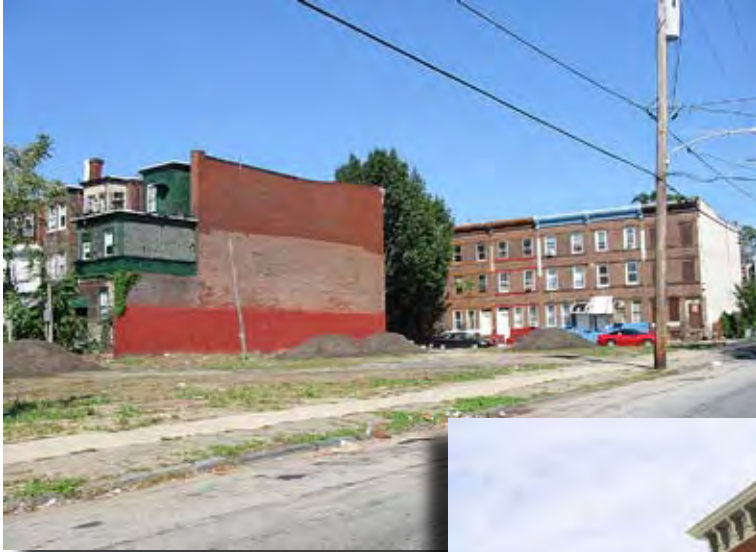


Vacant Land Management in Philadelphia

The Costs of the Current System and the Benefits of Reform



EXECUTIVE SUMMARY

Econsult Corporation
Penn Institute for Urban Research
May 8 Consulting

Prepared for
Redevelopment Authority of the City of Philadelphia
Philadelphia Association of Community Development Corporations

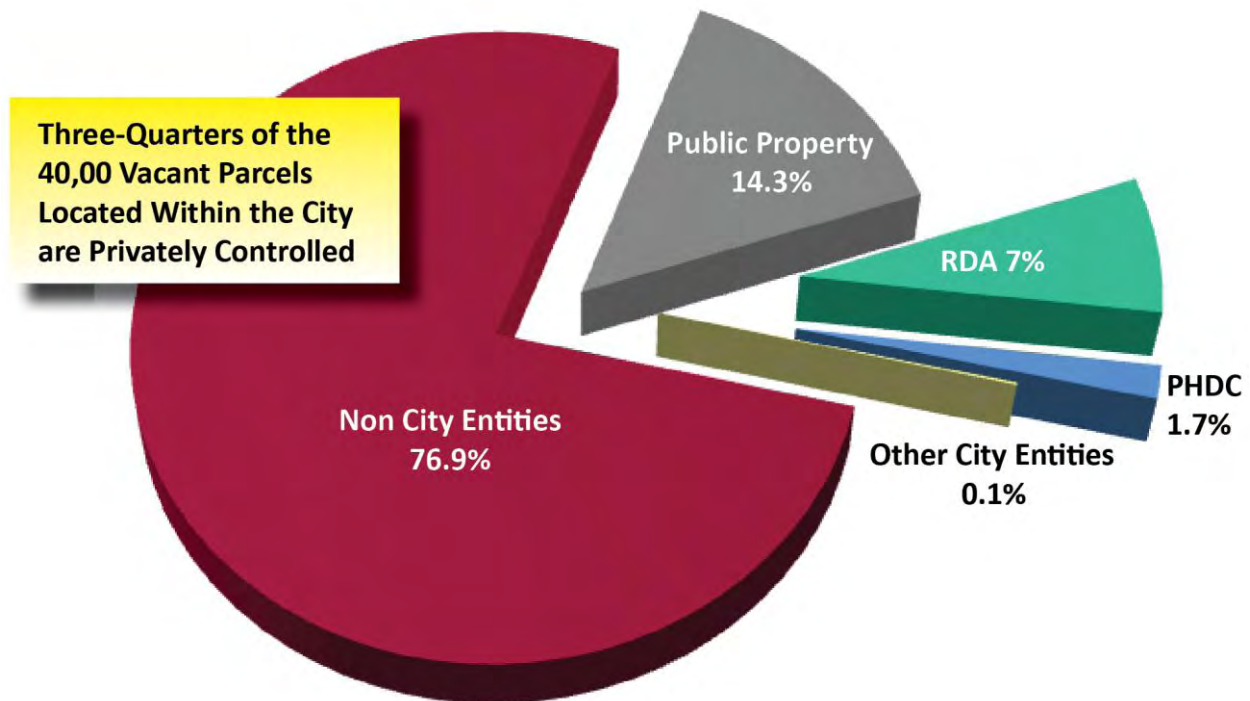
November 2010

EXECUTIVE SUMMARY

Vacant land has a devastating impact on the neighborhoods and the finances of the City of Philadelphia. Vacancy results in blighted blocks, high maintenance costs, and uncollected taxes. City-owned vacant parcels are owned by different agencies with different rules and agendas. Historically, the City has rarely used its tax foreclosure power to put privately-owned vacant parcels into more responsible hands. As a result, neighborhoods bear undue distress, the City and its taxpayers pay dearly, and those seeking to improve properties and reclaim blocks are discouraged.

Though they are most concentrated in North and West Philadelphia, vacant parcels are scattered throughout the City, affecting virtually every neighborhood. **Of 40,000 vacant parcels in the City, over three-quarters are privately controlled** (see Figure ES.1).

Figure ES.1 – Ownership Distribution of Vacant Parcels within the City of Philadelphia: Three-Quarters of the 40,000 Vacant Parcels Located within the City are Privately Controlled



Source: Philadelphia Water Department (2010), Econsult Corporation (2010)

In this study, commissioned by the Redevelopment Authority of the City of Philadelphia (RDA) and the Philadelphia Association of Community Development Corporations (PACDC), Econsult Corporation, the Penn Institute for Urban Research, and May 8 Consulting estimated that vacant parcels cost the City and its residents in the following ways:

1. **\$3.6 Billion in Lost Household Wealth.** Vacant parcels have a blighting effect on nearby properties, reducing values by 6.5 percent citywide and by up to 20 percent in some neighborhoods (see Figure ES.2). This results in an estimated \$3.6 billion reduction in property values, an average of \$8,000 for each household in the City.
2. **Over \$20 Million in City Maintenance Costs Each Year.** Though the City controls only a fraction of the vacant parcels within the city, it has to bear significant costs to maintain all of them – waste clean-up, pest control, police and fire – totaling over \$20 million per year.
3. **At least \$2 Million in Uncollected Property Taxes Each Year.** 17,000 vacant parcels are tax delinquent, most by over a decade, owing a total of \$70 million to the City and School District in back property taxes. This number increases by at least \$2 million a year.

The City's historic approach to vacant land management contributed to the problem and prevented a comprehensive solution. Management has been fragmented because **ownership and services are spread out across multiple agencies**. No single entity is responsible for acquiring, assembling, and disposing of vacant parcels, or for thinking about the entire inventory of parcels and making strategic land use decisions, although recently Mayor Nutter has convened a working committee of City agencies and other stakeholders to this end. As a result, further vacancies occur, and the cost of vacant land continues to be borne by every resident and every neighborhood. Even the most committed of individuals are discouraged from reclaiming blighted properties and turning around declining blocks.

A strategic and coordinated response by the City could substantially reduce the negative effect of vacant parcels, and transform them from liabilities to assets through redevelopment, with significant gains in neighborhood stability, job creation, and tax revenue generation. This study estimated that reformed vacant land management would activate new construction in neighborhoods in which there exists more potential for development (as defined as prices exceeding costs by 10 percent or more), which would lead to the addition of about 3,400 new housing units within the city within the next five years (see Figure ES.3).

In addition, **having a more efficient and predictable system minimizes barriers and costs for non-profit developers** as well, stretching scarce public funds and enabling the City to **better leverage available resources** at the state and federal level, **enabling the development of additional affordable homes and commercial development.**

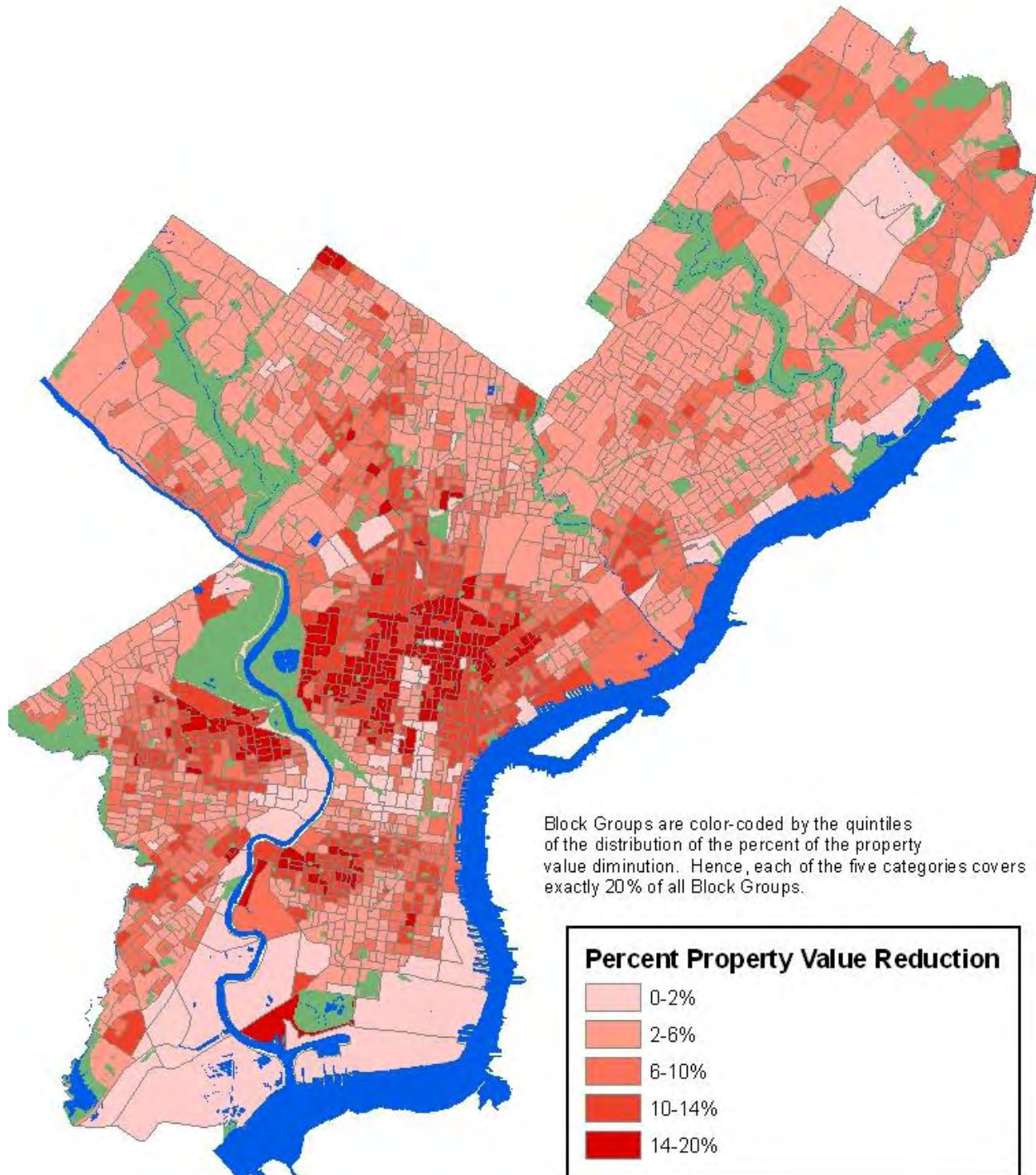
It is conservatively estimated that adding that many units would generate a number of benefits to the City and its neighborhoods:

1. The construction activity would generate **\$180 million in economic impact** each year, supporting **800 jobs** and **\$30 million in earnings**, and producing **\$1.9 million in taxes** to the City. Selling those new units would generate about **\$4.1 million in real estate transfer tax revenues** per year.
2. Adding those new units would add **\$43.5 million in property tax base** (i.e. assessed value) and **\$3.6 million in property tax revenues to the City and School District** per year; it would also add **about 800 new residents** and **340 new wage earners**, translating into **\$500,000 in wage tax revenues** and **\$25,000 in sales tax revenues** per year.

Adding up all of these gains, **the City and School District could gain well over \$35 million or more in tax revenues within five years.** This is over and above the gains from reducing **\$3.6 billion** in property value loss, over **\$20 million** per year in maintenance costs for vacant parcels, and at least **\$2 million** in uncollected property taxes each year from delinquent vacant parcels (see Figure ES.4).

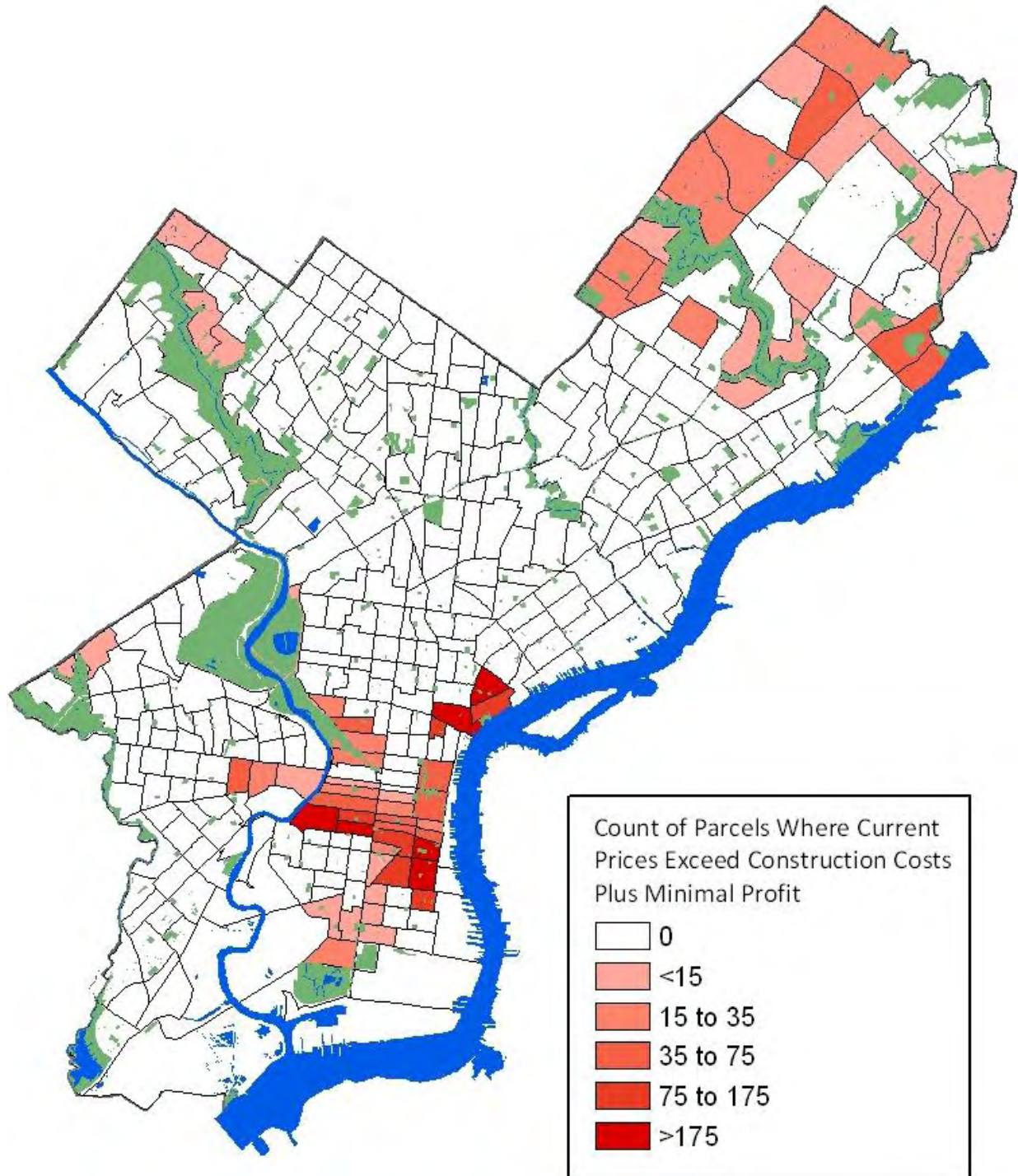
Vacant parcels can become building blocks for neighborhood development. If the City can replace its present approach to vacant land management with one that aggressively deals with problem properties and that works with residents and for-profit and not-for-profit developers in a coordinated and organized manner, **millions of dollars in annual costs can be reduced or eliminated, and significant reinvestment in neighborhoods can occur, resulting in construction activity, job creation, vibrant blocks, and an increase in residents and tax base.**

Figure ES.2 – Distribution of Negative Impact on Property Values Because of Proximity to Vacant Parcels, by Census Block Group: Property Value Reduction is Up to 20% in Some Neighborhoods



Source: Board of Revision of Taxes (2010), City of Philadelphia Department of Records (2010), Geolytics (2010), Econsult Corporation (2010)

Figure ES.3 – Number of Vacant Parcels in Census Tracts Where Current House Prices Exceed Construction Costs by 10 Percent or More: 3,400 Vacant Parcels in Total Are Located in These Census Tracts



Source: Board of Revision of Taxes (2010), Philadelphia Department of Records (2010), Marshall & Swift (2010), Econsult Corporation (2010)

Figure ES.4 – Potential Benefits Resulting from Reforming Vacant Land Management

<i>Objective</i>	<i>Potential Benefits</i>	<i>Estimated Impact</i>
	Reversal of property value loss associated with blighting effect of all vacant parcels	One-time increase of \$3.6 billion in household wealth
Reduce or eliminate the number of long-term vacancies	Reduction of City costs associated with maintaining all vacant parcels	Over \$20 million in City administrative and maintenance cost savings each year
	Reduction of lost property tax revenues from delinquent privately controlled vacant parcels	At least \$2 million more in City and School District property tax revenues collected each year
Facilitate conversion of vacant parcels into developable lots	New construction, new residential units, new property tax base, new residents and wage earners	Well over \$35 million or more in City and School District tax revenues in the first five years

Source: Econsult Corporation (2010)

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November 2010