

INVEST HEALTH

Strategies for Healthier Cities

A Project of the *Robert Wood Johnson Foundation*
and *Reinvestment Fund*



Neighborhoods Change -- Assessing Risk & Tools to Manage Change

Ira Goldstein

October 12, 2017

Objectives

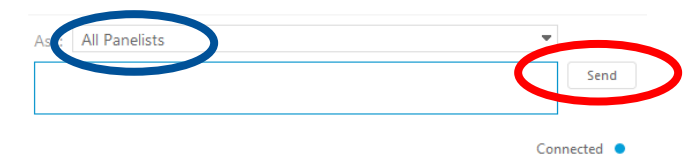
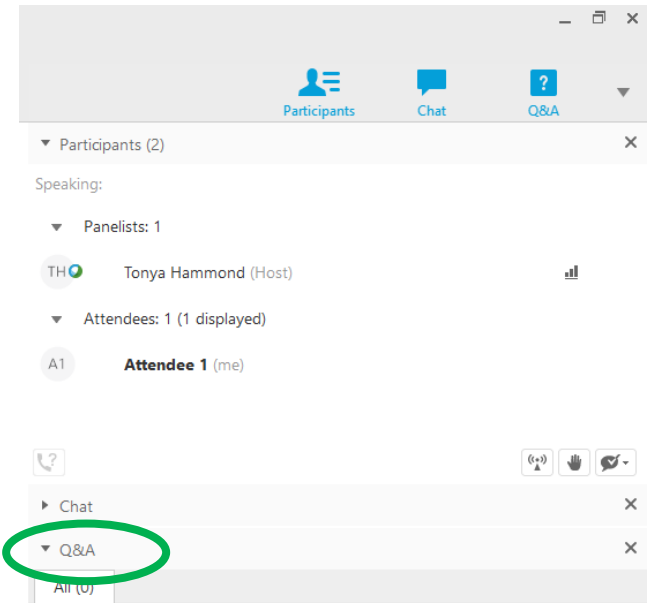
- Learn about a simple, data-based way to evaluate the risk of displacement, using the City of Philadelphia (PA) as an example
- Explore the toolbox of interventions communities have deployed to manage change

For Technical Assistance

If you have technical difficulties, call WebEx support at **1-866-229-3239** for assistance.

You may also submit questions using the **Q&A** feature on the right hand side of your screen. (Chat is disabled.)

- Please choose **All Panelists** from the “Send to” menu.
- Type your question and click **Send**.



Agenda

- Introduction
- Presentation: Neighborhoods Change
- Q & A
- Closing

Ira Goldstein, Ph.D., is the President of Policy Solutions at Reinvestment Fund. Dr. Goldstein has conducted detailed spatial and statistical analyses in many cities and regions across the US. Those studies are used by local government to craft policy responses and allocate scarce resources based on local conditions. He also has conducted studies of mortgage foreclosures and abusive lending practices. His work supported civil rights and consumer protection cases brought by federal, state and local governments.

For more than 25 years, Dr. Goldstein has been a Lecturer for the University of Pennsylvania's Urban Studies program. He instructs undergraduates and graduate students in research methods, statistics, and housing policy.

Neighborhoods Change: Assessing Risk & Tools to Manage Change

Invest Health Webinar

October 12, 2017

About Reinvestment Fund

- Our mission is to build wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.
- Since 1985, Reinvestment Fund has made **\$1.9 billion** in cumulative investments and loans.
- We are supported by over **865 investors** that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.
- Top AERIS rating of AAA+1 and AA S&P rating.

How Much Gentrification Is There in Cities?

Studies vary greatly in their data, methodology and reported results.

Generally, most cities studied – with the exception of some of the “hottest market” cities – find that the percent of Census tracts / neighborhoods that gentrified is relatively low.

The bigger problem in many cities is the continued economic deterioration of neighborhoods, including not only higher poverty areas but also those that fall in the “middle market” range.



Identifying the Actionable Concern

The concern driving this approach to measurement is the *involuntary* aspect of displacement:

Households that are forced to leave their homes and neighborhoods due to circumstances beyond their control (e.g., rapidly rising taxes / insurance, rent increases [or conversion of rental property into owner occupied stock]).

The approach:

Identify places where households with a similar economic profile as those that lived in the area in years past can now no longer afford to do so.

Caveat:

The DRR is based on home sale prices and thus more directly speaks to homeowners; we believe rents generally track values.



- 1) Select a “start year” – 2000**
- 2) Establish income levels in the start year based on Census data**
- 3) Inflate income, annually, by CPI**
- 4) Create two-year moving averages (median) of home sale prices**
- 5) Create a ratio of price-to-income**
- 6) Calculate the difference between the citywide average rate and the observed rate in each block group (removes the influence of the balloon in the property market)**

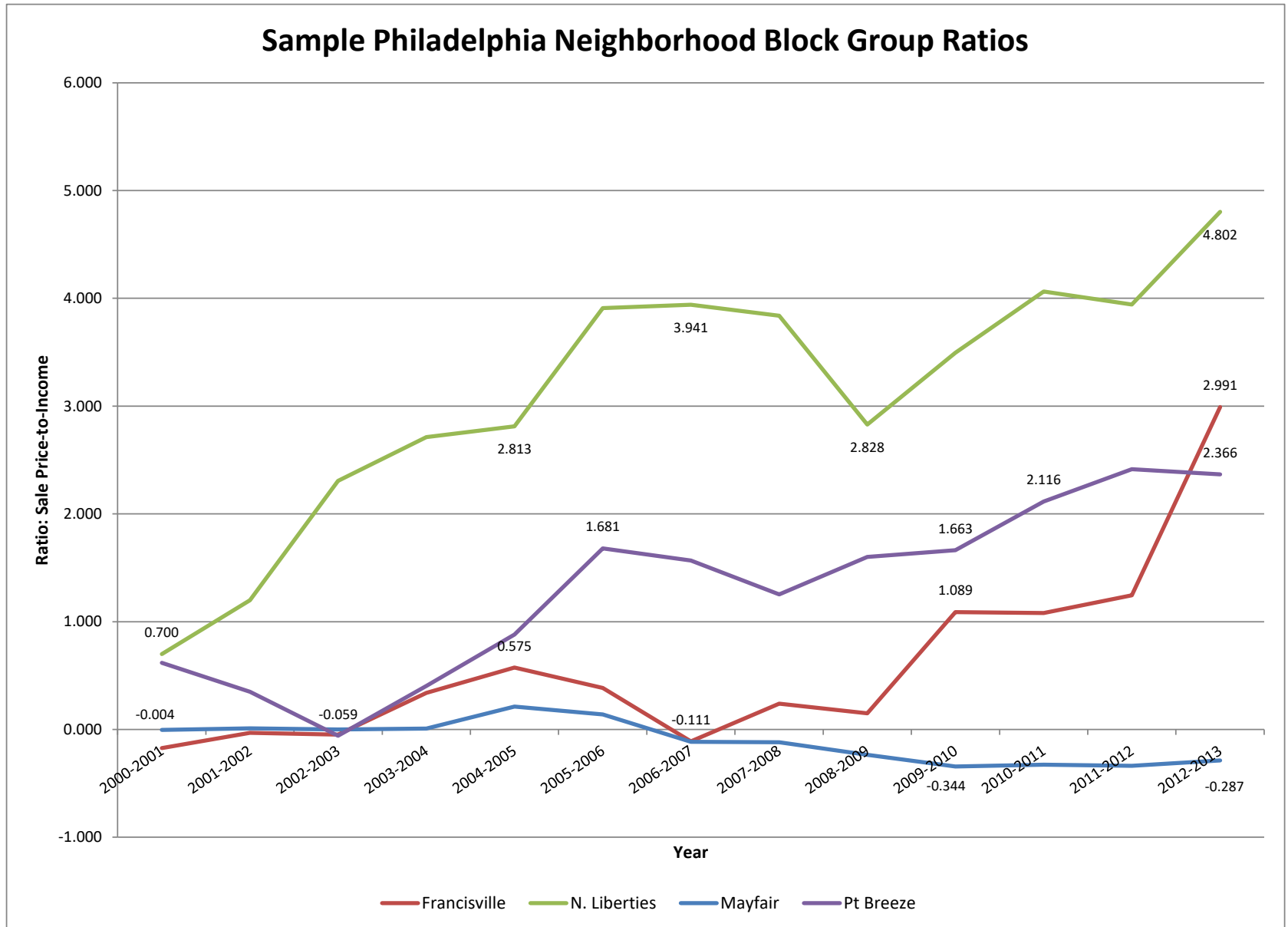
In areas where prices rise at a rate similar to income, there is no concern about involuntary displacement; if prices rise faster than income, displacement – or the inability of households of similar economic circumstances (in 2000) to live in the neighborhood – is a potential concern worthy of further inquiry.

Displacement Risk Ratio (DRR)

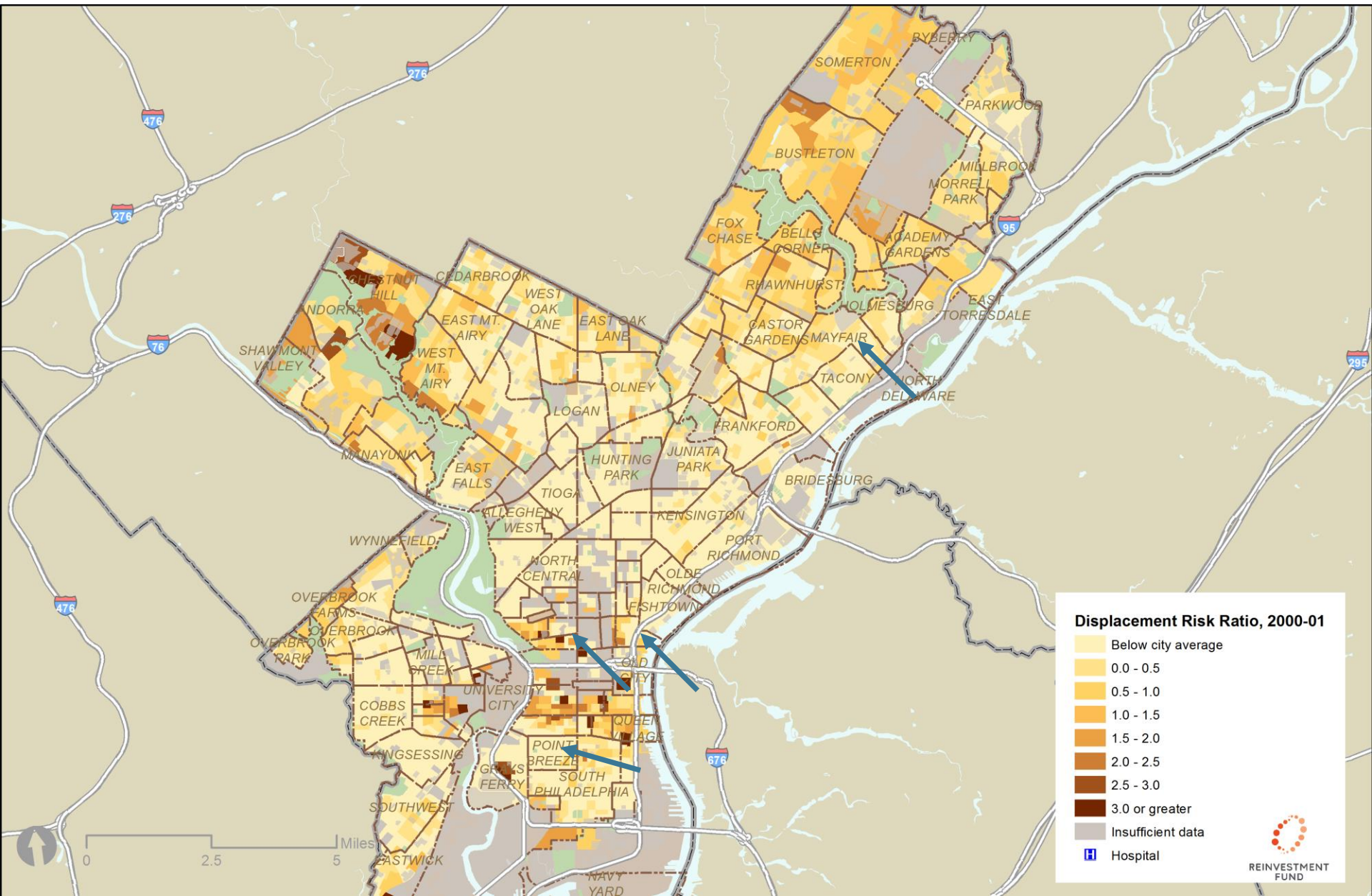
$$\text{Displacement Risk Ratio (DRR)} = \frac{\text{Average Sale Price (Year 1 \& Year 2)}}{\text{Median Family Income (inflation adjusted to appropriate year)}}$$



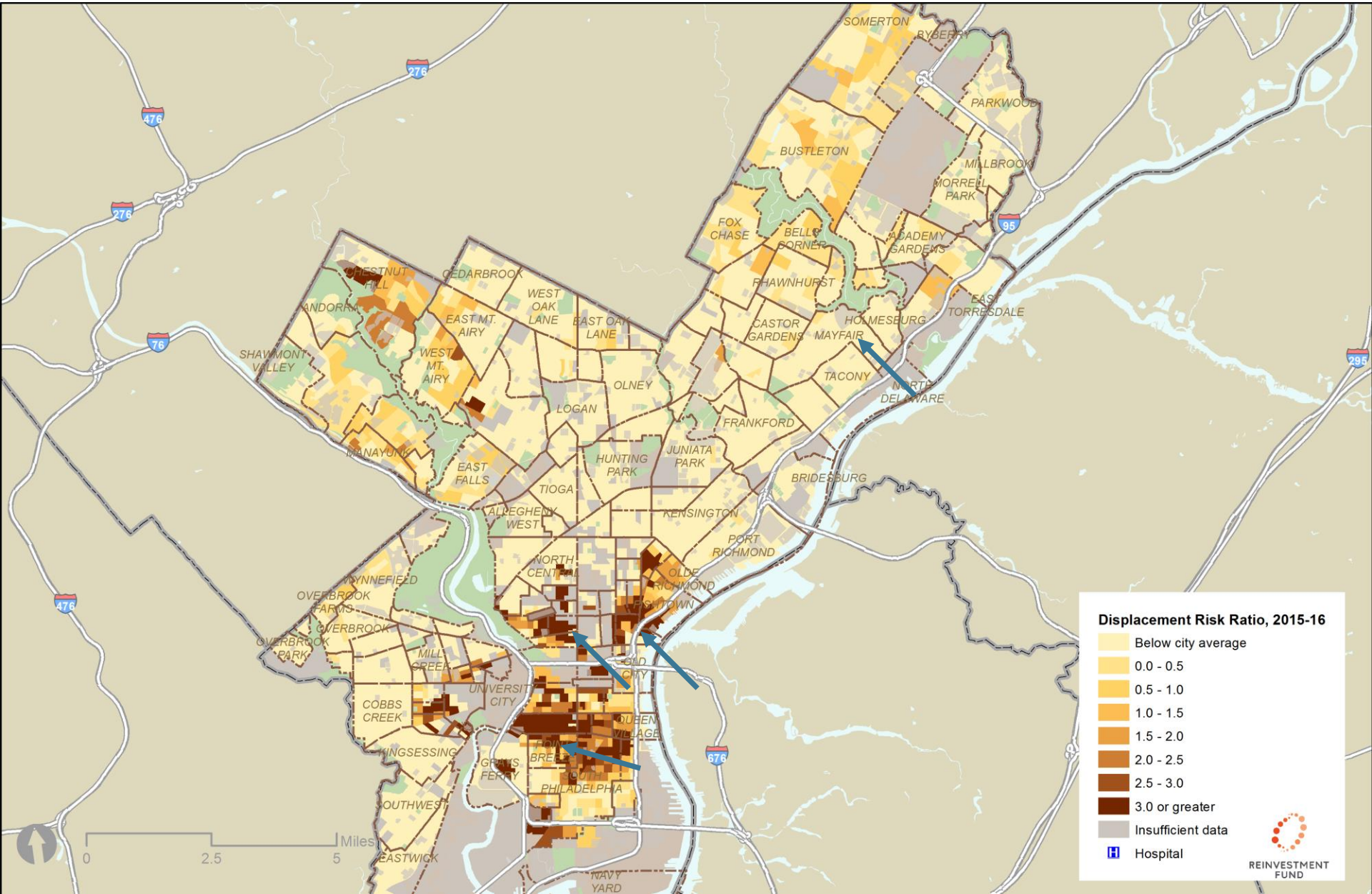
DRR: Trajectory of Select Philadelphia Block Groups from 2000 to 2013



DRR: 2000 – 2001: Philadelphia



DRR: 2015 – 2016: Philadelphia

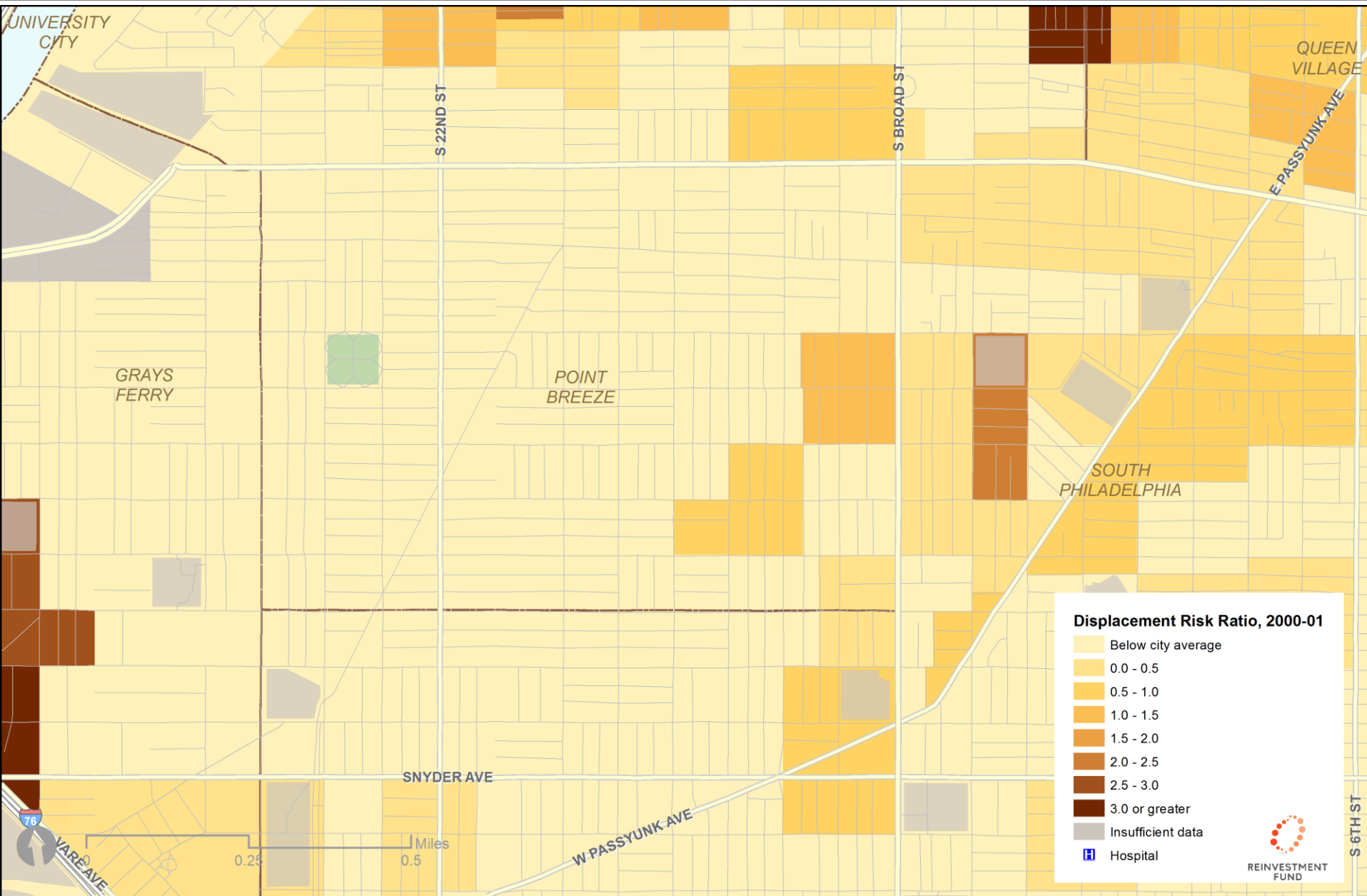




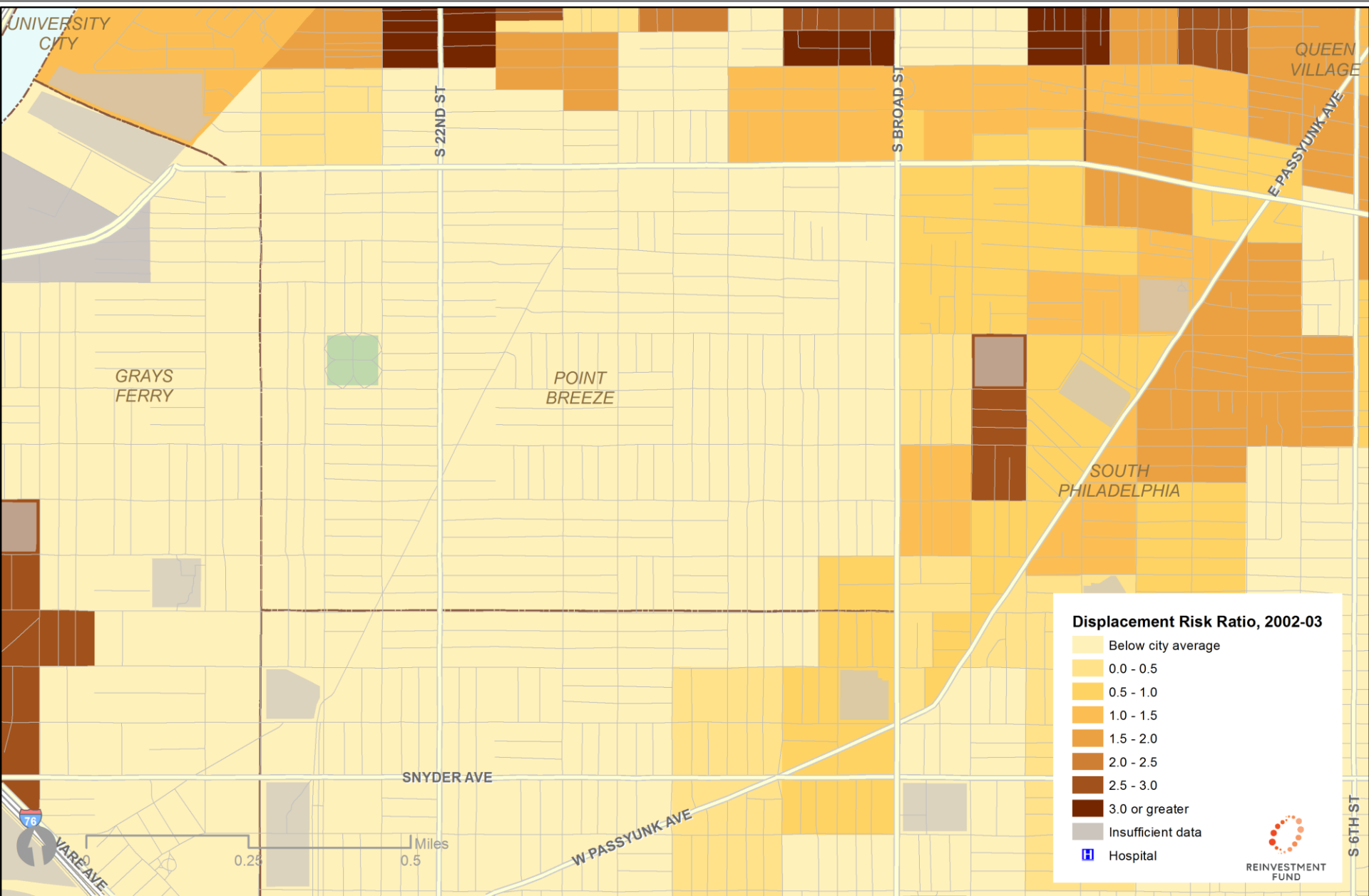
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Philadelphia – South Philadelphia / Point Breeze

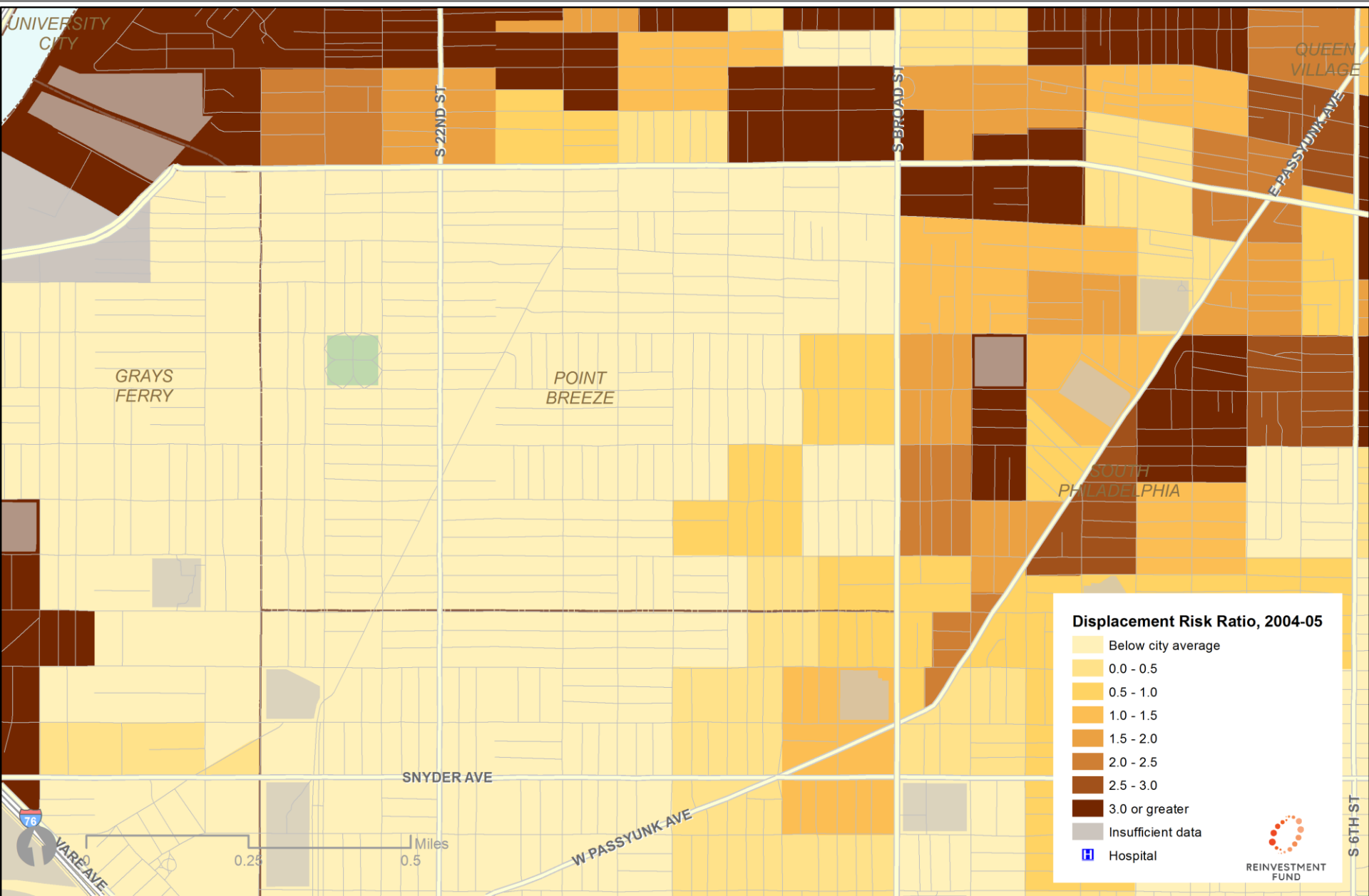
DRR: 2000 – 2001: South Philadelphia



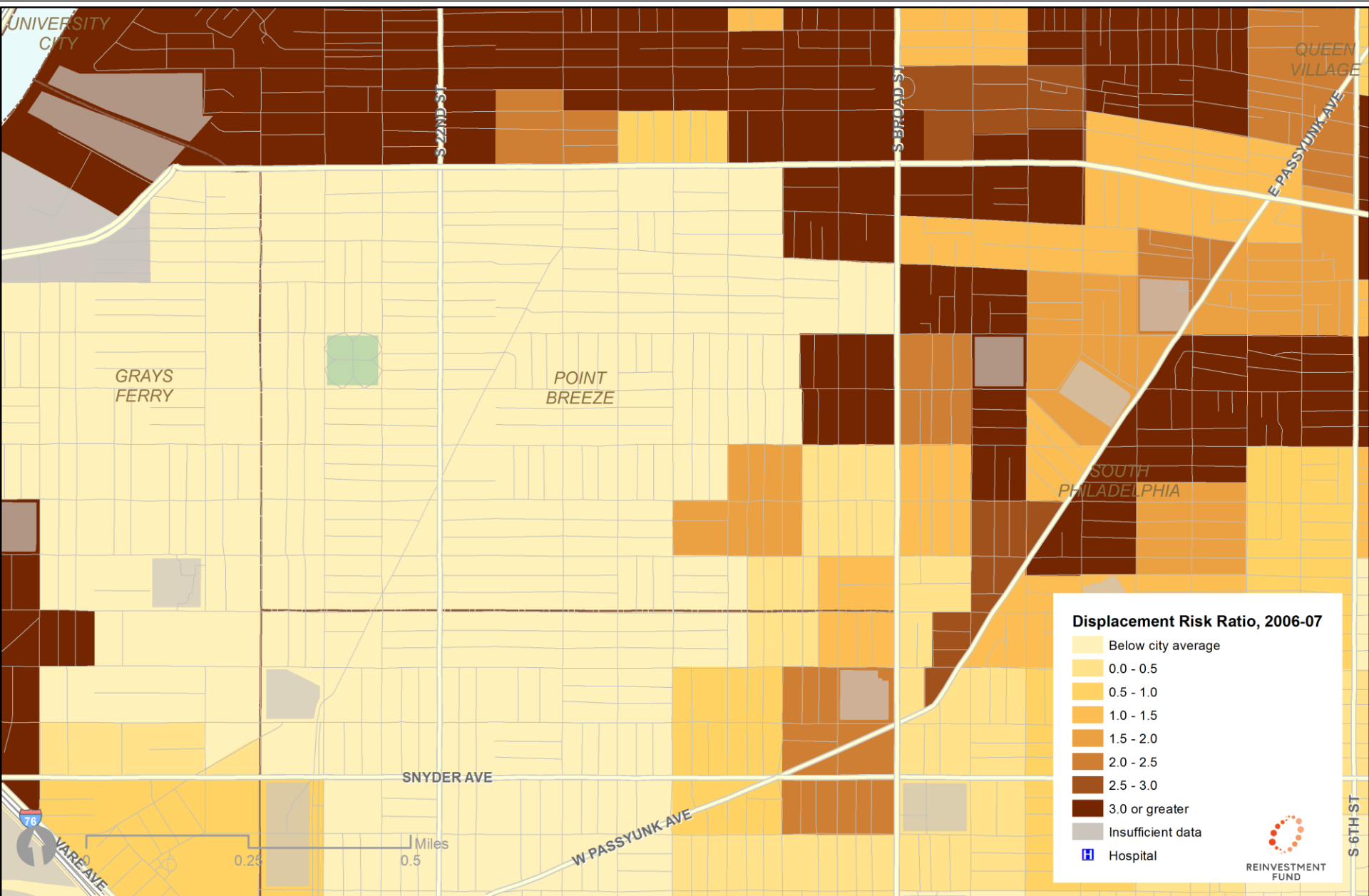
DRR: 2002 – 2003: South Philadelphia



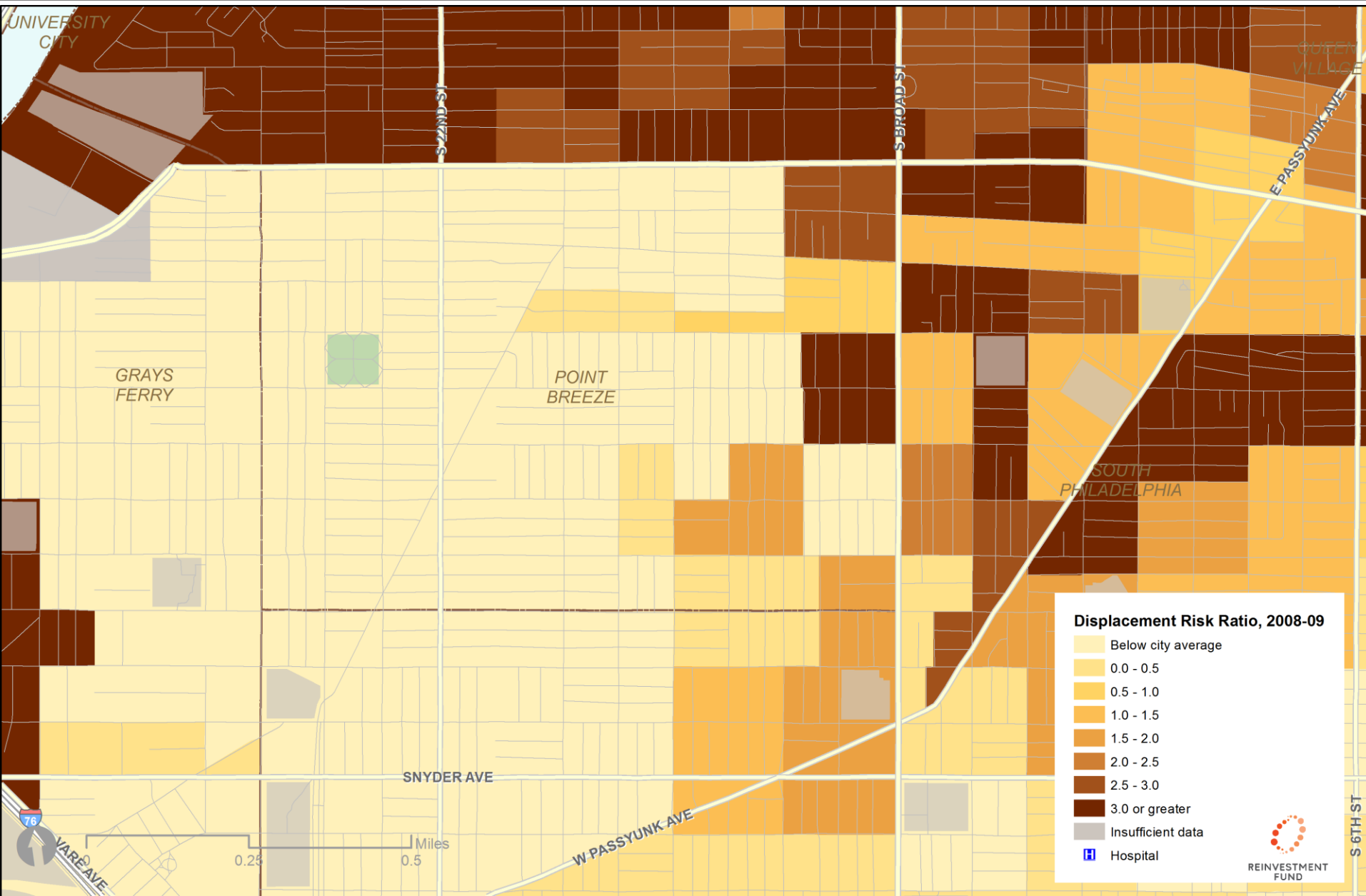
DRR: 2004 – 2005: South Philadelphia



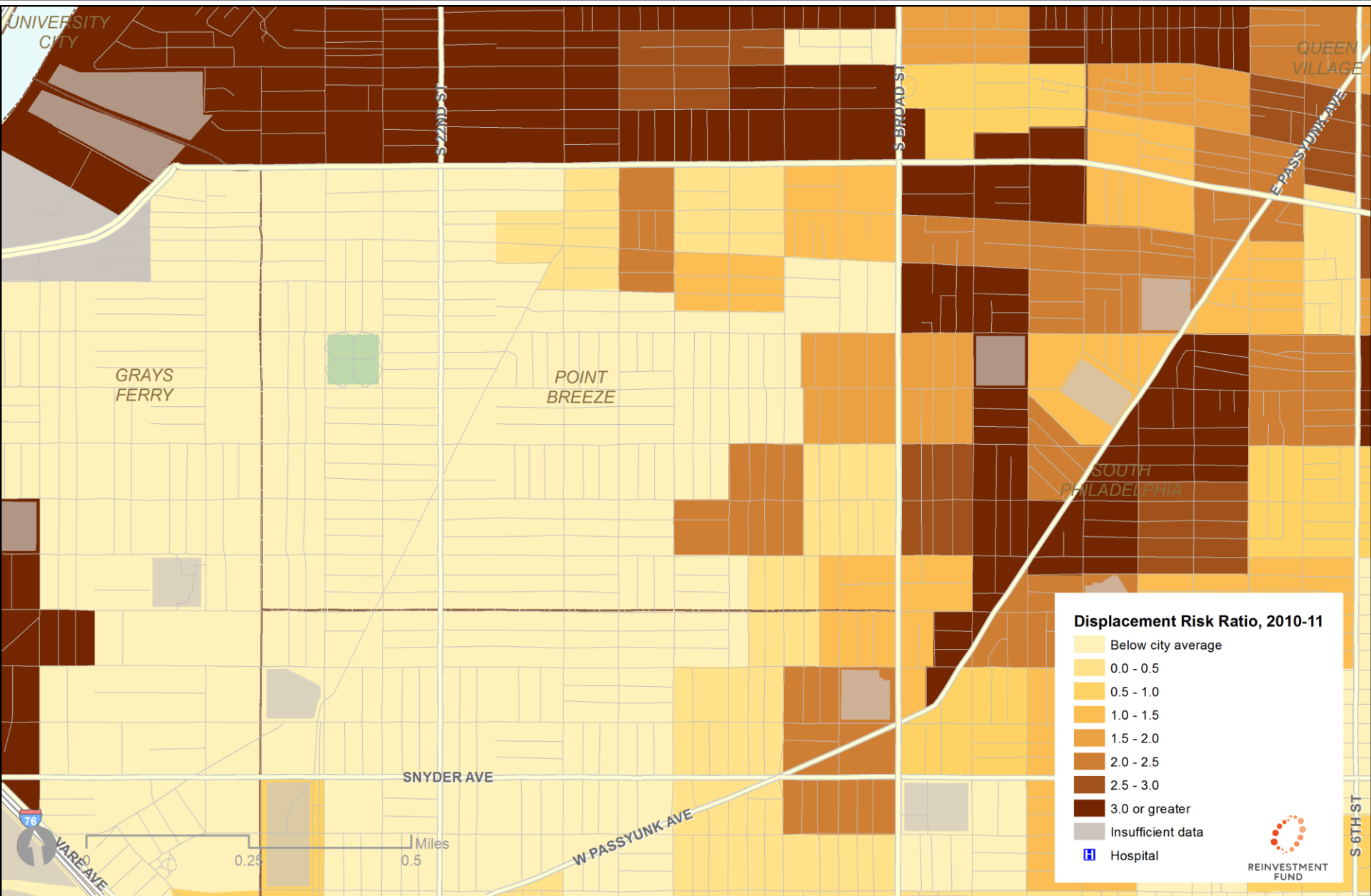
DRR: 2006 – 2007: South Philadelphia



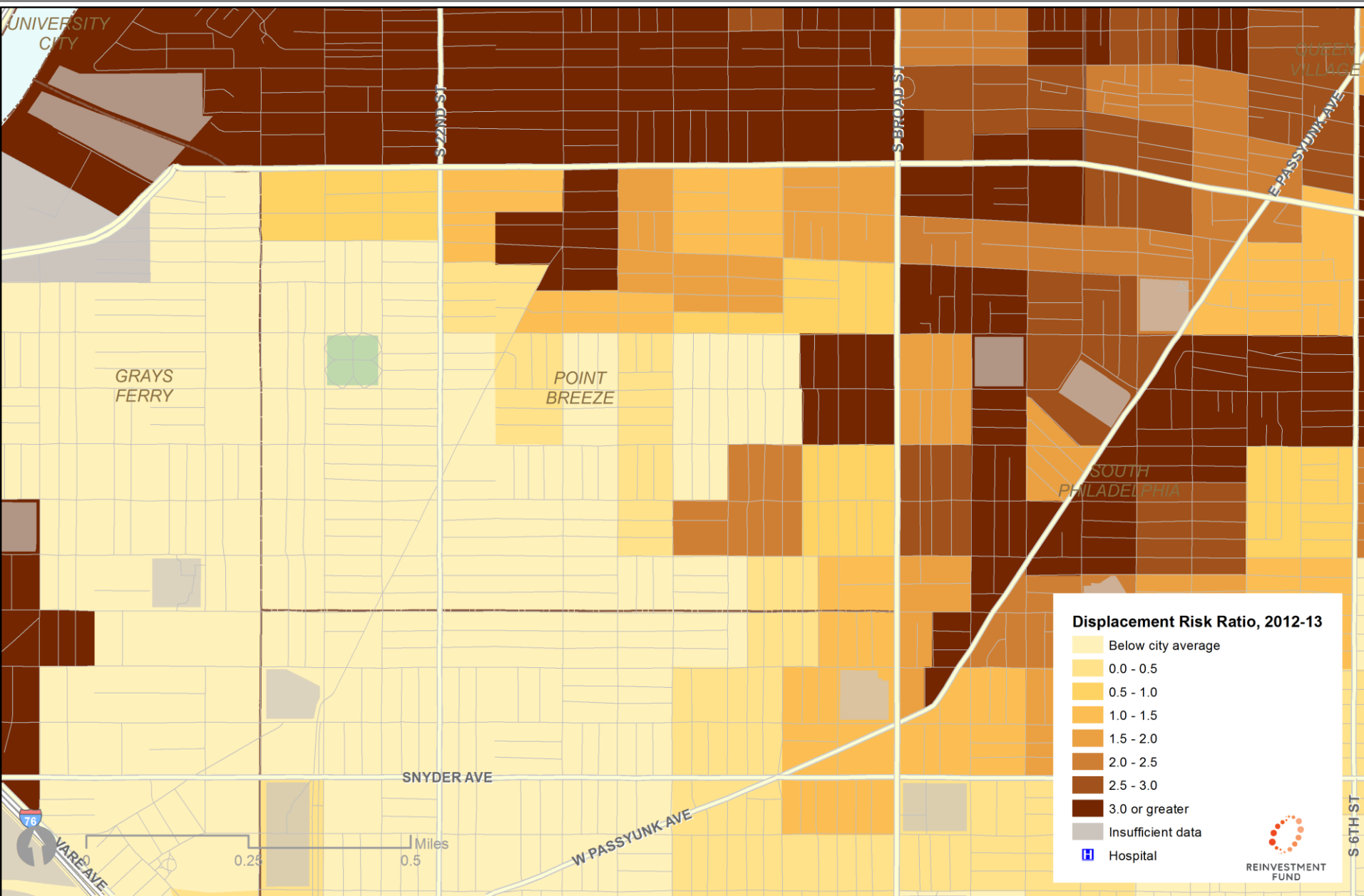
DRR: 2008 – 2009: South Philadelphia



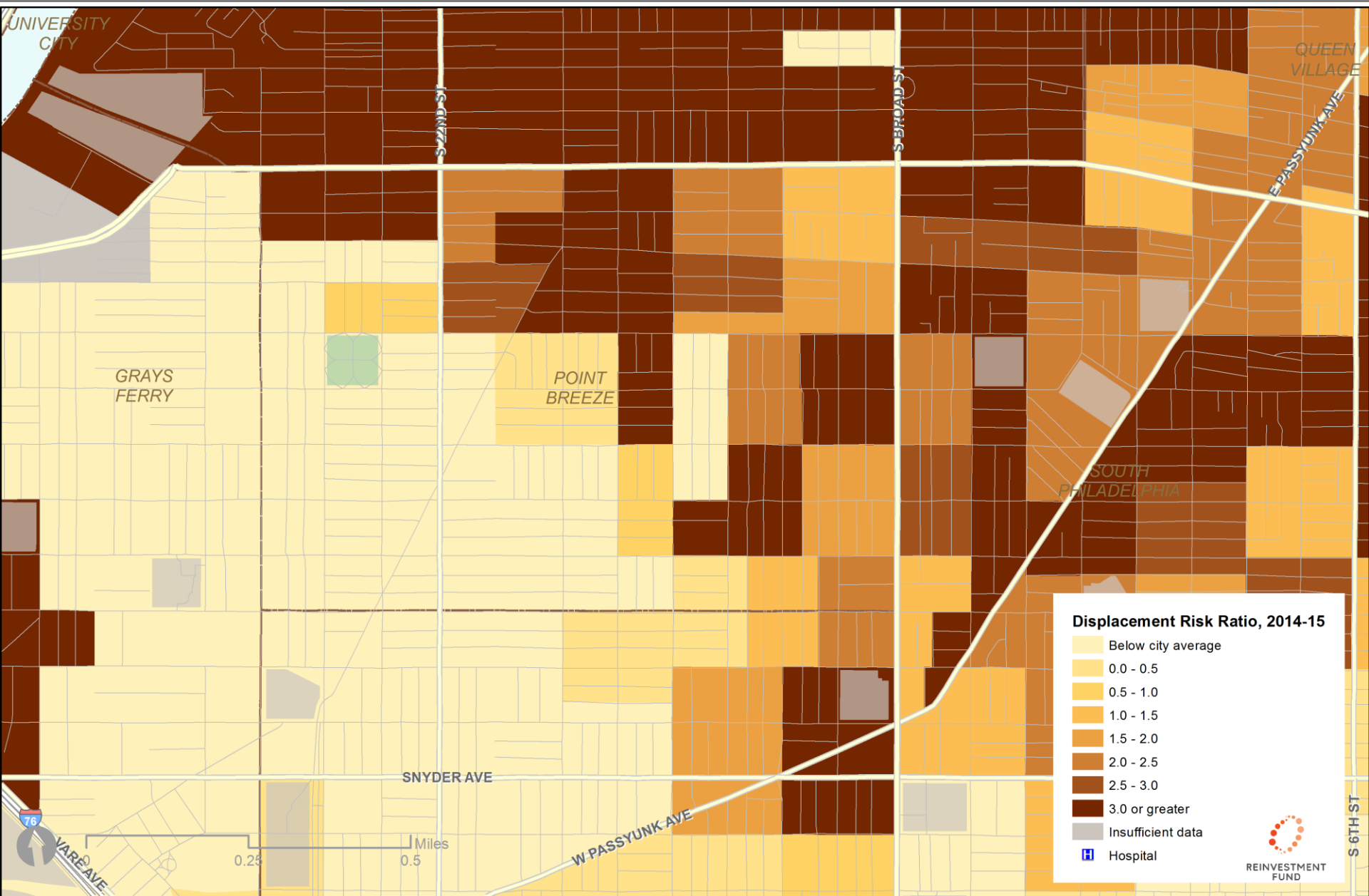
DRR: 2010 – 2011: South Philadelphia



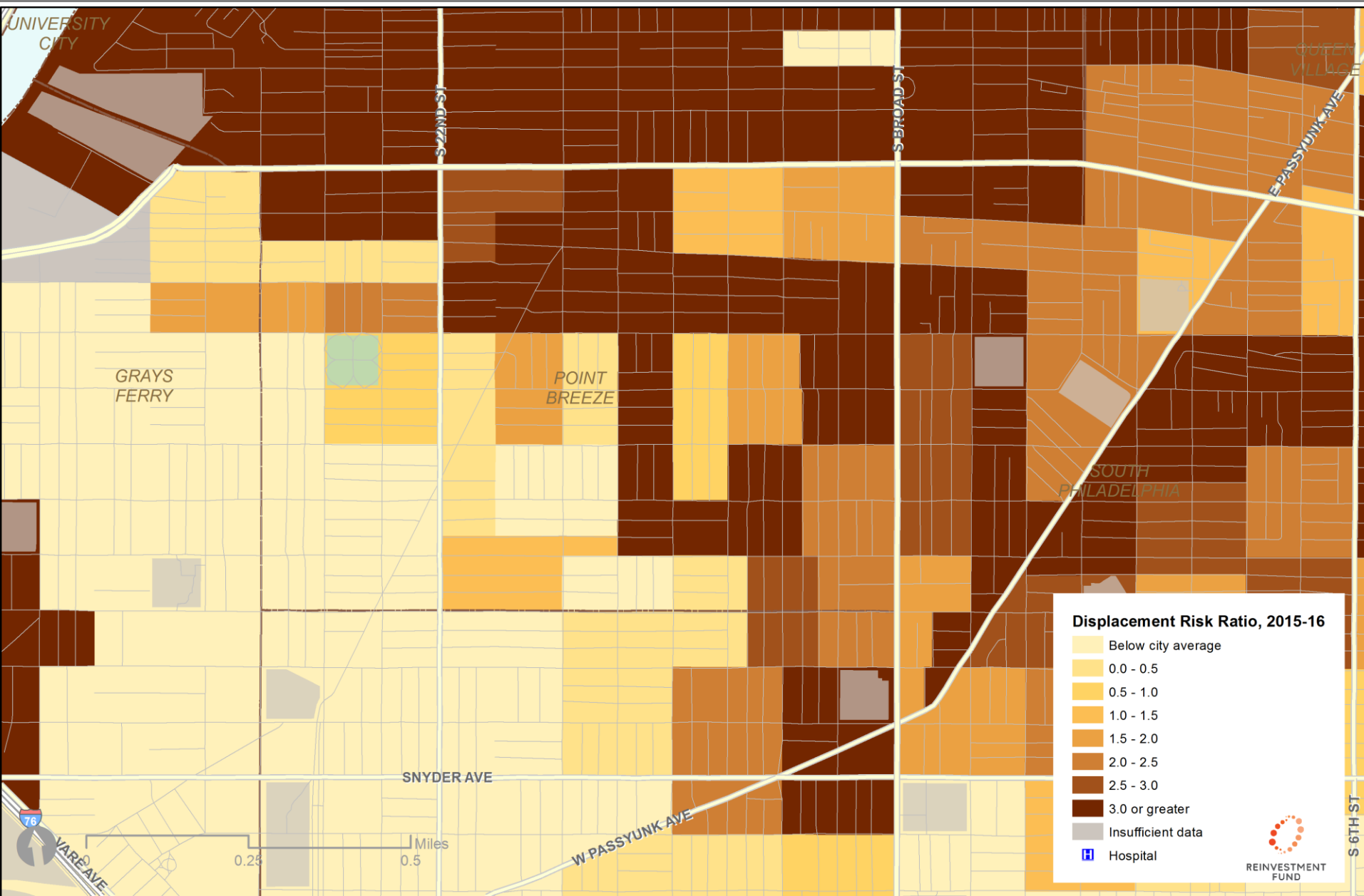
DRR: 2012 – 2013: South Philadelphia



DRR: 2014 – 2015: South Philadelphia

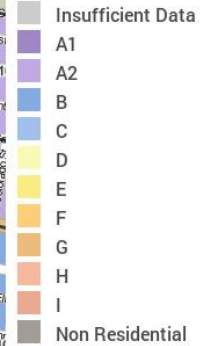


DRR: 2015 – 2016: South Philadelphia



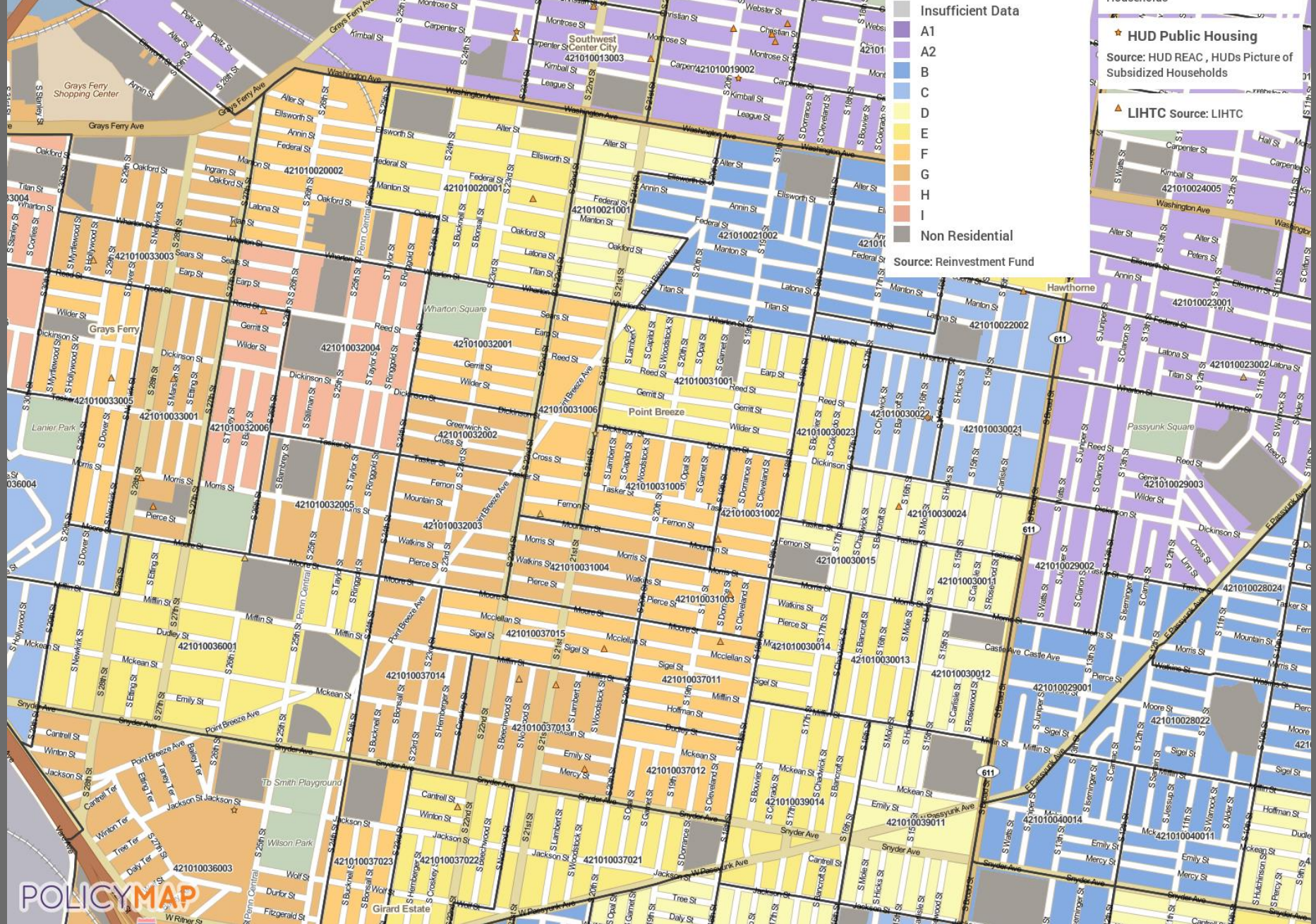
Philadelphia's 2015 Market Value Analysis (MVA) & South Philadelphia / Point Breeze Community

Philadelphia MVA
 Year: 2015
 Shaded by: Block Group

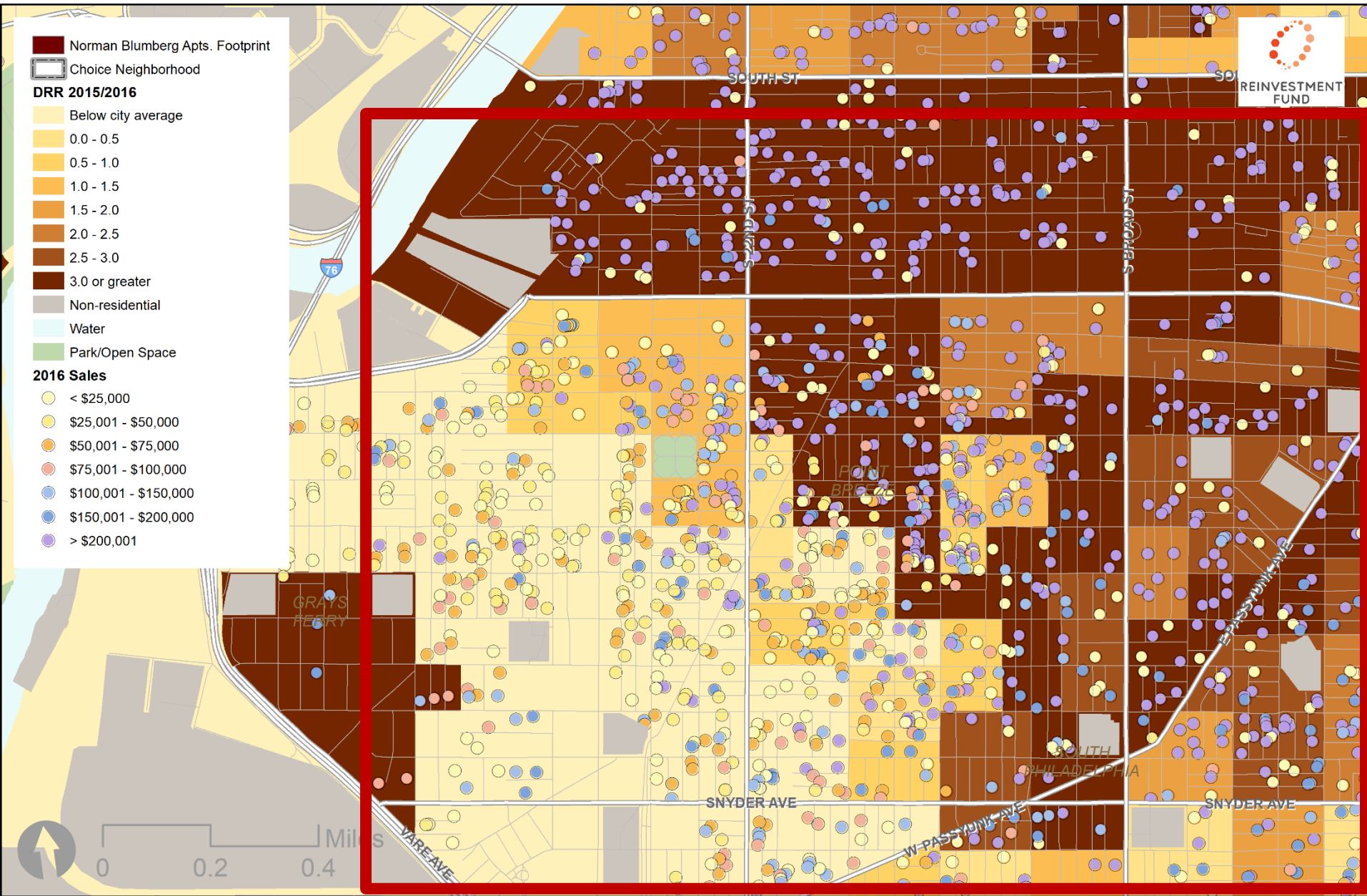


Source: Reinvestment Fund

◆ HUD Multifamily
 Source: HUD MF Contracts, HUD REAC, HUDs Picture of Subsidized Households
★ HUD Public Housing
 Source: HUD REAC, HUDs Picture of Subsidized Households
▲ LIHTC Source: LIHTC



DRR: 2015 – 2016: South Philadelphia

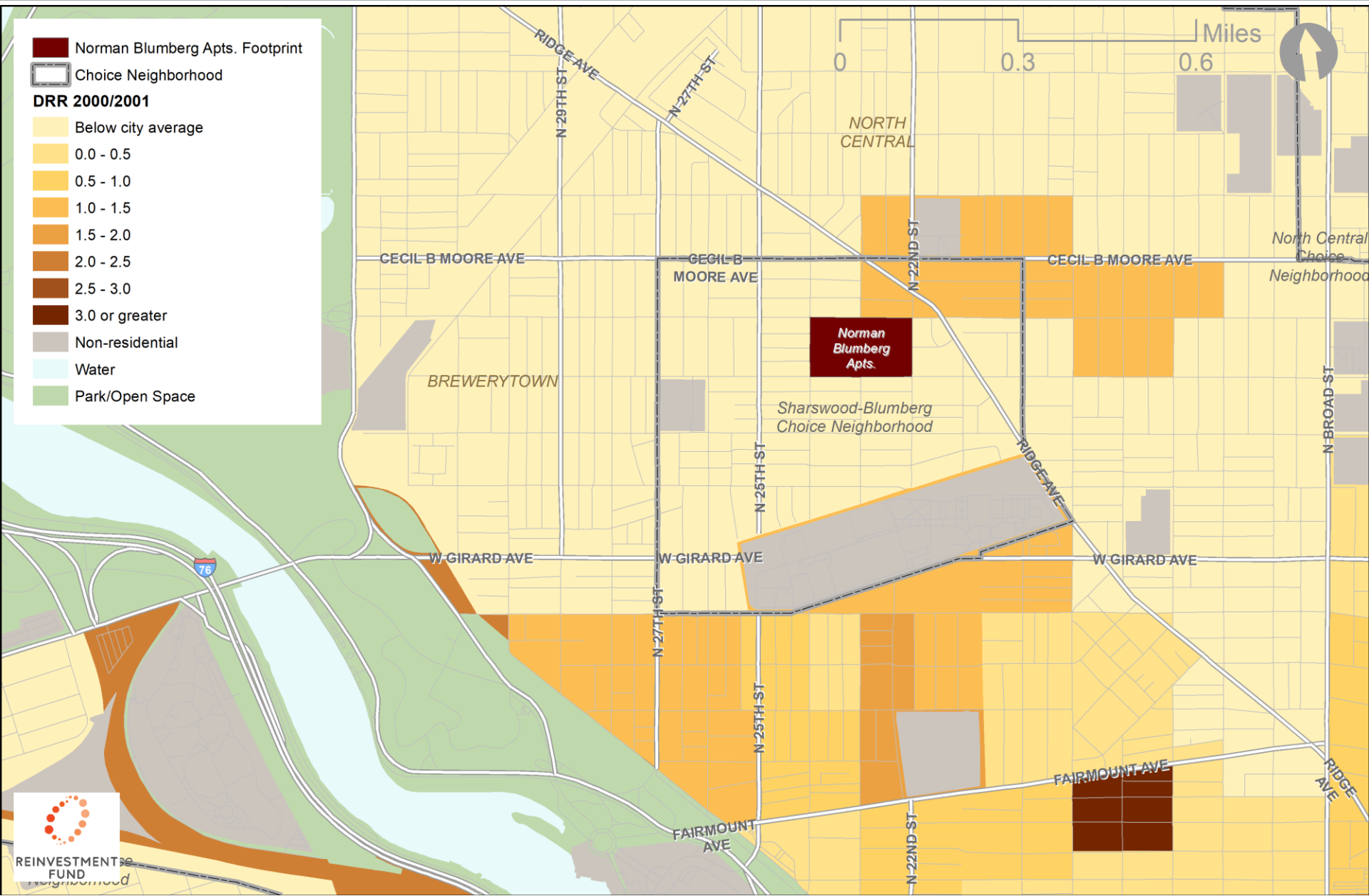




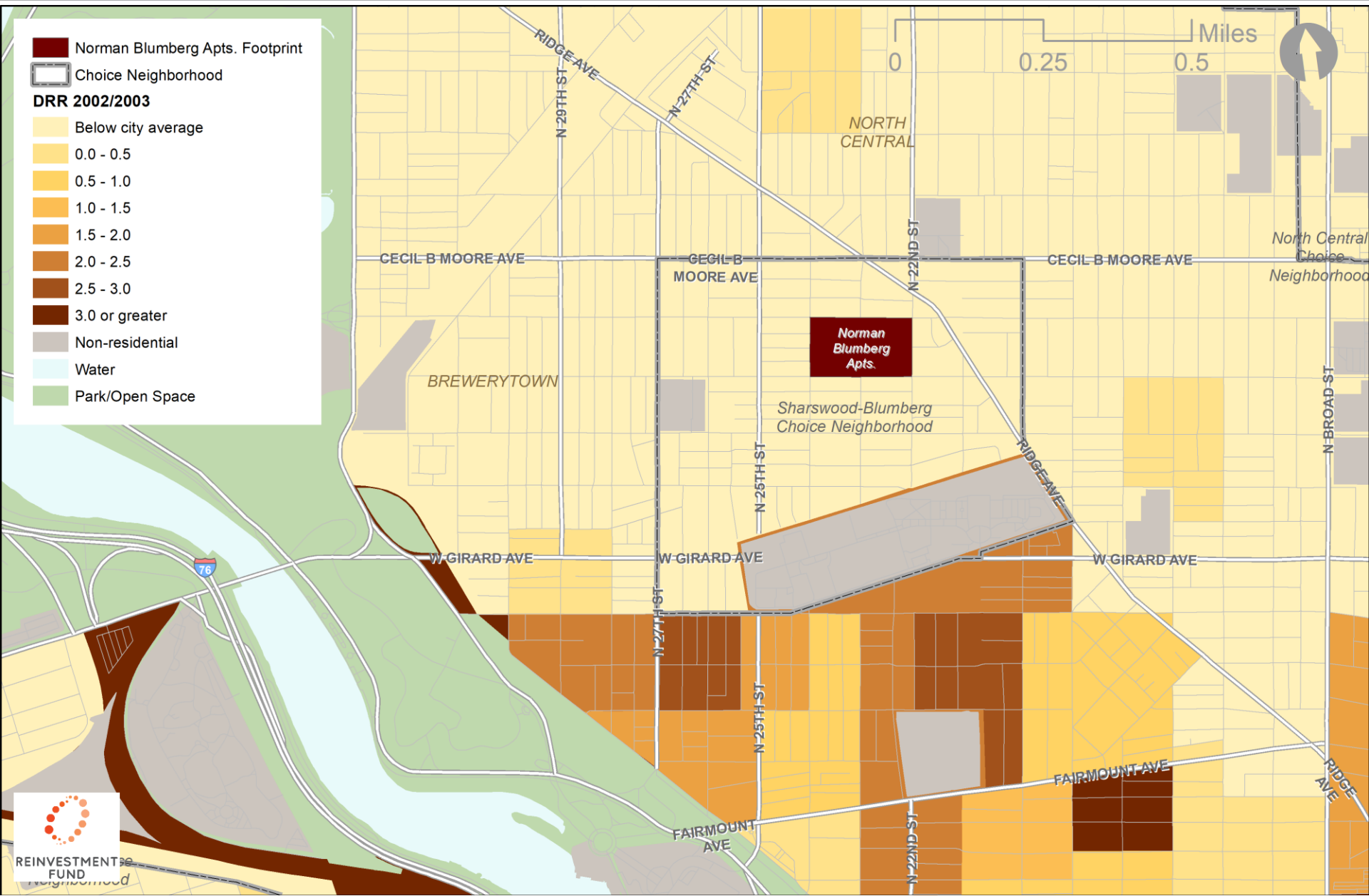
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Philadelphia – North Philadelphia, West of Broad Street (Fairmount, Brewerytown,

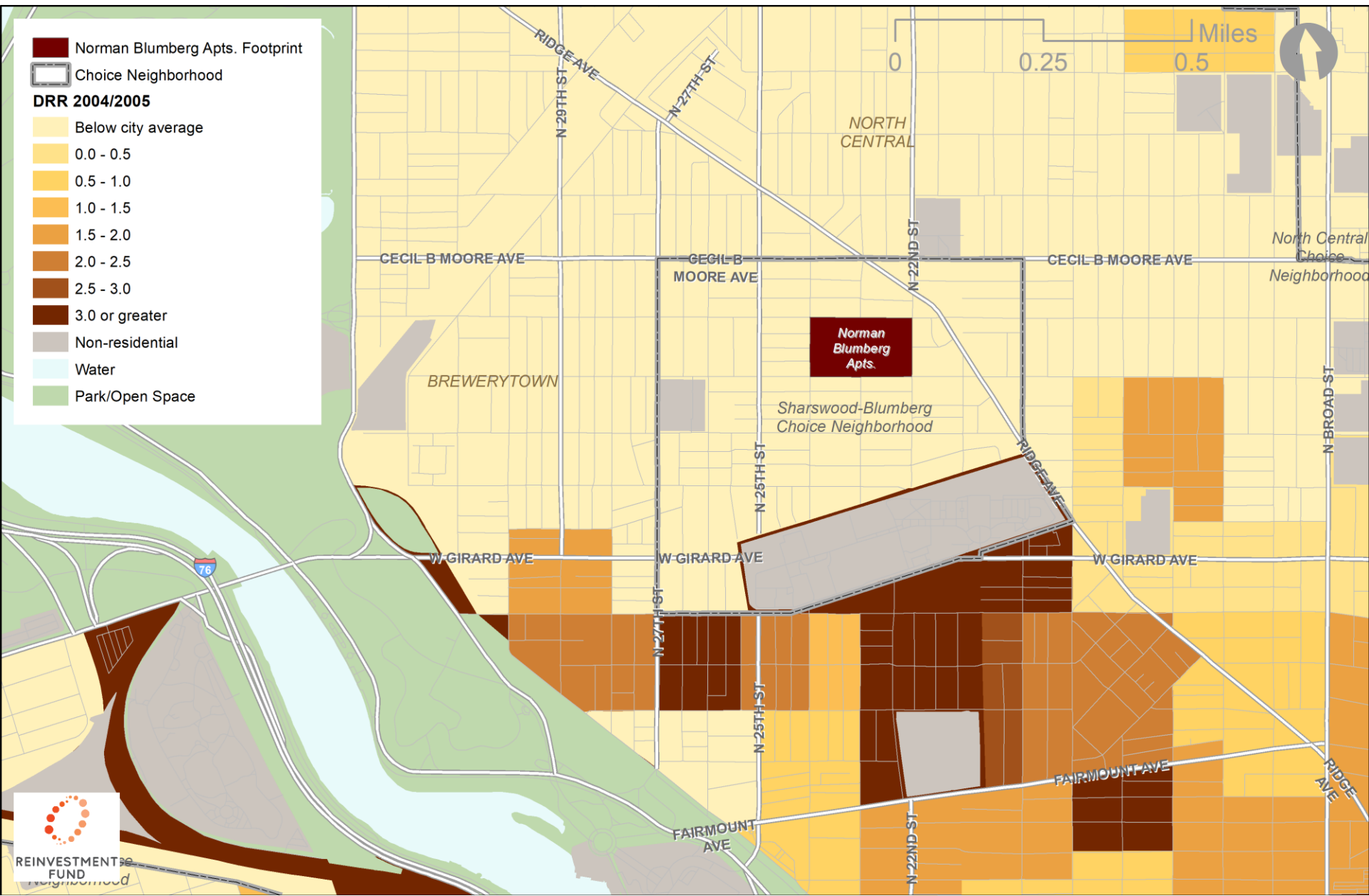
DRR: 2000-2001; Brewerytown Area



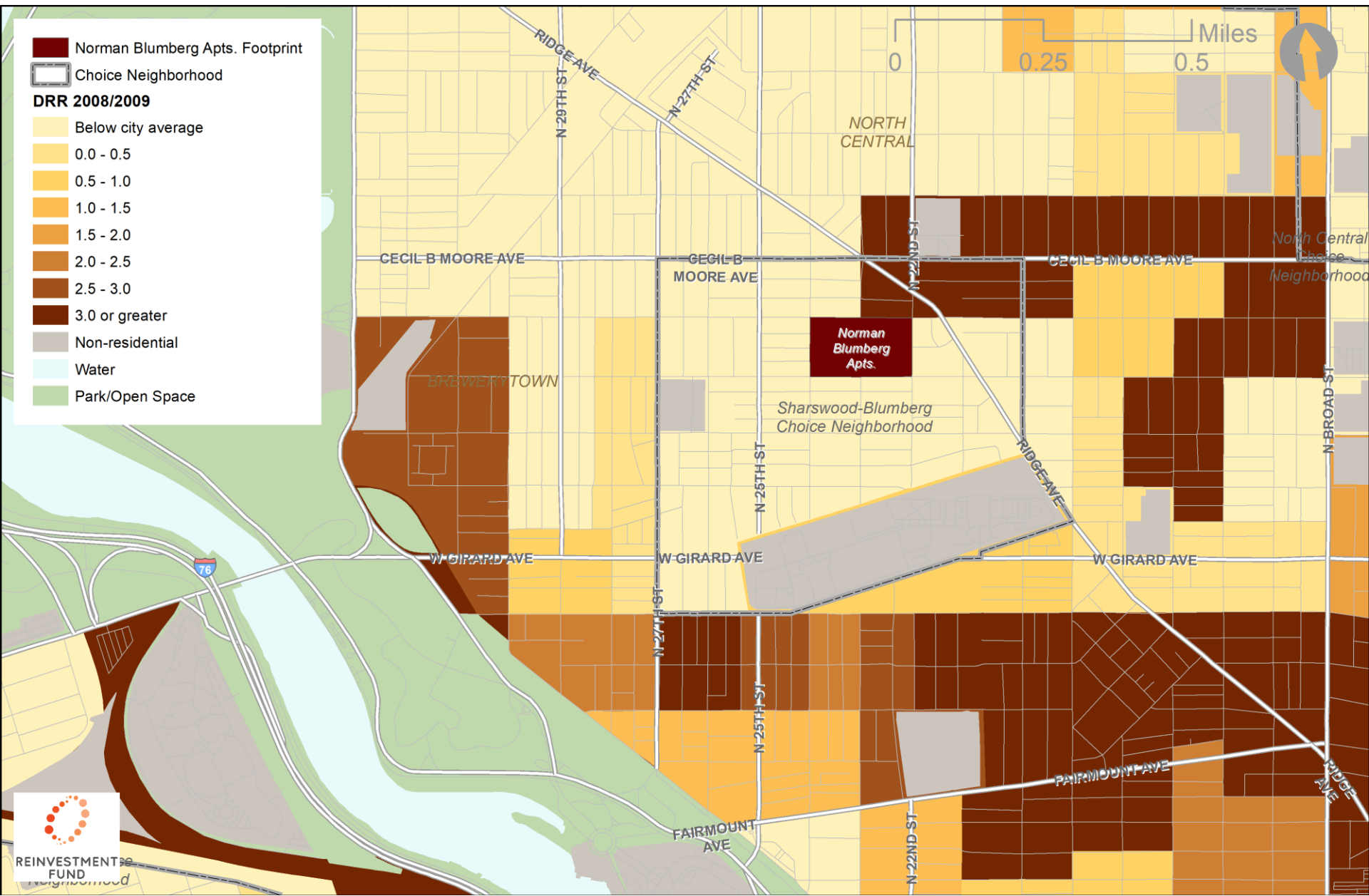
DRR: 2002-2003; Brewerytown Area



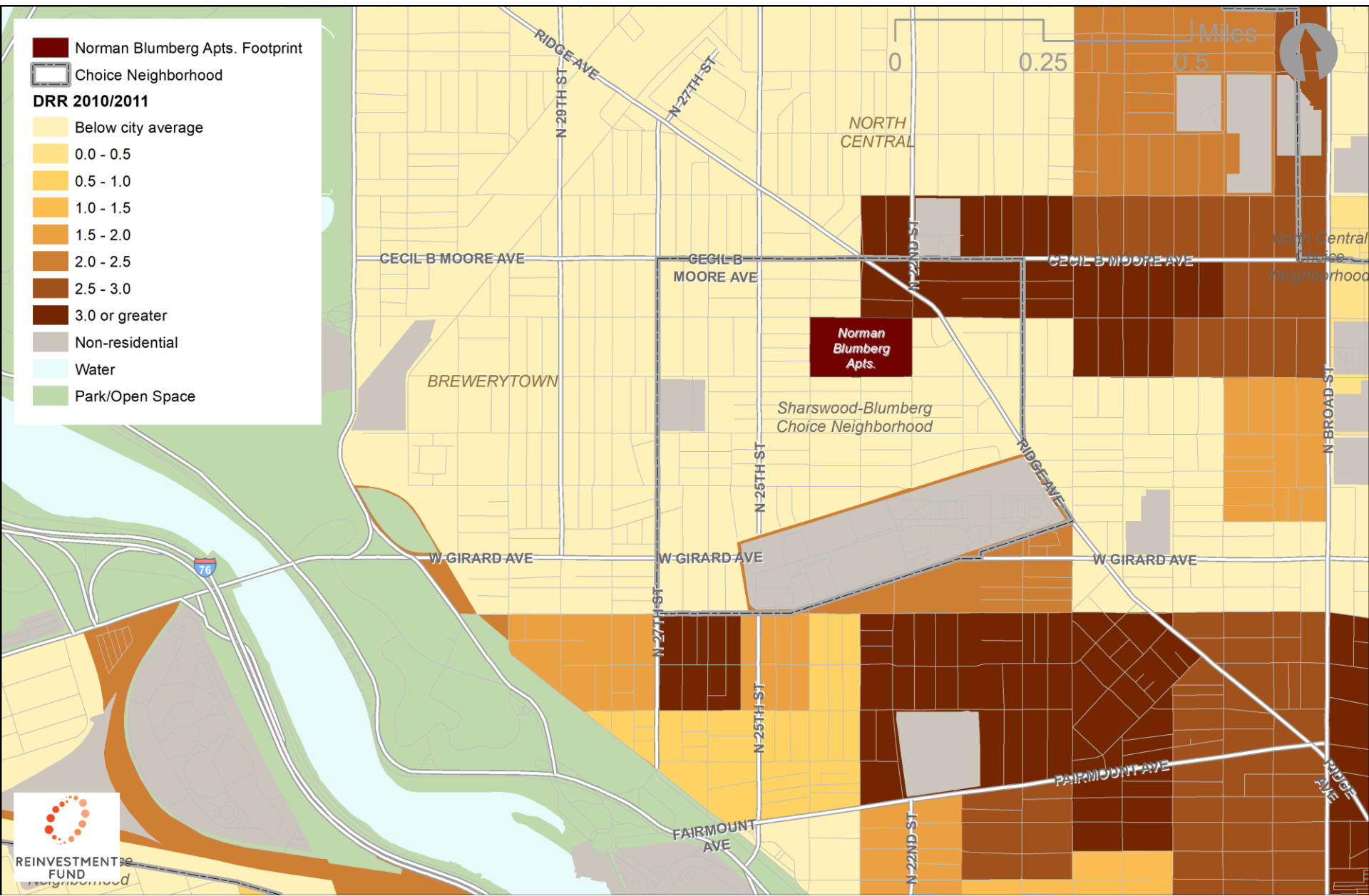
DRR: 2004-2005; Brewerytown Area



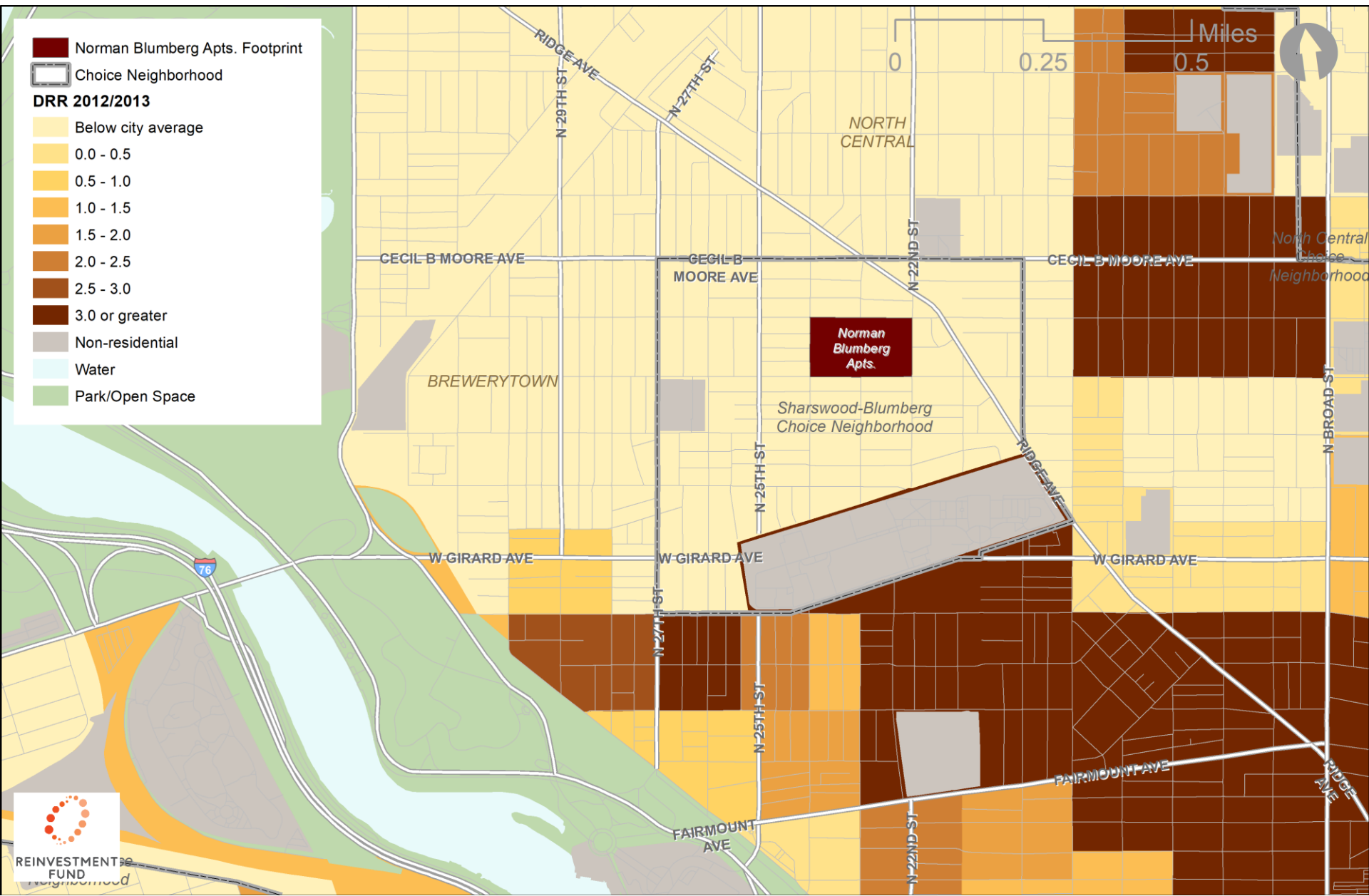
DRR: 2008-2009; Brewerytown Area



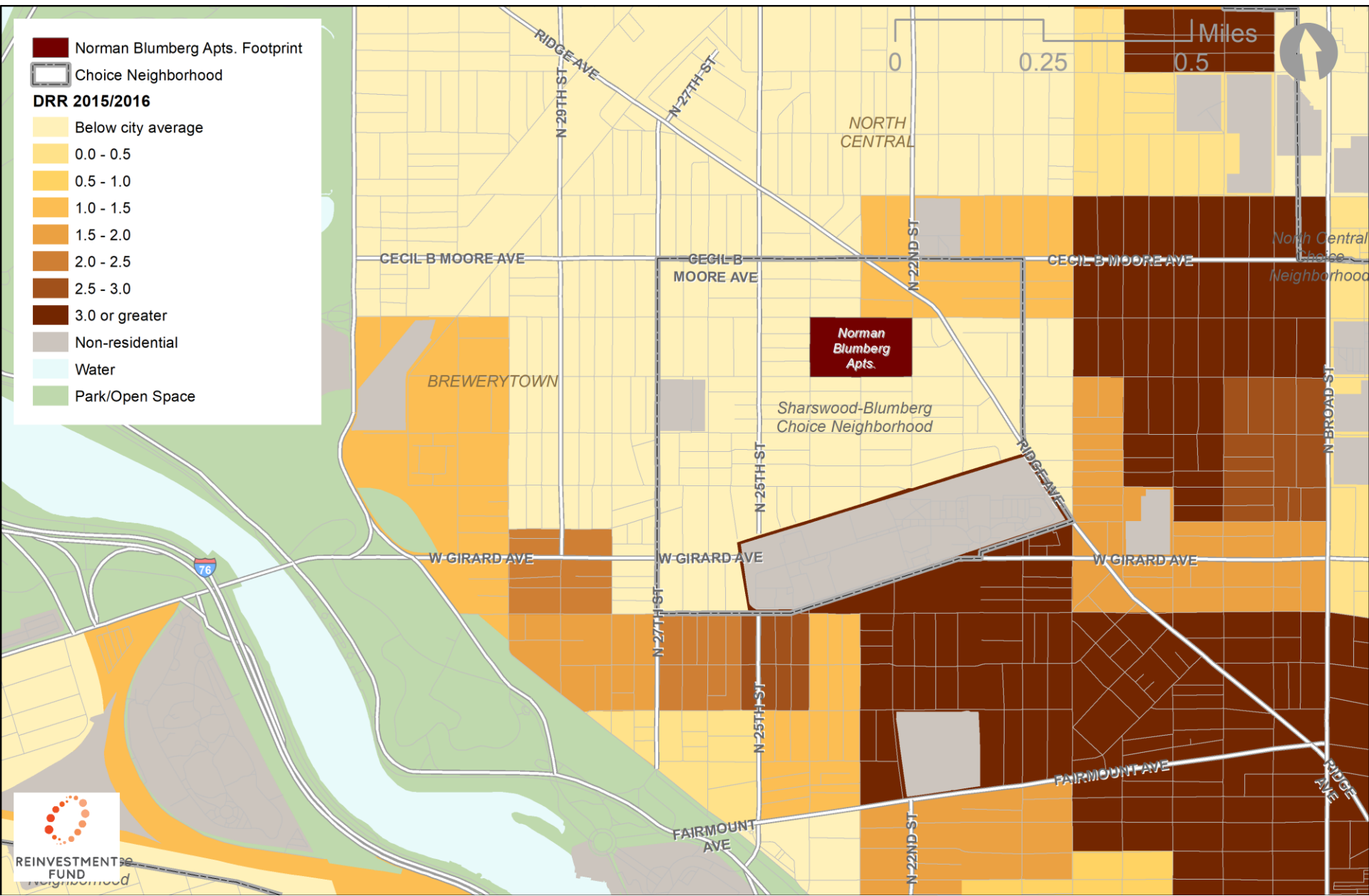
DRR: 2010-2011; Brewerytown Area



DRR: 2012-2013; Brewerytown Area



DRR: 2015-2016; Brewerytown Area



Philadelphia's 2015 Market Value Analysis (MVA) & the Sharswood Blumberg Choice Neighborhood Transformation Plan Area

Philadelphia MVA

Year: 2015
Shaded by: Block Group

- Insufficient Data
- A1
- A2
- B
- C
- D
- E
- F
- G
- H
- I
- Non Residential

Source: Reinvestment Fund

Choice Neighborhood Boundary

Source: OHCD

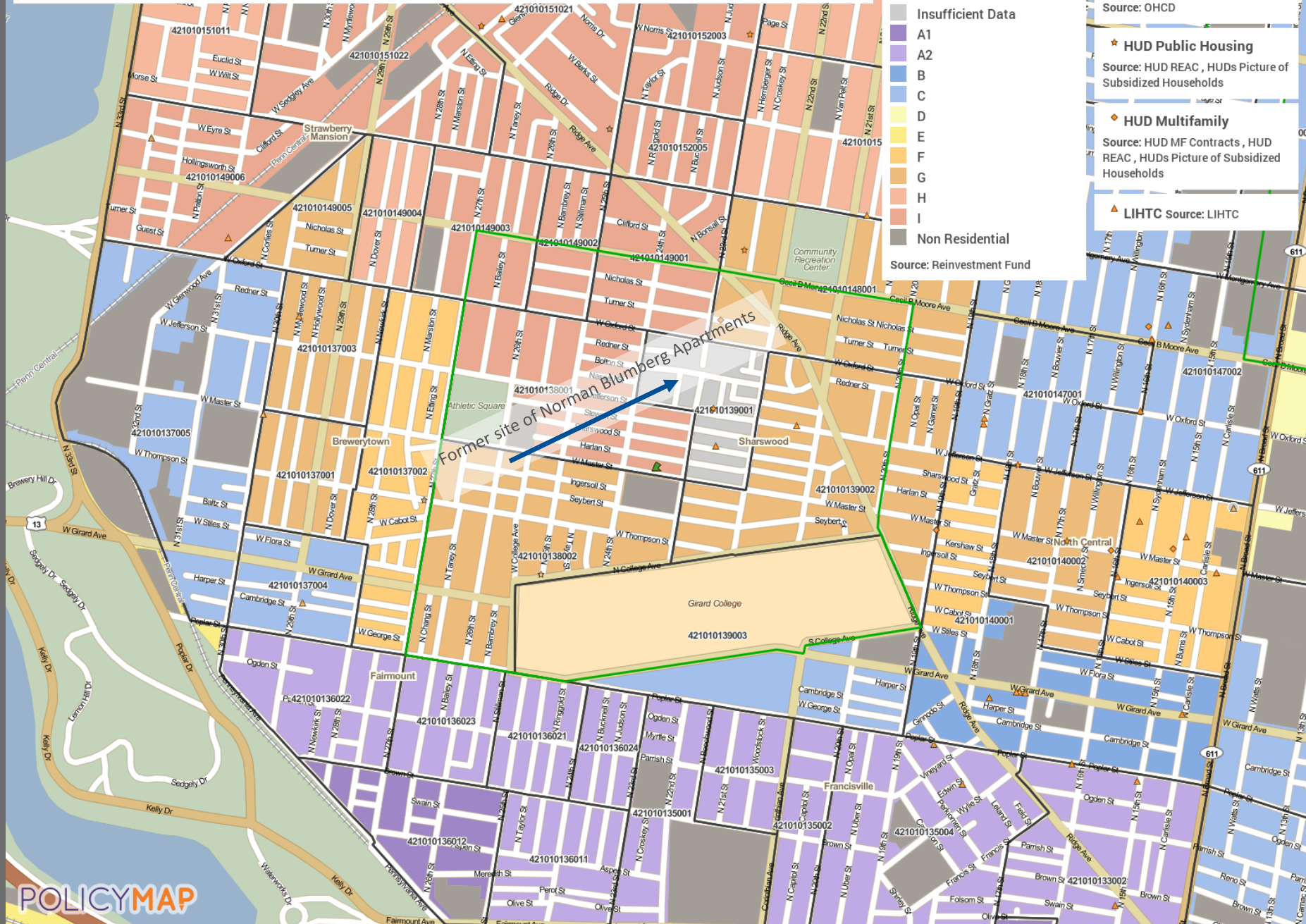
HUD Public Housing

Source: HUD REAC , HUDs Picture of Subsidized Households

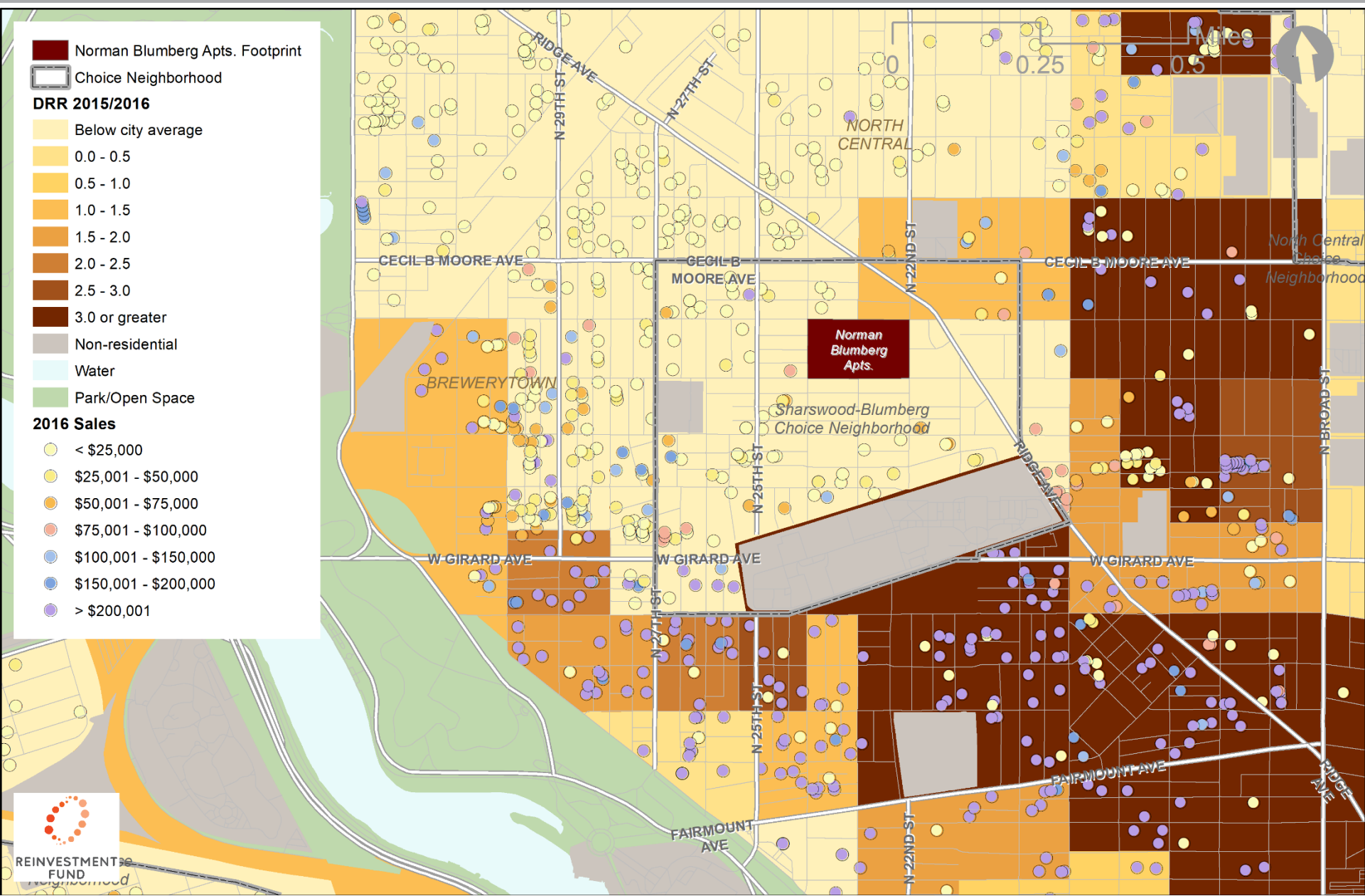
HUD Multifamily

Source: HUD MF Contracts , HUD REAC , HUDs Picture of Subsidized Households

LIHTC Source: LIHTC



DRR: 2015-2016; Brewerytown Area





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What Can We Do?

Lubell, Jeffrey. “Preserving and Expanding Affordability in Neighborhoods Experiencing Rising Rents and Property Values”

Cityscape, 2016, Volume 18, Number 3.

First thing first!
What are you trying to accomplish?

- ***Preserve*** the existing stock of affordable housing
- ***Protect*** existing residents in areas undergoing change
- ***Include*** affordable housing opportunities in new development
- ***Generate revenue*** in growing areas to support additional affordable options
- ***Incentivize*** affordable options in new development
- ***Acquire land*** for affordable housing opportunities



Practical Considerations

- Are you catching up with a trend (e.g., DRR high and rising) or are you ahead of it (e.g., DRR at an apparent inflection point or areas around are rising)?
- Is there evidence that the intervention is effective at its purpose (e.g., Montgomery County, MD inclusionary zoning has produced \approx 10-15k units; rent control in NYC; Proposition 13 in CA)?
- Does the intervention apply in a “weak market” city or is it only for “strong market” cities?
 - Or in specific market areas (i.e., strength), regardless of the status of the city?
- Can the intervention be geographically targeted or must it be universal?
- Does the intervention have a “long tail”?

Practical Considerations

- Will funding stream be stable or volatile?
- Are there fair housing implications – to act and not to act?
- Can you create a set of complementary interventions?
- Does local regulatory environment (e.g., unlimited new construction abatements) exacerbate inequitable development?
 - Can that environment be changed?
- What are the:
 - Legal impediments (e.g., legal uniformity considerations in the taxing of property types)
 - Financial impediments (e.g., lost revenue)
 - Political impediments (e.g., NIMBY)

Matching Interventions to Market Conditions

Activity	Market Condition				Considerations
	Declining DRR	Stable DRR	Increasing DRR	Citywide	
Preservation of Existing Affordable Rental Stock					
Prioritizing properties					
Targeting resources					
Expanding resources					
Facilitating transfer or property					
Preservation of Unsubsidized but Otherwise Affordable Housing ("Naturally Occuring")					
Purchase by mission driven owners					
Provide incentives to stay affordable (e.g., tax abatement)					
Preserving Public Housing					
Rental Assistance Demonstration (RAD)					
Protect Long-time Residents to Stay in their Properties					
Condo conversion protection					
Rent stabilization					
Eviction policies/protections					
Property tax protections					
Shared equity homeownership					
HCV Ownership					
Revolving Housing Preservation Loan Fund					

Matching Interventions to Market Conditions

Activity	Market Condition				Considerations
	Declining DRR	Stable DRR	Increasing DRR	Citywide	
Inclusion					
Mandatory inclusionary zoning					
Voluntary inclusionary zoning					
Revenue Generation					
Housing Trust Funds					
Incentives to Develop Affordable Housing					
Tax incentives (abatements/exemptions)					
Parking incentives					
Expedited permitting					
Impact fees					
Transfer of Development Rights (TDR)					
Targeting federal, state and local housing subsidies					
Acquiring Sites for Affordable Housing					
Using existing supply of publicly owned land / Land Bank					



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Discussion

For additional information

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Thank you!

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