Affordable Housing Preservation

Rob Finn, Director of Policy and Research, Center for Community Progress

www.communityprogress.net
About Community Progress

Mission  To foster strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods.

Services  Technical assistance, education and training, policy and research. Focus on systems-level change, emphasis on racial equity and justice.

Snapshot  Since 2010, provided TA to +250 communities in +30 states. Supported policy/programmatic change in dozens of communities, reached 5,500 through education, distributed 1000s of publications.

Reclaiming Vacant Properties Conference – every 18 mos.
Most recent RVP was October 2019 in Atlanta, GA
See past sessions at: www.reclaimingvacantproperties.org
What Happens When Physical Preservation Fails?

Photo: The Empty House Next Door, Understanding and Reducing Vacancy and Hypervacancy in the United States

Alan Mallach, Senior Fellow, Center for Community Progress (May 2018)

ROC Local
Which Neighborhoods are Most Affected?

Home Ownership Loan Corporation Redline Map of Kansas City (1930s and 40s)

Source: Digital Scholarship Lab, University of Richmond, and available at: https://dsl.richmond.edu/panorama/redlining/#loc=12/39.0537/-94.5792&opacity=0.8&city=greater-kansas-city-mo
Which Neighborhoods are Most Affected?

Heat Map of Dangerous Buildings in Kansas City.

(OpenData KC)

Source: City of Kansas City, MO website, Open Data KC available at: https://data.kcmo.org/Property/Dangerous-Buildings-Heat-Map/tk48-vik5
THE COST OF VACANT AND BLIGHTED PROPERTIES IN PITTSBURGH: A Conservative Analysis of Service, Tax Delinquency, and Spillover Costs

Center for Community Progress Report to the Urban Redevelopment Authority of Pittsburgh, Pennsylvania

March 2017

Authors:
Dan Immergluck, Matt Kreis, Kim Graziani
National Technical Assistance

[Download the report by clicking this link.]
The Cost of Vacancy

PITTSBURGH DATA - 2016

Table 1.1 Per-parcel Annualized Costs for Vacant Parcels/Structures

<table>
<thead>
<tr>
<th>Service</th>
<th>Total Annual Costs</th>
<th>Number of Affected Properties</th>
<th>Per-Property Average Cost, per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code Enforcement Costs</td>
<td>$246,290</td>
<td>1,659</td>
<td>$148</td>
</tr>
<tr>
<td>Police Costs</td>
<td>$1,126,566</td>
<td>779</td>
<td>$1,446</td>
</tr>
<tr>
<td>Fire Costs</td>
<td>$580,025</td>
<td>653</td>
<td>$888</td>
</tr>
<tr>
<td>Tax Delinquency Costs</td>
<td>$2,338,206</td>
<td>5,893</td>
<td>$397</td>
</tr>
<tr>
<td>Annual Property Tax Impact of Spillover Costs</td>
<td>$4,812,956</td>
<td>1,370</td>
<td>$3,513</td>
</tr>
</tbody>
</table>
# Understanding the Costs

## Table 5.1. Estimated Costs Due to Vacant Properties in the City of Pittsburgh

<table>
<thead>
<tr>
<th></th>
<th>Annual Costs</th>
<th>One-Time Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Best Reasonable</td>
<td>Very Conservative</td>
</tr>
<tr>
<td><strong>Service Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Code Enforcement</td>
<td>$246,290</td>
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</tr>
<tr>
<td>Police Dispatch Costs</td>
<td>$1,126,566</td>
<td>$1,126,566</td>
</tr>
<tr>
<td>Fire Department Dispatch Costs</td>
<td>$580,025</td>
<td>$580,025</td>
</tr>
<tr>
<td><strong>Losses Due to Long-Term Tax Delinquent Parcels</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualized Tax Loss</td>
<td>$2,338,206</td>
<td>$2,338,206</td>
</tr>
<tr>
<td><strong>Spillover Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss in Residential Property Values</td>
<td></td>
<td>$266,332,325</td>
</tr>
<tr>
<td>Annual Decline in Property Tax Revenues</td>
<td>$4,812,956</td>
<td>$1,711,273</td>
</tr>
<tr>
<td><strong>Total Estimated Costs</strong></td>
<td>$9,104,043</td>
<td>$6,002,360</td>
</tr>
</tbody>
</table>
Understanding the Costs

Vacant Properties (Structures and Lots) with Code Enforcement Inspections, August through October, 2016

Locations of Dispatches over 10 minutes Associated with Vacant Properties, 2015
Studies Show Huge Benefits When Problem Properties Are Addressed

• Reduces crime, in particular gun-related violence

• Improves health of residents

• Raises surrounding property values by up to 30% just by greening a vacant lot

• Increases tax revenue for municipalities and school districts
The Pittsburgh report details calculable costs to services (Code Enforcement/Police/Fire) as well as calculable losses (property taxes and home values).

What it does not quantify is the cost of losing an otherwise naturally occurring affordable housing unit.

The lack of affordable housing was already at crisis levels prior to COVID-19.

NLIHC’s annual study, “The Gap,” found that extremely low income renters face a shortage of 7 million affordable and available rental homes. (Released March 2020, pre-COVID-19.)
Federal Legislative Activity

- **Neighborhood Homes Investment Act**
- **REHAB Act** *(SGA)*
- **National Land Bank Network Act**
**Filling the Gaps: Helping Struggling Property Owners Connect to Rehab and Repair Resources**

"Code enforcement will never be successful if communities ignore the realities of their local real estate markets and the circumstances facing residents and business owners. Addressing these realities requires substantial investment of resources to support our most vulnerable property owners."
Affordable Housing Preservation
July 8, 2020

Karen L. Black, Esq.
May 8 Consulting Principal
University of Pennsylvania Lecturer
Healthy Rowhouse Project Co-Founder
Drexel University Lindy Institute for Urban Innovation Senior Research Fellow
Important of Housing Preservation
Importance of Housing Preservation

@KarenBlackMay8

ROC Local

www.may8consulting.com
A Philadelphia Story

Most affordable home is the one a family lives in now
<table>
<thead>
<tr>
<th>Impact of Repairing a Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve health</td>
</tr>
<tr>
<td>Revitalize neighborhoods</td>
</tr>
<tr>
<td>Slow the decline of home ownership</td>
</tr>
<tr>
<td>Improve school performance</td>
</tr>
<tr>
<td>Prevent displacement</td>
</tr>
</tbody>
</table>
## Households of All Incomes Need Repairs

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Homes with Health Repair Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low Income</td>
<td>39%</td>
</tr>
<tr>
<td>Under $24,300</td>
<td></td>
</tr>
<tr>
<td>Low Income</td>
<td>13%</td>
</tr>
<tr>
<td>$24,300 - $36,450</td>
<td></td>
</tr>
<tr>
<td>Moderate Income</td>
<td>31%</td>
</tr>
<tr>
<td>$36,450 - $85,000</td>
<td></td>
</tr>
<tr>
<td>High Income</td>
<td>17%</td>
</tr>
<tr>
<td>Above $85,000</td>
<td></td>
</tr>
</tbody>
</table>

*American Housing Survey, 2013*
Most Common Health-Related Home Repair Needs

Source: American Housing Survey, 2013

- Leaks: 235,700
- Cracks in floor or walls: 91,500
- Inadequate heating: 77,400
- Broken window: 45,800
- Holes in floor: 36,100
- Boarded window: 29,800

The most common source of leaks is the Roof (61%).

49% of heating issues are from equipment failure vs only 10% from cost of heating.
54% of Rowhouses Needing Home Repairs Can be Addressed for ~$10,000

NOTE: Excludes 29,700 households that did not disclose their tenure
Shortfalls in Private Capital Flowing to Older and Lower Value Homes:

75% of low- and moderate-income homeowner applicants were denied home improvement loans in the Philadelphia Metro Area from 2015-2017

*Philadelphia Federal Reserve Study*
62% of Homeowners Were Denied (2012-2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>Philadelphia Applications</th>
<th>Philadelphia Denial Rate</th>
<th>National Denial Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Purchase</td>
<td>55,300</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Housing Refinance</td>
<td>100,000</td>
<td>24%</td>
<td>17%</td>
</tr>
<tr>
<td>Home Repair</td>
<td>24,197</td>
<td>62%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: Home Mortgage Disclosure Act Filings, 2012 to 2014
## Most Seek Small Home Repair Loans

Source: Home Mortgage Disclosure Act Filings, 2012 to 2014

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Under $10,000</th>
<th>$10k to $20,000</th>
<th>Over $20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications</td>
<td>11,867</td>
<td>3,308</td>
<td>9,022</td>
</tr>
<tr>
<td>Percentage Denied</td>
<td>76%</td>
<td>58%</td>
<td>45%</td>
</tr>
<tr>
<td>Average income</td>
<td>$38,000</td>
<td>$58,000</td>
<td>$68,000</td>
</tr>
<tr>
<td>Percentage Originated</td>
<td>20%</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Average Income</td>
<td>$46,000</td>
<td>$73,000</td>
<td>$89,000</td>
</tr>
</tbody>
</table>

Source: Home Mortgage Disclosure Act Filings, 2012 to 2014
Half Have Credit Scores Below 660

- 660+ 52%
- <660 48%

630-659 7%
561-629 20%
540-560 5%
<540: no credit 16%

Of Philadelphians with Credit Scores Below 660, 56% Have Scores Above 560
(Detroit’s credit score minimum for 0% loan program is 560)

And 10% have a credit score that with minor repair could reach 560
Philadelphia Restore, Repair, Renew Loan Program

$40 Million Home Improvement Loan Program
Philadelphia’s Home Repair Loan Program – Timeline

May 2016: 0.1% Transfer Tax Increase

Nov 2016: $40 Million Bond Ordinance

Feb 2018: Select Lenders (2)

August 2018: Select Non-Profits (3)

March 13, 2019: Launch Loan Program
Philadelphia’s Home Repair Loan Program – Key Features

- Loan size - $2,500 - $25,000
- 3% interest fixed rate (subject to change dependent upon federal rates)
- 10 year term
- Minimum credit score of 580
- Loan-to-Value Ratio <105% value after rehab
- Income as high as 120% AMI ($84,000 for 2 person household)
Philadelphia’s Home Repair Loan Program – Key Features

• 3 non-profit managers “front door”
• Lenders underwrite, service and inspect
• Public dollars can only be used for eligible homeowners whose loans close
• Fundraised $2.7 million to provide referrals for those not ready
Philadelphia Revolving Fund – City Funds
Loans with Public Dollars

City Fund accepts greater default risk
Cleveland Heights – Loan Guarantee Fund

Loan risk is too high

City Fund reduces loan risk

LENDER

LOAN APPLICATION ✔

LOAN APPLICATION ✗
Cleveland Heights Loan Program

LOAN GUARANTEE
Guaranteed over $6 million to households considered un lendable over 40 years with investment of $160,000 placed in the form of a CD with a lender partner.
Cleveland Heights Loan Guarantee Challenge Fund

- $5000 loan minimum
- Guarantee 40-100% of loan
- 80% of clients are seniors
- High repayment rate (>95%) allows for ongoing use of guarantee funds – typically death is reason for default
- Package with owner funds and matching grants
Cleveland Heights Loan Guarantee Challenge Fund – Project Example

$8,500 roof repair for senior, LMI client on fixed income. Depressed home value means owner is underwater on first mortgage.

- $1,500 Senior Grant
- $ 500 Owner cash from savings
- $3,000 Challenge Fund guaranteed loan
- $3,500 Deferred Loan

- Total: $8,500
Other Critical Strategies

• Efficiencies and Collaboration in home repair delivery
• Tax abatements and incentives
• Rooming houses/Co-living spaces
• Train residents to acquire and rehab affordable rental properties – Jumpstart Germantown
• Strategic Code Enforcement
• Community Land Trusts