detract from the neighborhood's streetscape.²⁵⁴

In the Temple University area, City Councilman Darrell Clarke also allowed for a flood of student housing projects without thorough consent of his district, welcoming any source of investment that came the neighborhood's way during the Temple enrollment boom of 2010. A year later, Councilman Clarke then had to suddenly halt the allowances of permits when enough was enough.²⁵⁵ Had he been more conservative in allowing projects in the first place, the neighborhood would not have been subject to drastic changes and overflows of new development all at once.

²⁵³ Nieback and Pope, 68.

²⁵⁴ Inga Saffron, "Changing Skyline: Poor Economy Prompts a Poor Design Decision." *The Philadelphia Inquirer* 29 Mar. 2009, City-D ed., Features Magazine sec.: D01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁵⁵ Vernon Clark, "New Temple Student Housing Stirs a Renaissance West of Broad Street." *The Philadelphia Inquirer* 15 Oct. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

6.0 The True Stem of the Vacant Housing Problem

The preceding lists of disablers and enablers of small-scale private rehabilitation of residential properties in fringe areas of Philadelphia are not comprehensive, but the result of extensive research of published recent events of redevelopment activity. The analyses of media reports found the preceding enablers and disablers to be the case through example of real events, but there was a strong implicit lesson behind much of Philadelphia's needed rehabilitation efforts.

Both the public sector and the private sector generally agreed that Philadelphia's vacant housing problem stems from a deeper economic issue which also needs to be addressed. The real result of the slow economy on the real estate market is the lack of capital that potential homebuyers and investors have. While rental properties maintain adequate demand, renters have little ability to take the physical state of their residences into their own hands, let alone to take control of the vacant housing problem in Philadelphia. No matter how slow the economy is, people always need a place to live.²⁵⁶

This is where the stem of the vacant housing problem truly lies: the slow economy.²⁵⁷ The slow economy does not only slow development efforts to fix vacant housing problems, it is also the perpetual root cause to why the development is needed in the first place. "The situation that created Philadelphia's vacant housing problem – loss of jobs, coupled with decline in population – has not changed. Any efforts to improve housing have to be coupled with a program for economic development," according to John Kromer, former Executive Director of

²⁵⁶ Inga Saffron, "Small Stuff Makes Philly Better, a Bit at a Time." *The Philadelphia Inquirer* 7 Jan. 2011, City-C ed., Features Magazine sec.: E01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁵⁷ Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid." *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

the OHCD.²⁵⁸ Vacant lots and blighted grounds are one of the many problems stemming from a greater social trend which steers the area to that state in the first place. This torn social fabric allows for vandalism and crime, and spurs a disinvestment in the neighborhood. The immediate hope that many communities have is to improve the built environment first via private development, and ideally a sense of confidence will be restored and an engaged community will follow.²⁵⁹ More recent attempts to turn abandoned brownfields into urban agriculture have taken place, but this does little to solve the unemployment problem.²⁶⁰

Philadelphia was successful as an industrial city, which is why it struggles as a post-industrial city. "Any plan to mitigate the vacant property crisis must not only include innovative urban planning, but also try to restore employment opportunities. We need to literally build jobs on neglected and undeveloped land," explains Next American City magazine editor at large Diana Lind. Vacancy and joblessness are intertwined and must be solved together.²⁶¹

Local business owner and Kensington resident Jim Duffy of Primo Pizza agrees. "Once we get out of economic distress, people will take ownership of their homes, they'll rehab housing, start families, and stabilize the neighborhood."²⁶² The NTI's vision assumed that real estate market stimulation would occur by razing and building large-scale luxury houses for-profit,

²⁵⁸ Heavens.

²⁵⁹ Diana Lind, "The Bright Side of Blight." *The New York Times* 25 Jan. 2011, Late Final ed., A sec.: 25. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁶⁰ Lind.

²⁶¹ Diana Lind, "The Bright Side of Blight." *The New York Times* 25 Jan. 2011, Late Final ed., A sec.: 25. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁶² Melissa Dribben, "Kensington's Bright Side Has Its Adherents." *The Philadelphia Inquirer* 22 Dec. 2010, City-C ed., National sec.: A01. *LexisNexis Academic*. Web. 21 Jan. 2011.

but the loss of original community does not make this risk a sensitive one for equitable and sensitive community revitalization.²⁶³

A participatory strategy to private investment in fringe neighborhood can only happen through empowering the poor. CDCs can be very instrumental in this process of bridging the disconnection between private developers and underpowered, poor, or unskilled community residents. CDCs can relay communication between the two groups, train the unskilled to work for the private sector, and allocate financial resources to create new homebuyers.²⁶⁴ The subsequent able workforce, jobs, improved streets, and rising property values will ultimately drive the market to improve.

This ideal cycle likely requires stimulation with funds from the state, national, and city budgets. CDCs rely on government funding to function. The economy of Philadelphia goes hand-in-hand with its housing problem, and a more attractive neighborhood will only help facilitate this cycle. However, most planners as researched through articles in this report agree that employment and subsequent financial empowerment of residents must precede the development process.

Aside from the planning perspective, encouragement for future recovery of the market relies heavily on the confidence of buyers, which is often boosted by statistics of recent real estate market trends. However, these statistics can be misleading because many of the sales conducted in Philadelphia are not done through a broker or the standardized MLS system. Many properties are sold by owner or sold through families, and this may affect the real picture.

²⁶³ Alan J. Heavens, "Open Door to Homeownership Thousands in the Philadelphia Area Are Finding Housing Help. Budget Woes May Cut the Aid." *The Philadelphia Inquirer* 24 Sept. 1995, Final ed., Real Estate sec.: R01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁶⁴ Zane L. Miller and Edward Bruce Tucker. *Changing Plans for America's Inner Cities: Cincinnati's Over-The-Rhine and Twentieth-century Urbanism*. Columbus: Ohio State UP, 1998. 86-87.

Additionally, city owned land does not require brokers when directly sought after by developers. A more effective way to monitor sales trends is not through statistics from real estate publications but from deeds recorded in city and county offices. The only downside to this is that some cities are behind 3-6 months in accurate data, so it may not be timely.²⁶⁵ This process is also time consuming and laborious.

Even expansive programs like the NTI will not be effective when they do not address economic issues or future plans, according to Greater Germantown Housing Development Corporation Executive Director, Stephen Kazanjian.²⁶⁶ However, optimistically speaking, though Philadelphia has lost its tradition of a 150-year industrial economy, the economic sectors of information technologies, health, and education have remained strong through the past 50 years of industrial decline.²⁶⁷ The overall economy of Philadelphia is not as strong as it once was, but there is still hope. In 2005, the largest employers in the city were federal, state, city governments, school districts, hospitals, and universities. Penn is the largest single employer in the entire city.²⁶⁸

Reconnecting community assets such as their skills, capabilities, and willpower back towards the neighborhood assets (like the housing stock eligible for rehabilitation) is key to true “neighborhood revitalization,” as opposed to gentrification. While developers play into one very

²⁶⁵ Alan J. Heavens, “For ’94 Sales, Sluggish Start Outdone by a Strong Finish.” *The Philadelphia Inquirer* 29 Jan. 1995, Final ed., Real Estate sec.: K01. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁶⁶ Nathan Gorenstein, “Given Size of Problem, Street’s Anti-Blight Fund Won’t Go Far.” *The Philadelphia Inquirer* 24 Sept. 2000, DCity ed., City & Regional sec.: B04. *LexisNexis Academic*. Web. 21 Jan. 2011.

²⁶⁷ Roger D. Simon and Brian Alnutt. “Philadelphia, 1982-2007: Toward the Postindustrial City.” *The Pennsylvania Magazine of History and Biography* 131.4 (2007): 395-444. *JSTOR*. Web. 21 Jan. 2011. <<http://www.JSTOR.org/stable/20093970>>. 395.

²⁶⁸ Roger D. Simon and Brian Alnutt. “Philadelphia, 1982-2007: Toward the Postindustrial City.” *The Pennsylvania Magazine of History and Biography* 131.4 (2007): 395-444. *JSTOR*. Web. 21 Jan. 2011. <<http://www.JSTOR.org/stable/20093970>>. 400.

important side of this role, CDCs and community organizations can help facilitate the gap between residents and their ability to make change in their neighborhood.²⁶⁹

²⁶⁹ Herbert T. Rubin, "There Aren't Going to Be Any Bakeries Here If There Is No Money to Afford Jellyrolls: The Organic Theory of Community Based Development." *Social Problems* 41.3 (1994): 401-24. *JSTOR*. Web. 21 Jan. 2011. <<http://www.JSTOR.org/stable/3096970>.> 419.

7.0 Insights from Developers Themselves

7.1 Methodology

The purpose of the previous chapters is to analyze a collection of news reports through articles, books, journals, and media accounts. These defined enablers and disablers of small-scale, private redevelopment of residential properties in fringe neighborhoods of Philadelphia are now to be compared with the feedback of practicing small-scale developers in the field of the rehabilitation.

First, potential interviewees were identified from past media articles reported about their efforts. After extensive searching of contact information, a total of 23 professionals received requests for interview by phone and/or email. Eleven responded with some interest. Ultimately, only eight resulted in face-to-face interviews of willing participants. Each interview consisted of a set list of open-ended questions based on literature findings. These questions were purposefully open-ended to ensure consistency. Yes/no questions typically cut answers short, so the interviewees answered questions open to their own opinions and viewpoints in order to gain a candid perspective. While three of the original candidates had originally agreed to conduct an interview, they either backed out, stopped responding, or asked not to continue. These interviewees were not included. The final interviewees were the only candidates who fully followed through on efforts to conduct an interview without hesitation.

Each of the interviewees has had experience in small-scale, residential rehabilitation in fringe areas of Philadelphia. Most are still practicing this type of redevelopment today. While large-scale developers and public-sector workers were not intended to be candidates for interviews, their past experience was highlighted as the focus of the interview.

The set list of questions was formatted to include the issues found in the literature analysis. These questions were generally as follows:

- How did you become interested in your practice? How did you start in this industry?
- What do you currently specialize in?
- What do you find to be enablers of your work efforts?
- What do you find to be disablers of your work efforts?
- What is your experience with working with the public sector?
- Does community presence affect your work? How?
- What are deciding factors when approaching fringe neighborhoods?
- How do you market your properties?
- What do you think is the future of your industry in Philadelphia?
- Have you noticed the effect of your work in their respective areas?
- Do you ever work with partners in business?
- Who are others in the industry that have done well or not succeeded?
- Do you have expansion efforts?

These questions were typically asked in varying order after the first four questions, depending on the flow of the conversation. Interviewees were allowed continue on the topics they felt relevant. Tangential issues were usually heard out, especially if they felt they were important.

These interviewees are meant to showcase a range of viewpoints and to find common ground between the discussions of their professional careers. Small-scale residential rehabilitation is a choice of developers mostly driven by their primary interests, which can vary

from person to person. Some developers' interests were driven personally and then turned professional, while others sought business interests from the beginning of their careers. The following profiles give a background of each of these professionals and how their careers have executed small-scale residential rehabilitation in fringe areas of Philadelphia.

7.2 Developer Profiles

Hanley Bodek

Hanley Bodek began his career in the property development industry while he was young. He started in the 1970s after college and pursued working in West Philadelphia because of the presence of the universities. Neighborhoods which appeared to be in decline were not an obstacle as his outlook relies heavily on the concept, "patience, patience, patience." He was invited to teach a class at Penn centered around the benefit of renovation of dilapidated properties, called "Entrepreneurial Inner City Housing Markets", originally at Wharton and eventually in the City Planning department. He has been teaching the course for 25 years. Hanley Bodek also continues his private practice, Philadelphia Construction, occasionally partnering with other small-scale developers in the area, namely Becky Wright and John Lindsay, whom he referenced as potential candidates for interviews. He typically sells properties after renovation, and also rents out.²⁷⁰

Becky Wright

Becky Wright began small scale property development in Philadelphia during the 1970s when she had first moved to the area after college. She began working in the plastering and painting industry, until she felt like she was undermined as a woman in her industry. She was

²⁷⁰ Hanley Bodek, "Interview with Hanley Bodek of Philadelphia Construction." Personal interview. 7 Mar. 2011.

surprised with the large amount of abandoned properties in West Philadelphia and their incredibly low prices during the time. She acquired large amount of properties and assembled her own workforce, and encouraged women to join her efforts. After the rehabilitation of her properties, she rents them out. With the recent expansion of Penn's efforts in University City, she has been asked to sell her properties, but prefers to stay put. She values her properties as a sustainable investment. She owns two rowhouses on Sansom Row and fought with the city to allow her to keep them despite the attempt to reclaim them for Penn for eminent domain. She won her battle, and currently runs a hair salon out of one of her properties on Sansom Row: the Saturn Club. She has since made amends with the university and plan to retire soon. She is no longer looking to renovate property, but to continue to rent out what she already owns. She did mention, however, the recent wave of developers taking advantage of the housing crisis, where investors will buy large amounts of foreclosed properties and sit on them, waiting to resell. She complained that these developers do not realize (or care to) their negative effect of negligence on the neighborhoods they purchase in. Becky advocates active participation of vacant properties and does not appreciate those who take advantage of neighborhoods in and out of transition at the expense of community presence.²⁷¹

Dan Thut

Daniel Thut moved to Philadelphia seven years ago and started his family. He bought a large home in West Philadelphia in dire need of repair, and in doing so, split up the single-family home into smaller units to accommodate an efficient lifestyle and to supplement payments on his mortgage. He noticed a mixed-use property for sale on Baltimore Avenue, with a potential for commercial storefront space facing Clark Park. He was not entirely interested in starting a

²⁷¹ Becky Wright, "Interview with Becky Wright of Saturn Club." Personal interview. 7 Mar. 2011.

rehabilitation project, but was convinced to take advantage of the low price by his brother-in-law, Douglas Witmer. Together, they renovated the entire building and completely rehabilitated the commercial space on the first floor. After renting out the upper floors, they decided to try starting a coffee shop, which became the successful local chain, the Green Line. As West Philadelphia improved with Penn's initiative shortly thereafter, business became steady and the Green Line decided to expand. They bought another building with residential units and commercial space nearby. On the side, Dan Thut continues to purchase cheaper twin properties in West Philadelphia to renovate and rent out when a good opportunity arises. He currently runs three coffee shops, rent out residential units in five large twins in Philadelphia, and is content with where he is now. He typically does not search to expand his efforts, but considers deals if people approach him. Dan Thut attributes his success to good timing, Penn's involvement, his business partner, and a stable neighborhood.²⁷²

Scott Orens

Scott Orens started out small-scale and is the example of a developer who has since moved on to large-scale. Scott Orens was a student at the Penn Dental School in the 1970s, and noticed the massive amount of dilapidated and cheap properties in West Philadelphia. After he graduated, he convinced his brothers to pursue property acquisition to rehabilitate and rent out in order to supplement income on the side. The Orens brothers continued to expand efforts further and further west in West Philadelphia through the 1990s. The brothers eventually acquired enough capital to move up in property scale, buying larger apartment buildings. Recently, Scott Orens has expanded his efforts to include factory conversions into luxury loft residences in Center City. He has found the most promise from luxury housing, if the market

²⁷² Dan Thut, "Interview with Dan Thut of the GreenLine." Personal interview. 20 Mar. 2011.

exists. When the market does not exist, he pursues funding from the public sector through government incentives, which he finds essential for large-scale properties. He no longer deals with smaller properties, though he did with the past.²⁷³

David Feldman

David Feldman was a practicing architect for most of his professional career. After having worked in architecture, he returned to business school at Wharton at the University of Pennsylvania in order to pursue creating his own business. He brings the design perspective to the world of property development. During the 1980s, he has invested in a single rowhome in the Graduate Hospital, which he renovated and rented out. The recent spike in demand in the once-fringe neighborhood has proven to him that there is potential in real estate. He opened his own company, Right-Sized Homes, in which he acquires rowhomes in need of rehabilitation and reconfigures them to suit modern lifestyles. He saves as much original material as possible before reconfiguration to retain character, including original woodwork and fixtures. He advocates his properties as energy-efficient, sustainable, green, and sensitive to heritage. He has found it difficult to market his properties but believes that the market demand for green housing is on the rise. He also works primarily in Grays Ferry, which is currently a fringe neighborhood but he considers it up-and-coming. He is looking to expand his business for rental properties, though he also sells properties after renovation.²⁷⁴

²⁷³ Scott Orens, "Interview with Scott Orens of Orens Brothers Real Estate Inc." Personal interview. 22 Mar. 2011.

²⁷⁴ David Feldman, "Interview with David Feldman of Right-Sized Homes Philadelphia." Personal interview. 4 Apr. 2010.

John Lindsay

John Lindsay began working in real estate after working for Michael Carp for seven years. In the 1970s, he pursued an entrepreneurial effort to acquire cheap properties, namely city-owned shells, in the Powelton area of West Philadelphia. He makes his investment decision based on price and rent out properties to cover costs after rehabilitation is done. He is wary of city support and prefers not to work with the public sector. He also prefers to work alone, but will occasionally pair with other small-scale developers like Hanley Bodek and Becky Wright. He also invests in community gardens in the area and currently spends more time organizing community efforts to grow food, flowers, and create green spaces. He only works in the Powelton area because he is familiar with the neighborhood, and is loyal to his neighborhood. Currently, he does not actively seek more properties because he already owns about 20 which he rents out and feels that this is enough. He is also looking to retire soon. He did mention that the industry is becoming more difficult as city bureaucracy has made property acquisition more difficult and expensive.²⁷⁵

Shauli David

Shauli David and his family moved to the Philadelphia looking to start a restaurant. While successful in creating the restaurant, the family saw opportunity in the inexpensive properties in fringe areas of Philadelphia, and acquired them one-by-one to renovate or rehabilitate and to rent out. Occasionally, the family sells property. Shauli decided to obtain a real estate license two years ago. Since then, he has realized that he can make a similar amount of money simply purchasing and reselling property without rehabilitation, because of market fluctuations. Shauli preferred not to talk about the specific property he owns and what he plans

²⁷⁵ John Lindsay, "Interview with John Lindsay of Lindsay Enterprises." Personal interview. 1 Apr. 2011.

to do with it, but he was very optimistic about the future of the real estate market and preferred to talk about being a realtor. He plans to avoid property rehabilitation in the future, if he can help it, and simply to be a full-time realtor.²⁷⁶

Bill Salas

Bill Salas is an example of an entrepreneur who has focused his efforts to the creation of a CDC. He is now the President of Hispanic Association of Contractors and Entrepreneurs Community Development Corporation (HACECDC). Bill Salas began rehabilitation efforts in Fairhill, one of the poorest neighborhoods in Philadelphia. In 1982, HACECDC was only a volunteer organization, HACE, Hispanic Association of Contractors and Entrepreneurs. Since then, HACECDC provides consulting services for individuals seeking to purchase and rehabilitate properties, as well as community development, commercial corridor improvement, senior citizen services, educational programs, and medical programs. HACECDC also constructs new housing projects, renovates old factories into senior citizen complexes, and renovates individual rowhouse properties, just to name a few examples. HACECDC seeks to expand in whatever sectors they feel is needed in the neighborhoods of Fairhill and St. Hugh.²⁷⁷

7.3 Differing Opinions between Developers

The interviews resulted in a wide spectrum of perspectives, opinions, and sometimes contradictions. Each developer had their own ideology behind what they felt the purpose of the industry was. There was some overlap with about half of the developers, and then a much larger divide among the others. All developers seemed to have fallen into property

²⁷⁶ Shauli David, "Interview with Shauli David of Elfant Wissahickon Realtors." Personal interview. Mar. 8 2011.

²⁷⁷ Guillermo Salas Jr. "Interview with Bill Salas of Hispanic Association of Contractors and Entrepreneurs, Community Development Corporation." Personal interview. 4 Apr. 2011.

development because of its convenience, self-empowerment, and easy returns on investments. Small-scale rehabilitation in fringe neighborhoods is an inviting career change (or beginning) for those who want to work with their hands, oversee the rehabilitation process from start to finish, and make a profit easily. The process of small-scale rehabilitation can be a self-taught profession in many cases, and these developers all agreed they learned progressively more about the process with each job they did, and with little to no formal training. In the only case where a developer specified they did not partake in the construction process and referred to a contractor, the interviewee admitted to feeling distanced from the physical rehabilitation of the properties and construction crews. This can make efforts of small-scale rehabilitation difficult, especially with small properties where paying “middlemen” is not typically factored into a project budget.

Finding returns on investment in fringe neighborhoods was also a factor that everyone agreed upon in the interviews, but this success is attributed to the state of the real estate market. Entering a fringe neighborhood at an economic time when financial institutions are willing to lend and many properties are available is the biggest enabling factor for any type of rehabilitation. These, however, are some of the only interview responses that everyone had in common.

Half of the developers expressed their preference in keeping their efforts small-scale for the duration of their careers in rehabilitation. Some found that they benefit from renting out their property because they consider it to be steady, sustainable income. Tackling projects one at a time or in succession does not require a developer to rely on large acquisition sweeps. Those who preferred to keep their efforts small-scale in the long run also believe the community is as important a factor as their own self-benefit and profit, and these agreeing developers

coincidentally all work in West Philadelphia. Working with the community and keeping efforts small-scale not only ensures a sensitive approach to working within a community, but can also offer a steady and sustained flow of income for the developer. Renting out property as opposed to resale delivers smaller, but evenly distributed profits. Sustained, long-term profit from executing one project at a time is a preference of only a few developers, however. Some interviewees preferred staggered, larger profits from the resale of a rehabilitated property.

One such developer began rehabilitating small properties in the beginning of their career but eventually graduated onto larger and larger projects, and in more and more neighborhoods. In this case, small-scale rehabilitation in fringe neighborhoods was a stepping stone in a career that later led to the ability to build a business capable of large-scale residential projects in Center City. However, this developer is seemingly less independent on private funding and must seek government support in order to close the gap on property costs. In the current times of the economic difficulties of obtaining funding, the success of this type of development relies heavily on the swing of the current economy. This notion further confirms the viability of small-scale rehabilitation as a more sustainable, albeit smaller, return of profit to the developer.

There is, of course, the case of developers who have dabbled in rehabilitation and turned away from it completely. While personal preference or inability to reap a profit could both be reasons to drop further rehabilitation efforts in the future, it proves that small-scale rehabilitation is not for everyone. While it is an inclusive and intriguing career path, developers can reportedly find that the market is facilitative of supplying profit by just reselling property and not having to work on it.

It is rare that reselling a property in need of rehabilitation in a fringe neighborhood of Philadelphia will turn a profit alone. Fringe neighborhoods have stagnant real estate activity, and poor areas often need more than just a real estate agent willing to market a property. By making rehabilitation efforts public through cooperation with CDCs, promoting the quality of life through small-scale rehabilitation can still be a reality for a fringe neighborhood where private developers fail to do so.

7.4 Overlap of Opinions among Interviewed Developers

Each developer, whether currently working small scale or if they have since moved on, did manage to agree on a few enablers and disablers of small-scale, residential redevelopment in fringe neighborhoods. However, extracting these topics from these very different candidates from a broad range of perspectives was a challenge.

The only topics they all unanimously agreed on as “enablers” were that low acquisition price, good timing with the real estate market, political support from the local councilperson, and an efficient and committed workforce to conduct the physical rehabilitation of the properties were essential to the success of a project.

The topics they all agreed on as “disablers” that not being able to fill the gap in cost of renovation in the selling or renting price, an opposed community, a slow bureaucratic government, and adjacent vacant properties out of their control.

However, there were many topics in between where the candidates either disagreed completely or had varying viewpoints.

7.5 Overlap in Agreed-Upon Enablers/Disablers between Developer Consensus and Literature

Analysis

If only these issues were agreed upon between the interviewed developers as being enablers or disablers, no matter what the developer's background and perspective, even fewer overlapped based on analysis of literature collected from articles, databases, and books.

Enablers

The media seems to advocate new and emerging ideas that are atypical of traditional development. None of the researched "Enablers" from the literature analysis were unanimously agreed upon by all the developers. While many developers often attributed some of the previously identified enablers as essential, others would disagree. The developers collectively had no alignment with defined Enablers. When analyzed collectively, the enablers that they all managed to agree upon were all unmentioned and unfound in the literature collection.

Disablers

In the disablers category, there were a few overlaps between the overarching consensus of the developer interviews and the literature findings. Each of the following issues was reported both in the media and by each one of the developers:

Pricing the housing to ensure a profit, or at least not losing money, is very difficult, especially if one wants to remain sensitive to community needs. If the gap between cost and price does not meet a profit, the project will not succeed. When the gap cannot be closed, it is a definite, and obvious, disabler.

Working to acquire property from the city is a lengthy process and can take a long time. In fact, most legal issues dealing with the city take an unnecessarily long time. In the meantime,

both the property and the neighborhood suffers from neglect. Even in cases where government incentives are offered, officially meeting standards is a lengthy process to ensure.

Finally, absentee property owners in the neighborhood have an adverse affect on the property of the developer or homeowner, as they often are the cause for vacant housing in the neighborhood. The resulting decline in value due to adjacent problems can often cause an investor to stray from the beginning. If the area seems like it is too difficult to try to turn around, and a critical mass or multiplier effect is not possible, then it may not be worth trying at all.

7.6 Data Analysis

In comparison to the basic context of developers in Chapter 2, it is evident that no two developers think exactly the same, because they are all driven by varying interests. Despite the fact that all the interviewed developers specialize in the industry of small-scale residential rehabilitation in fringe neighborhoods of Philadelphia, their deciding factors in selecting a candidate project vary based on their ultimate goal. In comparison to the literature review, the results of the interviews fell in line with the reasoning behind how and why rehabilitators make investment decisions. Generally, the developers interviewed showed varying intensities of interest in the neighborhoods they invested in, whether they pursued personal profit or genuinely wanted to see the revitalization of the neighborhood. It is also confirmed that developer interest tend to change over time, based on personal experiences, changes in ideology, or complete loss of interest in the field altogether. Most developers interviewed did not express an explicit passion for rehabilitation of housing, but rather emphasized its universality, ease of investment, and appropriate timing.

However, the interview results as compared to the chapters about enablers and disablers aligned very little with real world practitioners of rehabilitation. This is likely due to the

purpose of media reports found in databases. Retrospectively, it is easier to assume that the media coverage documented and analyzed in this thesis generally strives to uncover the rare and extraordinary story. Media coverage often explores notable issues that are not the norm the subject of the article. Answers from the interviews centered around the current industry of rehabilitation, as a norm, showed a fair amount of similarities between developers through interviews, despite the fact many had opposite interests and goals. However, there were even fewer alignments with media reports, possibly because media tends to highlight the extraordinary circumstance that is not found through everyday working of a particular industry.

Regardless, the meaning behind finding an overlap between enablers and disablers of private small-scale residential rehabilitation in fringe neighborhoods of Philadelphia was meant to document and confirm driving forces, tools, and obstacles to rehabilitation that would otherwise not be apparent. This largely undocumented private sector needed to be explored, and the methodology in this thesis was just one way to analyze and test possible variables. While many enablers and disablers were defined from one source but not another, an inconsistency of overlaps determines that these forces are highly unpredictable and depend highly on individual cases and individual developers. The private sector is a flexible and ever-evolving strategy to approach the vacant housing problem in Philadelphia. Any attempt to apply the approach of private small-scale residential rehabilitation in fringe neighborhoods should take into the specificities of each case. There is no universal template which can be applied to the private sector, even when scaled down to only include the criteria: residential, small-scale, rehabilitation, and fringe neighborhoods.

The few underlying principles are the most obvious ones, and they generally fall in line with common sense. Low acquisition price, good timing with the real estate market, political

support from the local councilperson, and an efficient and committed workforce to conduct the physical rehabilitation of the properties were essential to the success of a project, according to all of the developers interviewed. Additionally, not being able to fill the gap in cost of renovation in the selling or renting price, an opposed community, a slow bureaucratic government, and adjacent vacant properties out of their control could amount to deal-breakers, according to these developers. The researched media reports would further affirm that the city's bureaucracy and slow processing time can kill the profit of a project, as well as adjacent absentee property owners who have a negative effect on the properties around them. Media research also affirms that closing the financial gap of a property is very difficult while remaining sensitive to community needs. This is of course assuming that the developer has community interest in mind.

A project is ultimately steered by the interest of the developer. Reflecting upon the results of the individual interviews, many of the developers began their careers in rehabilitation out of obvious investment potentials, not because they were trained in or even whether they thought they would like rehabilitation. Rehabilitation requires little formal education, and the timing of an investment opportunity in residential properties for rehabilitation can simply be too good to refuse. Those who solely seek a profit may succeed in small-scale rehabilitation, but it would not be considered a success for the revitalization of the community if it was against community ideals.

In short, small-scale residential rehabilitations in fringe neighborhoods of Philadelphia are an effective approach to the revitalization of neighborhoods, but only when developer interests align with the community. Driving forces of redevelopment are generally inconsistent because each developer is different. Perhaps the most intriguing aspect of this approach as a strategy toward revitalization is that the small-scale residential private sector offers an organic

and piece-by-piece approach toward a greater goal, which is whatever the goal of the investor is. Investor interests, property requirements, and specific fringe neighborhoods are all as unique as the individuals who pursue development.

8.0 Conclusion

Philadelphia's glaring vacancy problem has been a product of the past half century's effects of deindustrialization, suburbanization, and changing housing markets. Philadelphia today is a collection of neighborhoods which range in condition, from both the standpoint of the physical built environment and the health of the communities within. While the government provides many programs and initiatives to encourage reinvestment, rehabilitation, and improvement of neighborhoods in need, there is little documented research on the efforts of those who reinvest, rehabilitate, and improve neighborhoods from the private sector.

This thesis strives to fill the gap in documented research about how the private sector contributes to the revitalization efforts occurring in fringe neighborhoods of Philadelphia. Small-scale private residential redevelopment is a focus because of its more subtle effects on the neighborhoods in which it occurs. While large-scale redevelopment tends to draw more media attention and awareness and likewise has more obvious and influential effects, small-scale redevelopment often occurs unnoticed and less reported. However, its cumulative effects can have an even more beneficial effect on a neighborhood which is more inclusive, sporadic, and gradual.

The methodology of documentation began through literature and was organized into the categories of "Enablers" and "Disablers" of small-scale redevelopment in fringe neighborhoods. This literature was comprised mostly of newspaper articles, but also journal articles, books, theses, database collections, panels, and city data. These categorized "enablers" and "disablers" were then used to create a list of questions to be used in interviews with practicing small-scale developers currently working in fringe neighborhoods of Philadelphia.

These eight interviews served as the data collection process, to see how literature compared to the actual field of practice.

After conducting the interviews, it was apparent that each developer has a different ideology and reason for their practice and despite all having been asked the same questions, their answers varied. However, there were a few agreements on issues which enable or disable their sector of business. Each of the eight developers agreed that low acquisition price, good timing within the real estate market, political support from the city council, and an efficient workforce were all enablers of small-scale, residential redevelopment in fringe neighborhoods of Philadelphia. Conversely, they all managed to agree that filling the gap in the cost of renovation, opposing community, a slow bureaucratic government, and adjacent neglected properties out of their control were disablers of their efforts.

Overall, the interview results revealed that not many categories of “enablers” and “disablers” aligned with the previously researched literature findings. This could have been due to the nature of media coverage, which highlights stories which are remarkable and out of the ordinary for the regular practice of that industry. However, there were a few topics which both media reports, and the consensus of these eight developers, agreed upon. No matter the source, it was widely agreed upon that pricing a rehabilitated house for sale or rent is very difficult if one is to ensure a profit. Another topic affirmed across the board was that working to acquire property from the city is an unnecessarily lengthy process. Finally, everyone agreed that absentee property owners which neglect their property have an adverse affect on a developer or homeowner who has hopes of successfully rehabilitating their own property.

The implications of this thesis provide some input as to the enabling and disabling factors of the largely unreported efforts of small-scale residential redevelopment in fringe

neighborhoods of Philadelphia, as found through sources such as the media and from interviews with actual practicing developers. However, just these eight interviews showed the potential in the wide range of opinions, reasons, and ideologies behind what small-scale redevelopment means for a fringe neighborhood, and how it happens. The driving forces of the private sector into fringe neighborhoods of Philadelphia depend on the interests of the individual developer and the offerings of the properties eligible for rehabilitation. This sampling of the current industry is exclusive to the current day and limited selection of developers, and is likely to change as the industry evolves in the future and as more opinions of individual developers are considered.

8.1 Moving Forward

Although small-scale residential rehabilitation in fringe neighborhoods of Philadelphia may not have a defined set of enablers and disablers that universally fits every property and every developer, there are still important implications that can be carried on from the findings and analyses of this thesis.

8.1.1 *Future of the Public Sector's Contributions*

A slow and bureaucratic city government is repetitively defined in this thesis as an enormous obstacle for small-scale residential rehabilitation in fringe neighborhoods of Philadelphia. It has been an increasingly difficult and slow process to purchase city property as the city acquires and manages more property. Fortunately, the city has recognized the multiple agencies as an obstacle to rehabilitation efforts of the private sector. Mayor Nutter has organized a taskforce to consolidate the management of city property belonging to multiple city agencies. This taskforce seeks to offer a single agency to function as the “front door” to facilitate the interests of property redevelopers. This agency can provide information on property

inquiries, and will be held accountable for delays and problems in the property acquisition process.²⁷⁸ Though this new central agency does not yet have a name, it has been a strong focus and goal of the Nutter administration for the past year and is quickly solidifying.

Fortunately, this is just what the City of Philadelphia needs as a solution to the current negative effects of bureaucracy on the efforts of small-scale residential rehabilitation developers in fringe neighborhoods of Philadelphia. The disabler of city bureaucracy as identified by media reports and all interviewees needs such a solution. The proposed solution to consolidate efforts of acquisition of city property under one agency is promising for small-scale developers looking for inexpensive property in need of rehabilitation.

8.1.2 Future of Associated Stakeholders' Contributions

Small-scale residential rehabilitation by the private sector in fringe neighborhoods of Philadelphia also heavily relies on the support and stability of the community in order to be successful. Revitalization of a fringe neighborhood through this strategy can be possible, but the cooperation of community groups, CDCs, and adjacent property owners is essential. Understandably, communities have a right to be wary of private redevelopment as revitalization, because private redevelopment in fringe areas of Philadelphia has often caused gentrification and pushed out local residents. However, it is important for community groups to consider the scale at which developers practice, and for what interests. Small-scale developers often listen carefully to the concerns of the communities in which they work, because they rely on the community for support. Community backlash can halt a project if they feel it is insensitive to their neighborhood, and therefore it is often in the developer's interest to listen to community concerns. It is likewise important for communities to keep an open mind to the possibilities of

²⁷⁸ "Vacant Lot and Property Management Proposals," City of Philadelphia, Presentation at Philadelphia Association of Community Development Corporations, February 2011.

private efforts of rehabilitation, and to consider each case on an individual basis. As stated, every project varies by both the property and the developer, and each case has the right to be considered separately and fairly by the affected community.

Additionally, CDCs can help to bridge the lack of communication between community members and developers. CDCs can and should serve as a center of interest for both the community and the developer. The types of financial literary resources available by a CDC can both showcase available city initiatives for a developer and highlight areas of need within a neighborhood. Conversely, CDCs can also teach the community about the potential benefits of sensitive private redevelopment and even empower community members to consider undertaking rehabilitation themselves. The essential alignment of interests between developers, communities, and city goals can be taught and advocated by CDCs looking to attract private, small-scale residential rehabilitation in fringe neighborhoods of Philadelphia as a form of revitalization.

8.1.3 Future of the Private Sector's Contributions

For the future private small-scale developer looking into fringe neighborhoods of Philadelphia, this thesis highlights many techniques which have worked in the past and many obstacles which has inhibited project success in Philadelphia. These enablers and disablers are not set in stone, but can offer much advice for the emerging developer.

Flexibility and willingness to adapt one's strategy case by case is essential for the success of a developer pursuing rehabilitation in fringe neighborhoods. Fringe neighborhoods may seem like an obvious investment at first, but they are delicate and complex markets which have multiple issues to consider. Many fringe neighborhoods have devoted and passionate community members who feel strongly about private redevelopment in their area. It is

important to remain aware that a successful project should not be determined solely by profit but by relevance to the community it serves. The long-term viability of a project depends highly on the support of the neighbors, because small-scale property rehabilitations typically serve the immediate community. Communication, willingness to adapt, and the ability to listen are all essential in order for the sensitive revitalization of a fringe neighborhood to occur through private redevelopment.

The future of small-scale residential redevelopment in fringe neighborhoods of Philadelphia is promising, but not yet immediate. The City of Philadelphia is working on adapting its process of property acquisition to enable private development to occur more easily. Meanwhile, the country's economic recession is coming to a halt. In order for developer, city, and community interests to align, communities must also be on board for revitalization through sensitive interventions of change in their neighborhood. CDC efforts to educate both the developer and the community about the potentials for possible revitalization are essential, as is cooperation of the city. When these three perspectives align, not only are multiple interests served across the board, but fringe neighborhoods of Philadelphia can see the positive effects of revitalization through small-scale residential redevelopment.

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