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Dedication

To Jeff, for absolutely everything.
Acknowledgements

First and foremost, I need to thank all of my in-house city experts. My successfully completing this dissertation (not to mention my applying to the program in the first place) stems straight from the fact that Jeff Pooley believes so strongly in me and has always been extraordinarily supportive of me and my work. Jeff, don’t think I take that for granted for a second. Of course, there’s Keller, who gave me some added incentive to get this done…and fast. And Norman, who provided comic relief (and slept) throughout my dissertation status.

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Abstract
Effective Neighborhood Revitalization Strategies:
The Array and Impacts of Subsidized Place-Based Investments in Philadelphia
Karen Beck Pooley, University of Pennsylvania
Professor Eugenie Birch, Dissertation Supervisor

Little of the existing literature on housing policy tests the effectiveness of particular strategies. Studies that address program “impact” tend to focus narrowly on the number of units developed or households assisted, and typically fail to link interventions with neighborhood-wide effects; evaluations that do are primarily anecdotal, qualitative accounts. Therefore, the research cannot confirm prior policies’ affect on neighborhoods or present policymakers with a strategy for allocating program dollars to meet individuals’ and neighborhoods’ needs. This project fills this gap by quantifying the interaction between program spending and neighborhood conditions and trends in Philadelphia.

This study found that subsidized investments (the development of affordable housing, particularly owner-occupied housing) appeared to have a significant impact on area values, increasingly so as the scale of investment increased and especially so in weaker markets, affirming initiatives like the “Home in North Philadelphia” policy and HOPE VI-like redevelopment projects. While rarely used by borrowers to purchase housing in weaker markets, low-cost lending was associated with positive neighborhood trends in these areas, particularly when borrowers’ incomes exceeded area medians. Alternatively, the concentration of low-cost loan borrowers in “neighborhoods in the middle” was associated with worsening local people- and place-based conditions. These findings suggest that low-cost loans could be a valuable resource for stimulating demand in weaker areas and for making homeownership more affordable in stronger areas. To achieve these goals, though, lending agencies must proactively direct where loans are invested and/or complement home purchase financing with support for unit-based or area-wide improvements.
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Introduction

Since the 1930s, federal housing policy has pursued an array of goals, addressing housing quality, housing affordability, residential segregation, and the role that development can play in increasing employment opportunities as well as cities' tax bases. In only a few instances have programs explicitly targeted neighborhood (as opposed to housing) conditions. Yet even these efforts, with few theoretical explanations or quantitative evaluations to rely on, lacked a full understanding of how neighborhoods grow and change, what prompts neighborhood decline, and what facilitates neighborhood improvement.

In recent years, researchers have greatly expanded what is known about neighborhood dynamics — the external forces, internal conditions, and individual and institutional decisions that shape neighborhood trajectories. Still, most literature on federal housing policy has highlighted the lack of programming rather than the effectiveness (or ineffectiveness) of particular strategies. Those studies that do address program “impact” tend to focus narrowly on the number of units developed or households assisted. This work typically fails to link interventions with neighborhood-wide effects; evaluations that do are primarily anecdotal, qualitative accounts.

This gap in the literature has two rather serious consequences. First, without quantitative confirmation, the overall “effects of...housing programs on neighborhood quality...remain uncertain” (Ding and Knaap 2003, 705). Second, without a more systematic review of subsidized outputs and a more explicit linkage between such outputs and neighborhood-level outcomes, academic research fails to provide policy-makers with a meaningful roadmap for future interventions.

This project expands the existing research by quantifying both the range of subsidized place-based investments and the locational impacts of those investments in
diverse neighborhoods using Philadelphia as a case study. This two-step approach attempts to both assess current efforts and provide recommendations for how programs can best respond to particular neighborhood needs.

*****

The federal government first entered the private housing market in the 1930s to revive the housing and banking industries, both devastated by the Great Depression of 1929. Many of the earliest federal “housing” programs dealt in reality only indirectly with real estate, focusing instead on enabling banks to provide mortgage loans that could, in turn, encourage construction and increase homeownership. To a far lesser extent, the federal government intervened with direct spending on housing and housing-related services for poor households and distressed neighborhoods.

Even with these efforts, the country faced a severe housing shortage by the end of World War II. Little work had gone into the country’s existing housing stock in the 1930s and the decade’s pace of new housing starts was just one-third of its pre-Depression rate; housing construction and rehabilitation had dropped even further during the war. At the same time, the country gained nearly 30 million residents and over 12 million households between 1930 and 1950 (mostly in urban areas) and witnessed the return of approximately 16 million veterans after World War II. By 1949, conditions were dire: over 2.5 million families lived in overcrowded housing and more than 5 million lived in blighted neighborhoods.

The Housing Act of 1949, passed after years of debate and by the narrowest of margins, was the federal government’s response. The Act attempted to provide — through slum clearance (later “urban renewal”), the public housing program, and increased authorization for Federal Housing Administration-sponsored mortgage insurance — “a
decent home and a suitable living environment for every American family.” At best, then, housing policy would not only make housing units more accessible or affordable or available; housing policy would also make neighborhoods stronger.

For decades, though, programs over-emphasized the former and paid little or no attention to the latter. This became especially clear in the 1960s, when the “housing crisis” became an “urban crisis” and distressed neighborhoods in city after city erupted in violence. In response, President Lyndon Johnson’s Model Cities program (created in 1966) attempted to coordinate various people- and place-based government efforts within targeted areas. Unfortunately, significant funding cuts and operational obstacles stymied the designation of program sites and the implementation of program-supported projects. In addition, most of Model Cities funding (nearly 70%) ultimately supported social services. Model Cities did, however, have a lasting impact on both present and future housing and community development programs, for example pushing urban renewal to become more socially oriented and to prioritize rehabilitation over demolition in residential areas.

While minimally neighborhood focused, federal housing policy was, by the 1970s, achieving important housing gains. After years of record levels of production of affordable units, housing quality had improved and the incidence of overcrowding had declined. However, these same programs had done little to positively affect neighborhoods and in many cases had played a part in destabilizing impacted communities. Population declines and property abandonment rates both reached unprecedented levels in many urban areas and were typically worst in those areas receiving urban renewal or public housing monies — those same areas typically denied federal mortgage insurance and private bank lending. Growing abandonment rates in particular weakened support for federal spending on the construction of affordable housing.
Making matters worse, many programs were floundering. Urban renewal, for example, had demolished far more than it had produced, decimating many city neighborhoods during the 1950s and 1960s. Public housing projects, particularly large-scale developments, were so distressed that the first was torn down in 1972. That same year, one out of every fifteen subsidized housing projects was in default and the government’s below-market-interest-rate loan program was under congressional investigation.

In 1973, the Nixon Administration used these troubles to justify a moratorium on new funding commitments for all federal subsidized housing and urban development programs. The subsequent Housing and Community Development Act of 1974 replaced urban renewal and most of the Great Society’s categorical grants with Community Development Block Grants to support housing demolition, rehabilitation, and new construction, infrastructure improvements and economic development strategies in eligible areas. The Act also established the Section 8 program, which included subsidies for new construction, rehabilitation, and rental assistance. Most important, the Act affirmed the federal government’s commitment to a new objective (beyond those cited in the Housing Act of 1949): to develop viable communities. Taking this to heart, cities have increasingly sought to use the newer monies in ways that meet existing needs, respond to pressing housing problems (such as extreme physical distress or property abandonment), and improve overall neighborhood conditions and quality of life.

Today, CDBG funding, Section 8 rental subsidies, the Section 202 Supportive Housing for the Elderly Program, the Section 811 Supportive Housing for Persons with Disabilities Program, the Department of Agriculture’s housing services for rural areas, Low Income Housing Tax Credits (LIHTC) (created in 1986), and the HOME and HOPE VI programs (both created in 1990) are the primary federal housing and community
development tools. (New Markets Tax Credits, Renewal Communities and Empowerment Zones (in select cities), and the Department of Housing and Urban Development's Brownfields Economic Development Initiative (BEDI), while primarily focused on economic development, also support housing and community development to a certain degree.) Unfortunately, funding levels for these programs are well below that appropriated for Great Society initiatives; competition is fierce for LIHTC and HOPE VI dollars.

To at least partially fill the void, state and local governments have greatly expanded their respective community development roles. State governments currently issue tens of billions of dollars in bonds to support rental and homeownership housing; local governments operate their own housing trust funds, participate in public-private partnerships, run abandonment prevention programs, and provide targeted neighborhood outreach. Both states and localities have also experimented with tax abatement programs to encourage economic growth and real estate development.

****

Why, throughout its evolution, did federal housing policy only rarely link unit- or household-based programming to neighborhood-wide dynamics? First, the federal government's earliest programs (which would have substantial influence over subsequent programs) were responding largely to the lack of financing for housing and a stagnant building industry (both stemming from the Great Depression) and only minimally (if at all) to neighborhood-wide or citywide conditions. Second, these programs came at a time when the country was urbanizing – when the majority of Americans were living in urban areas for the first time in the nation's history and when the nation's largest cities were growing by leaps and bounds. Scholars' observations about these urbanizing areas (that households were separated by income level and race or ethnicity; that housing and neighborhoods

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declined as they aged or were "invaded" by poorer or minority residents; that higher-income households tended to prefer new housing on the urban fringe) were taken as explanations of how cities and their neighborhoods, by definition, would fare over time. This profoundly impacted not only popular opinion about cities and their housing stocks, but also federal priorities and strategies (for example, the Federal Housing Administration's explicit preference for newer housing in homogeneous areas and denial of support to older housing in diverse neighborhoods).

Evidence of gentrification in the 1970s and the broader "urban revival" of the 1990s refuted these early conceptions of neighborhoods change: in city after city, older neighborhoods were thriving and units were filtering up, not down. These realities demanded new theories that looked beyond the age of the housing stock or the socioeconomic profile of area residents to predict future conditions and property values, and that did not equate neighborhood change with decline.

While academics have since developed a much richer understanding of neighborhood dynamics, researchers are only beginning to evaluate the link between housing programs and community-wide outcomes. Few studies of the CDBG program, for example, have focused on whether funding has affected neighborhood trends; one recent literature review found only two. Similarly, most of the current research on the "impact" of community development corporations (CDCs) simply documents the number of units developed or households served and typically fails to link investments with neighborhood effects. Increasingly, policy-makers are demanding better evidence that subsidized investments positively impact neighborhoods and better direction in how to best craft and allocate program dollars.
This study seeks to help fill this disturbing gap. It is a quantitative investigation of people- and place-based conditions and trends in Philadelphia and its neighborhoods, a compilation of recent program investments in city neighborhoods, and an analysis of the interplay between program investments and neighborhood trajectories. In addition to pioneering new techniques for quantifying these conditions and interactions, this study also borrows from the existing literature and uses, for the first time in Philadelphia, tested models for measuring neighborhood conditions and trends, program spending, and their interaction. Established methodologies informed how this study quantified people-based (demographic and socioeconomic) characteristics, housing stock characteristics, neighborhood characteristics, housing market dynamics, and the type and scope of intervention strategies. The existing literature also informed the selection of indicators for analytical purposes, as well as the data manipulation techniques used to test which neighborhood characteristics influenced future changes and to what extent such characteristics positively or negatively impact neighborhood trajectories, as well as which types of programmatic investments positively or negatively impact neighborhood trajectories.

This study understood neighborhood change to be prompted and bounded by external forces (such as regional or citywide economic, social, demographic or political conditions) and specified by internal characteristics (such as a neighborhood’s location, resident profile, and housing stock). Neighborhood-based features refine broader trends primarily by affecting a neighborhood’s reputation and popular expectations about its future quality and value. These opinions, in turn, affect institutions’ and individuals’ willingness to invest.

Government housing programs and subsidized investments can be a “critical ingredient” in the neighborhood change process (Van Ryzin and Genn 1999, 807). They can
act directly by improving local housing units or encouraging homeownership; they can act
indirectly by affecting others' perceptions of and expectations about a neighborhood, which
then makes these private actors more or less willing (and likely) to invest locally. Therefore,
housing program outcomes may be both tangible (causing or prompting short-term changes)
and sustainable (encouraging ongoing investment by others). The nature of the investment
as well as existing neighborhood conditions determine how tangible or sustainable program
dollars become.

Spurred by external economic and housing market adjustments, further influenced
by public investments, and refined by internal conditions and individuals' highly subjective
perceptions of those conditions, neighborhood change is complex and multifaceted:
Neighborhood residents change, neighborhood conditions change, neighborhood norms change,
neighborhood values change, and neighborhood expectations change (Galster and Rothenberg
1991, 44, 48; Kolodny 1983, 94). Therefore, understanding neighborhood change and the
role that subsidized investments might play in reshaping neighborhood trajectories requires
getting to know neighborhood residents, housing units, and market strength — and how each
is trending. It further requires detailing the nature and scale of public intervention. In
particular, it requires measuring the outcomes, not just outputs, of public intervention:
whether neighborhoods have become more attractive to private investors, whether local
quality of life has improved, and/or whether current homeowners are building equity.

To do so, this study asked the following questions:

1. What are the neighborhood conditions and trends throughout Philadelphia?

2. What types of programming did federal, state and city agencies support in the 1990s?
3. In which types of neighborhoods did these entities invest?

4. Did subsidized housing investments and low-cost lending impact neighborhood conditions and housing market strength?

5. What type of programming most impacted each type of neighborhood?

6. Do these results recommend a particular investment strategy for particular neighborhoods?

Answers came from reviewing Census tract-level data and trends in Philadelphia; summarizing people-, place-, and market-based characteristics and trends into cluster scores; identifying where neighborhood trends differed significantly from citywide trends; highlighting where neighborhood end-year conditions trailed or exceeded expectations; and assessing the roles that initial conditions and subsidized investments played in shaping neighborhood trends and outcomes.

Study findings provide new knowledge about neighborhood dynamics and the potential impact of housing programs on neighborhood trends in Philadelphia, with implications for cities across the country. The results of this analysis indicate that:

- Philadelphia has a clear pattern of social and housing market strength and weakness. A strong Center City is surrounded by neighborhoods (Lower North, South, and West Philadelphia) in serious distress, which are surrounded by neighborhoods (the Near Northeast, Olney/Oak Lane, Bridesburg/Kensington/Richmond) in more moderate condition, which are themselves surrounded by healthy neighborhoods (the Far Northeast and northwestern Philadelphia).

- This pattern is not new. In fact, it is nearly identical to that identified by the Philadelphia City Planning Commission and Redevelopment Authority in the early 1950s. Past discriminatory real estate and lending practices, misguided public investments, suburbanization, deindustrialization, and the local housing stock itself have encouraged these patterns, and the interplay between existing conditions and future trends tends to keep them in place.

- During the 1990s, however, the gap between the city's best and worst neighborhoods appeared to shrink. On average, Census tracts starting the decade with the worst conditions had the largest percentage increase (on average) in median value and were more likely to ...
end the decade with median values higher than conditions at the beginning of the decade predicted.

- **Strong markets continued to benefit from strength.** As many other studies have found elsewhere, resident income levels and housing values are closely correlated in Philadelphia. Housing Demand gains (increases in median rents and values, and decreases in abandonment rates) were positively associated with income gains between 1990 and 2000. Neighborhoods with greater Prestige (higher median incomes, more adults with college degrees, and more workers in professional occupations) or less Social Disadvantage (lower poverty and unemployment rates, fewer households receiving welfare, fewer families headed by single mothers, and less diversity) were more likely to attract additional higher-income residents during the 1990s.

- **Subsidized investments** (CDBG- and LIHTC-sponsored developments and PHA-led rehabilitation or revitalization projects), primarily directed into Census tracts with greater socioeconomic distress and weaker real estate markets in 1990, appeared to have a significant impact on area values. Overall, tracts receiving subsidized investments saw values appreciate faster (on average) than the city as a whole. And this was true to a greater degree as subsidized investments increased as a share of all Census tract housing units. The larger its share of subsidized units, the more likely a tract was to have a median value in 2000 that exceeded expectations.

- **Not only the scale but also the type of investment affected subsidies' impact on neighborhood outcomes.** Tracts with only owner-occupied subsidized development averaged appreciation rates fully double those of other subsidized tracts (those receiving either a mix of rental and owner-occupied subsidized housing or entirely rental subsidized units) and over six times that of unserved tracts.

- **Subsidized investments were associated with the largest benefits in initially weak markets.** Property appreciation rates and social distress declines were significantly better in weaker market Census tracts (those with the lowest values and rent levels, and highest abandonment rates) that received subsidized investment compared to those that did not. Initially weak markets were also more likely to at least meet – if not far exceed – property value expectations with subsidies than without.

- **This suggests that subsidized investments can positively impact distressed markets, particularly if developments include homeownership units and program spending is concentrated.** This underscores the importance of pursuing place-based investments in weaker areas and mixing unit types within developments, and the benefit to neighborhoods of concentrating program spending.

- **Borrowers receiving low-cost homeownership loans sponsored by the Pennsylvania Housing Finance Agency (PHFA) primarily used those loans to purchase housing in tracts with just below-average social distress and just above-average housing market strength.** These loans, representing a substantial investment in Philadelphia, tended to negatively (rather than positively) impact local conditions as they became increasingly concentrated. Property
appreciation rates were worst (relative to the city as a whole) in tracts receiving 50 loans or more. Three-quarters (74%) of tracts with at least 25 loans had market values in 2000 that trailed expectations based on conditions in 1990, while nearly one-third (31%) had values that significantly trailed expectations.

- Census tracts with low-cost loans typically underperformed unserved tracts, especially tracts with stronger housing markets in 1990. Healthier tracts without low-cost lending were nearly twice as likely as served tracts to meet or exceed expectations and five times more likely to substantially outperform than tract with loans.

- Concentrations of low-cost loans in moderate markets, typically when borrowers have incomes below the tract median income, can destabilize these neighborhoods. In Philadelphia, low-cost lending was associated with more social distress and less property appreciation over the course of the 1990s in moderate markets.

- Demand-driven low-cost lending can result in concentrations of loans in “neighborhoods in the middle,” which themselves can negatively impact neighborhood conditions and trends. Therefore, to provide affordable homeownership opportunities in stronger markets, lending must be tailored to meet households’ short-term needs and middle-markets’ long-term needs. This would require low-cost lending agencies (like PHFA) to proactively direct where borrowers use loans or to complement home purchase loans with resources for unit-based or area-wide improvements in an attempt to offset any negative neighborhood effects associated with the in-migration of lower-income households.

- However, initially weak-market tracts that received low-cost loans did average higher rates of appreciation (relative to the city as a whole) than those that did not. In these areas, the typical low-cost loan borrower was also more likely to have a household income greater than the Census tract median. Low-cost loans appeared most successful at sparking property value increases when this was the case.

- Low-cost loans are an underutilized resource for stimulating demand in weaker markets. Less than 1% of PHFA loans went into Philadelphia’s weakest housing markets. When they did, though, and when borrowers’ incomes exceeded tract median incomes, low-cost lending was associated with improving people- and place-based conditions.
Chapter 1
Dual Tracks and Disconnects: U.S. Housing Policy in the 20th Century

Federal housing policy has always struggled to define itself. Program goals have ranged from improving housing quality to providing more affordable housing to increasing homeownership to stimulating employment to reducing residential segregation to boosting cities' fiscal status (Stone 1989, 356; Listokin 1991, 168). Program objectives have only prompted additional questions about program design: Which households should programs target? Should targeting be based on individuals' special needs or income levels, and if so, which ones? Which housing units should programs target? Should policies support new construction or the rehabilitation of existing units; owner-occupied housing or rental housing? Should programs use categorical or block grants, below-market-interest-rate loans, or rental vouchers to disperse public monies? And how should public intervention, by various levels of government, interact with the private sector to achieve program goals? (Listokin 1991, 170-173; Keyes and DiPasquale 1990, 2).

This "lack of consensus...[has] made it very difficult for these programs to evolve in positive directions" (Hays 1995, 167). Over time, Congress has reformed, reshaped, replaced, reduced, or simply removed housing programs from the books and the budget rolls. Political leaders and public opinion have allowed few programs to last more than ten years, meaning that most ended before administrators could gain sufficient experience or programs could demonstrate real results (positive or negative) to effectively inform future policy (Koebel 1998, 8; Koebel, Steinberg and Dyck 1998, 40; Hays 1995, 167). The resulting "trial and error attacks" on a range of housing problems over the past half-century have led to a "bewildering variety" of housing-related programs (Mitchell 1985b, 3).
Disputes over program goals and design, and the impatience and resulting lack of feedback incorporated into program development, explain the scattered and inconsistent evolution of federal housing policy. Another barrier to success is the fact that, together, programs providing housing for low-income households or investing in distressed neighborhoods have rarely received more than 1% of all federal budget outlays (Hays 1995, 168). Instead, federal mortgage insurance and mortgage interest tax deductions, and "the filtration process," have been the primary means for housing lower income Americans since World War II (Sternlieb and Hughes 1991, 134). Ironically, many of these efforts actually worked at cross-purposes with the goals of direct expenditure initiatives. For example, Federal Housing Administration (FHA) mortgage insurance, by influencing which neighborhoods (upper-income, all-white) and which housing units (newly constructed, detached, single-family homes) banks defined as "appropriate" for investment, effectively "channeled mortgage investment away from...inner cities and toward the suburban periphery" in the 1950s and 1960s (Meyerson 1989, 179). Combined with non-housing policies (like the Federal Highway Act of 1956, which literally paved the way to the suburbs and carved up countless urban neighborhoods), federal policies helped create (and reinforce) the very slums and ghettos government housing programs sought to fix (Dreier 1999, 22, 23; Galster 1996, 113).

This was only compounded by the fact that early programs active in distressed neighborhoods were rarely tailored to the needs of those neighborhoods. The federal public housing program and other subsidized construction programs focused nearly entirely on the production of units, paying little attention to how those units might interact with or shape local market dynamics. Programs ostensibly aimed at "renewing" neighborhoods more often sought to replace neighborhoods. Policymakers overseeing such "neighborhood-
based” initiatives reviewed existing conditions not to inform the design of public intervention but simply to locate “blight” and therefore meet funding requirements.

While the debate about program goals and strategies rages on, there is a growing consensus around the idea that subsidized housing investments are more effective in the long-run when they are allocated in a way that is mindful of existing neighborhood conditions and designed to help stabilize or improve those conditions. The devolution of control over such investments starting in the 1970s (when the Community Development Block Grant program replaced urban renewal and other categorical grants), and the expansion of state- and city-sponsored affordable housing and neighborhood revitalization efforts, has made this increasingly possible.

**EARLY FEDERAL INTERVENTION IN THE HOUSING MARKET (1929-1948)**

The federal government first became an active participant in the private housing sector in the 1930s in response to the Great Depression of 1929, which “devastated America’s housing industry and ravaged the housing conditions of a large segment of the population” (Dreier 1999, 9). According to Federal Emergency Relief Administrator Harry L. Hopkins, there was “no repair work done on housing” in the five years after Black Tuesday and new construction effectively stopped (quoted in Semer 1985, 78). While new housing starts averaged over 700,000 annually during the 1920s, this dropped to an average of just 275,000 starts per year during the 1930s (Sternlieb and Hughes 1991, 128).

The Great Depression also devastated the banking industry. More than ten thousand banks failed between 1929 and 1933, greatly reducing the financing available for new businesses, new construction, and new purchases – particularly homes. This reinforced existing problems (overcrowding and poor conditions) and also prompted other housing-
related problems, like sky-high foreclosure rates. (In Philadelphia, for example, there were 24% more foreclosures in the four years after 1926 than during the twenty-five years before (Bauman 1983, 19).)

As a result, many of the earliest federal “housing” programs dealt only indirectly with real estate, focusing instead on banks and home loans in order to get lenders, and in turn builders and potential homeowners, up and running (Rosenberry and Hartman 1989b). To aid the banking industry and encourage new construction, the Federal Home Loan Bank Act of 1932, the first “major New Deal housing legislation,” established regional home loan banks and a Federal Home Loan Bank Board “authorized to advance funds to participating banks and other financial institutions in order to secure home mortgages” (Kleinberg 1995, 112). The Glass-Steagall Banking Act of 1933 created the Federal Deposit Insurance Corporation (FDIC) to guarantee long-term loans (such as mortgages) made by private financial institutions (Mitchell 1985b). That same year, the Home Owners Loan Act of 1933 established the Home Owners’ Loan Corporation (HOLC), an emergency measure providing $3 billion in direct low-interest government loans to refinance defaulted home mortgages, “pay delinquent taxes, and make essential home repairs, modernization, and improvements” (Kleinberg 1995, 112; Semer 1985, 73). In addition to stopping “a one-time panic and contribut[ing] to the restoration of confidence in mortgage lending as an economic activity and in mortgages themselves as valuable investments,” HOLC also “demonstrated the feasibility of homeownership for people of only moderate means when financed through reasonable monthly charges related to income and credit rating” (Semer 1985, 73). In its first two years of operation alone, the HOLC supported “over one million mortgages, or loans for one-tenth of all owner-occupied, non-farm residences in the United States” (Jackson 1985, 196).
The federal government reaffirmed its commitment to homeownership through bank regulations and loan guarantees with the National Housing Act of 1934. The Act set three objectives for federal intervention: to broaden homeownership by institutionalizing the long-term, low-down-payment mortgage instrument introduced by HOLC; to strengthen and protect lending institutions by providing mortgage insurance through the newly created Federal Housing Administration (FHA); and to stimulate construction and related jobs (Kleinberg 1995, 113; Mitchell 1985b, 42). The impact of FHA's guarantee for mortgages on approved properties was immediately noticeable: housing starts and home sales increased rapidly, skyrocketing from 93,000 in 1933 to 619,000 in 1941 (Jackson 1985, 205).

**Figure 1-1**

Housing Starts and Home Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Housing Starts</th>
<th>Home Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>93,000</td>
<td>332,000</td>
</tr>
<tr>
<td>1937</td>
<td>399,000</td>
<td>550,000</td>
</tr>
<tr>
<td>1938</td>
<td>399,000</td>
<td>550,000</td>
</tr>
<tr>
<td>1939</td>
<td>458,000</td>
<td>619,000</td>
</tr>
<tr>
<td>1940</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1941</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Jackson 1985*

If the Great Depression and resulting housing crisis illustrated opportunities for the federal government to reinforce private market activities related to housing, it also reaffirmed Progressive Era reformers' point "that the private market, even assisted by private philanthropy and charity, could not solve the economic and housing problems of the poor" without additional governmental support (Dreier 1998, 98). Demographic and migratory trends in the early 1900s compounded the impact of building industry failures on
the supply and quality of affordable housing and the condition of urban neighborhoods. Over the course of the 1920s, the country's population increased by nearly 20 million people, with most of the growth occurring in urban areas (U.S. Bureau of the Census). At the same time, technical innovations in farming and falling cotton prices in the 1910s and 1920s prompted a “Great Migration” of southern African Americans into northern cities. Newcomers and longtime city residents alike became increasingly overcrowded in physically stressed housing. Increased standards and new building codes further exacerbated the shortage of affordable housing in particular; intense discrimination worsened overcrowding in certain areas and made urban ghettos “a standard ecological feature of the northern city” by 1940 (Sternlieb and Hughes 1991; Galster 1996, 184). (Already making matters worse, too, was the fact that cities were benefiting little from the nation’s homeownership initiatives (and were in fact suffering greatly because of them) since FHA underwriting heavily favored new housing in strictly residential and typically upper-income, white neighborhoods – those found not in cities but in the emerging suburbs.) Therefore, public housing programs “and incidentally (almost accidentally)” efforts to eliminate slums were also part of the New Deal recovery program (Dean 1967, 39).

The New Deal’s Relief and Construction Act of 1932 authorized the Reconstruction Finance Corporation (originally formed to help stimulate economic activity through lending) to “make loans to low-income and slum redevelopment housing corporations” (Listokin 1991, 159). In 1933, the Public Works Administration (PWA) began its own public housing program in order to provide both shelter and jobs (Friedman 1973, 451; Listokin 1991, 159). Through the National Industrial Recovery Act of 1933, PWA had authority to clear slums and build replacement public housing (Kleinberg 1995, 105). Over the next two years, PWA oversaw the construction of roughly 40,000 units (Listokin 1991, 160). The Housing Act of
1937, responding to the fact that “one-third of [the] nation [remained] ill-housed,” expanded the public housing program and restructured urban redevelopment efforts, devolving oversight of the program to local housing authorities (LHAs) (Dreier 1999, 9; Melkonian 1989, 269; Mitchell 1985c, 8). Defense housing became the country’s public housing program once the nation entered World War II, and the 1940 Lanham Act authorized the public construction of defense housing and appropriated $150 million to do so quickly. (Embodying “the idea that defense housing should be temporary and in no way threaten the private housing sector,” the Act would substantially shift the course of public housing (Mitchell 1985a, 194). The roughly 945,000 units constructed under its provisions were nearly all “of shoddy materials, and designed to be demolished as soon after the war as possible” (Mitchell 1985a, 194). In this way, despite its productivity (it would take the subsequent public housing program nearly 25 years to produce an equivalent number of units), defense housing would ultimately undermine “the design and implementation of a coherent national public housing program” (Mitchell 1985a, 194).)

This laid the groundwork for what would become the “dual track” of U.S. housing policy: one track including various government regulations not meant to supersede the private market but rather to support it and to correct certain market failures (like zoning codes, building codes, mortgage insurance and guarantees, and tax incentives); the other including attempts to complement the market and provide “products” that the market can not (like quality housing for lower-income households and neighborhood improvements in declining communities) (Galster 1996, 88).

The design and funding levels for the different New Deal housing initiatives also set a powerful precedent for how the two tracks of intervention would be prioritized over time. Publicly sponsored and subsidized housing programs, largely an afterthought in the 1930s,
have continually struggled to rally support for projects and funding. In contrast, programs in the former track have been incredibly “popular with consumers, commercial banks, and building materials and equipment suppliers” from the beginning (Keith 1973, 26). This broad-based popularity (among a significant portion of the overall population and across a range of interest groups) and the fact that most of these tools are off-budget items help explain the longevity and consistency of this “home finance policy” (Mitchell 1985b, 42). (Since 1934, most reforms to the nation’s “home finance policy” have simply attempted to expand this structure in order to accommodate more people and places. For example, Congress chartered the Federal National Mortgage Association (Fannie Mae) in 1938 to increase the volume of mortgage lending by providing a national, secondary market for FHA-insured loans (Mitchell 1985b, 43; Hendershott and Villani 1985, 129). In 1968, Congress restructured Fannie Mae, enabling the now-private institution to purchase conventional, market-rate mortgages, and created the Government National Mortgage Association (Ginnie Mae), providing a similar outlet for mortgages for higher-risk, low-income housing projects, government subsidy programs, and FHA and Veterans Administration (VA) loans (Lea 1990, 190; Hays 1995, 86). The Federal Home Loan Mortgage Corporation (Freddie Mac) followed in 1970, serving as a “national secondary market in conventional mortgages for thrift institutions” (Lea 1990, 190). Over the course of their institutional lives, Freddie Mac has purchased roughly 35 million mortgages and Ginnie Mae has guaranteed over $1.7 million in mortgage-backed securities; Fannie Mae has purchased more than 58 million loans since 1968 alone and has a current book value near $2 trillion (Freddie Mac; Ginnie Mae; Fannie Mae). )
U.S. POST-WAR HOUSING POLICY (1949-1960)

The federal government pursued this “dual track” following World War II, which had exacerbated the effects of the Great Depression on the housing market and hindered New Deal initiatives’ ability to improve conditions. During the war, the number of housing starts fell to near zero (Caplow, Hicks and Wattenberg 2000, 94). Nearly twenty years without any substantial new construction or investments in existing housing and the return of roughly 16 million veterans created a severe housing shortage (Veterans Affairs). Conditions in cities were especially dire, especially since expanding FHA mortgage insurance programs effectively discouraged investment in older housing and urban, particularly minority neighborhoods. By the end of the 1940s, more than 2.5 million families still lived in overcrowded housing despite record-setting levels of new residential construction in 1948 and 1949 (Dreier 1999, 16; U.S. President's Commission on Veterans' Pensions 1985, 116). And by 1949, over 5 million families lived in blighted neighborhoods, which covered roughly one-fourth of the country’s urban areas and created a fiscal crisis for cities (Dreier 1999, 16, 95).

The Housing Act of 1949 set out to remedy both this housing shortage and this neighborhood crisis — to provide “a decent home and a suitable living environment for every American family.” In reality, this primarily meant a suitable new home for middle-income families in the suburbs through increased authorization for FHA mortgage insurance (the Act’s Title II). While other portions of the bill did address the issues facing urban areas and lower-income households, these programs were not designed to foster or build upon existing neighborhood strengths and would (more often than not) prove a threat rather than a salvation to distressed areas. At the same time, the highly contentious seven years of legislative stalemate leading to the Act’s passage, the Act’s narrow majority (it passed 209 to
not to mention funding levels far below those required to truly provide a quality home and neighborhood for every American, put its programs at a significant disadvantage (von Hoffman 1999, 1).

Title I created the Slum Clearance program, and authorized $1 billion in loans and $500 million in grants for urban development and redevelopment (Housing Act of 1949, 36-42; Listokin 1991, 160). Federal monies would aid municipalities as they cleared “slums and blighted areas” – deteriorated or deteriorating residential neighborhoods or distressed non-residential areas targeted for future residential uses – and prepared those areas for redevelopment by private actors (Housing Act of 1949, 36, 42). Ideally, these strategies were meant to provide cities with “a means for carrying out a master plan for conserving, rehabilitating and rebuilding” their weakest and other unstable areas (Wheaton 1960, 6). At the same time, urban renewal could be, according to one official, “the device by which [cities] mobilize every available resource in the community from a political and economic and social standpoint to do what may be required to provide a better urban climate” (Greer 1967, 81).

Using the model provided by the Housing Act of 1937, the 1949 Act married federal dollars with local oversight. To improve housing and neighborhood conditions, the urban redevelopment program relied on local authorities to designate areas as “blighted” and get blighted areas ready for redevelopment by assembling and clearing targeted parcels and undertaking any necessary infrastructure improvements, before selling the land to private developers (Housing Act of 1949, 40, 42). (By 1949, 27 states had already adopted urban redevelopment laws authorizing the use of eminent domain for the purpose of redevelopment, and a few large cities (including Chicago, Detroit, Los Angeles, New York City, Philadelphia, St. Louis, and San Francisco) had begun planning redevelopment projects.
Federal funds would cover two-thirds of the difference between the cost of predevelopment and the eventual sale price of the property (Mitchell 1985a, 194-195). As originally conceived, subsequent development would include the construction of public housing. Over time, though, commercial projects and higher end housing increasingly overshadowed low-cost and public housing units (Mitchell 1985a, 194, 195.).

Title III of the Housing Act of 1949 breathed new life into the public housing program established in 1937. The new legislation called for the construction of 135,000 units per year through the mid-1950s (or a total of 810,000 new public housing units) (Kleinberg 1995, 110; Listokin 1991, 160; Mitchell 1985a, 194). To build these units, local public housing authorities could borrow money through bond issues and use the proceeds for land acquisition and preparation, and new construction. The federal government would make annual contributions to the projects to cover the interest on bond payments and the amortization of the principal (Friedman 1973, 451).

Figure 1-2

Public Housing Construction, 1949-1972

Sources: Dreier 1999, Mitchell 1985a

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Progress toward public housing output goals was slow, lagging well behind the initial targets. Authorities added only 84,600 units in the first two years of the program (1950 and 1951), just over half the expected annual production level (Dreier 1999, 18; Kleinberg 1995, 110). Local housing authorities managed to produce less than one-quarter (24%) of the targeted 810,000 units – 192,000 units – by 1955 (Mitchell 1985a, 195). And despite modifications in future legislation, site selection controversies and implementation delays kept production levels low throughout the 1960s – from just 22,400 new starts in 1962 to a high of 33,400 starts in 1967 (Keith 1973, 184). (Local Housing Authorities (LHAs) would not reach their original production goal until 1972 (Kleinberg 1995, 110; Mitchell 1985a, 195).)

The slow start of both urban redevelopment and public housing prompted Congress to make certain revisions, particularly to the slum clearance program, through the Housing Act of 1954. One amendment that allowed local authorities to designate up to 10% of project funds for nonresidential development on cleared land (Kleinberg 1995, 138). (This figure would rise to 30% by 1959.) With less emphasis on housing, particularly public housing, the program began to attract more interest from both private developers and city officials (Kleinberg 1995, 140).

Another criticism was the program's tendency to underserve or ignore altogether viable neighborhoods in need of support for rehabilitation and preservation. In response, the Housing Act of 1954 replaced "urban redevelopment" with "urban renewal." The name change reflected Congress' willingness to fund a broader array of activities in blighted neighborhoods and program adjustments made the rehabilitation of existing units and other conservation (abandonment prevention) strategies eligible for funding (Nenno 1982b, 31).
This change meant that federal aid was no longer “confined to bulldozing and rebuilding from scratch” (Friedman 1985, 222; Nenno 1982b, 31; Listokin 1991, 161; Keith 1973, 116). Section 220 of the Act authorized FHA mortgage insurance for the rehabilitation or new construction of housing units in urban renewal areas; and Section 221 (which would be expanded in 1959 and again in 1961) authorized FHA insurance on low-cost rental housing for those families displaced by urban renewal demolition activities (Listokin 1991, 161; Keith 1973, 116; Nenno 1982b, 31). Despite these additions, clearance and redevelopment remained urban renewal’s “dominant strategy” overall, and the number of units rehabilitated using FHA mortgage insurance programs was “dwarfed by the agency’s massive commitment to new construction” (Hays 1995, 223).

Still, in keeping with the Act’s emphasis on “renewal” over redevelopment, the Act required that cities develop a “workable program for community improvement” to participate in urban renewal (Keith 1973, 116). A “workable program” has seven elements, including: new and/or improved housing codes; zoning codes; land use regulations; health and/or safety standards; and relocation programs. More than 3,000 localities adopted building codes in response to the new requirement; and the program would have “long-range significance in stimulating local planning in smaller cities and ultimately on a regional basis” (Nenno 1982b, 13; Keith 1973, 116).

For the most part, the Housing Act of 1956 simply strengthened the 1954 amendments. It further broadened urban renewal and the new FHA mortgage insurance programs, and authorized new contracts for up to 70,000 units of public housing over the following two years (Keith 1973, 121). Along the lines of 1954’s “workable program,” Congress sanctioned General Neighborhood Renewal Plans (GNRPs) for urban renewal
GNRPs were meant to encourage localities to replace project-by-project thinking with multi-year, multi-pronged planning (Nenno 1982b, 33).

The most significant 1956 addition turned out to be a modest provision that opened public housing to “unmarried people...who were 65 years of age or more” (Friedman 1973, 454; Hartman 1975, 123; Keith 1973, 121). This new, politically palatable form of public housing would become increasingly popular. Hundreds of small cities and towns that had refused to build public housing units for families established new housing authorities to develop public housing for the elderly (Hartman 1975, 124). Within ten years, public housing units slated for elderly tenants would represent over half of all public housing starts (Keith 1973, 184; Hartman 1975, 123-124).

The Housing Act of 1959 continued to shift urban renewal efforts downtown and toward nonresidential uses. The 1954 Act had set aside up to 10% of project funds for nonresidential developments; the 1959 Act raised this set aside up to 30% of all project funds (Kleinberg 1995, 138). Second, the Act challenged planners to think even more comprehensively than the GNRPs, starting in 1956, had done. Federal grants became available to help localities prepare new Community Renewal Plans (CRPs), comprehensive development plans for not just neighborhoods but entire cities (Nenno 1982b, 11, 33).

Third, and most important, the Housing Act of 1959 ended the government’s (specifically, local housing authorities’) more than twenty-year monopoly on the production and management of affordable housing (Bratt 1989, 279). New FHA-insured loans (Section 231) and direct government low-interest loans (Section 202) supported the private production of subsidized housing for the elderly (Bratt 1989, 279; Melkonian 1989, 274; Publicly Assisted and Subsidized Housing 1985, 320; Mitchell 1985a, 198). The number of units produced using Section 231 loans would peak in 1962; the first units developed using

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Section 202 were completed in 1962 and their numbers would rise steadily through the 1960s (Publicly Assisted and Subsidized Housing 1985, 321). Significantly, eligible loan recipients included private nonprofit organizations or limited-dividend housing corporations, the earliest instance of community development corporations playing an important role in federal housing policy (Melkonian 1989, 274).

**Figure 1-3**

Provision of Housing Units under Section 231 and Section 202

Source: "Publicly Assisted and Subsidized Housing from Housing Crisis to Urban Crisis (1961-1968)

As President John F. Kennedy entered the White House in 1961, the country faced a homebuilding slump (the first since World War II) and growing inner-city housing needs (Achtenberg 1989, 230). More than a decade of federal housing policy, split between indirect support for homeownership and (highly contentious) direct support for affordable housing and distressed neighborhoods, was seen by some to have actually "contributed directly to...the nation’s most serious urban dilemma: isolation of the poor in central city
ghettos shut off from job or educational opportunities” located in the suburbs (Kleinberg 1995, 127).

The Housing Act of 1961 reflected the president’s commitment to cities and substantially increased funding for urban-oriented programs. More cities applied for urban renewal funding; by the end of the 1960s, most cities had “at least one urban renewal project planned or underway” (Hays 1995, 178). (Of all the programs authorized in the Housing Act of 1961, only urban renewal (not public housing, not grants for public space or mass transportation, not the below-market-interest-rate program) was spending its authorized funds on schedule (Keith 1973, 145).) However, urban renewal projects continued to emphasize demolition over rehabilitation and the construction of higher-end rather than affordable housing on cleared sites (Teaford 2000).

Another initiative greatly expanded by the Housing Act of 1961 was the Section 221 program. The new Section 221(d)(3) Below-Market-Interest-Rate Program targeted not only those displaced by urban renewal (as Section 221 was originally designed to do in 1954) but any household with an income too high to qualify for public housing but low enough to have trouble affording market-rate housing (Mitchell 1985a, 198-199; Publicly Assisted and Subsidized Housing 1985, 323; Hays 1995, 101). Like the previous act’s Section 231 loans, Section 221(d)(3) enabled private lenders to originate low-interest (below market) mortgages for rental housing developments. Developers’ reduced capital costs allowed them to charge lower rents and therefore provide housing affordable to lower-income households (Hays 1995, 101). Recipients of Section 221(d)(3) loans could be private, for-profit entities – “the first time in the history of American housing” that for-profit entities were eligible for such subsidies (Achtenberg 1989, 230). (Only nonprofits could receive Sections 231 and 202 funds.) Still, it took Section 221(d)(3) loans six years to help create the number of units set
as the program’s initial annual goal (Publicly Assisted and Subsidized Housing 1985, 331). (Even more alarming were the high default rates among Section 221(d)(3) program projects (HUD 985, 363).)

President Lyndon B. Johnson built upon these initiatives. In a March 2, 1965, special message to Congress, he described the “giant and dangerous...forces of growth and decay” negatively affecting urban neighborhoods and city residents “and the quality of the lives they lead.” His response: “to build not just housing units, but neighborhoods” (quoted in Keith 1973, 160). To beat back decay and make subsidized development programs more neighborhood-friendly, he increased support for the construction or rehabilitation of affordable housing (subsidized production would account for 10% of all starts during his second term) and established a new cabinet-level department, the Department of Housing and Urban Development (HUD) (Grigsby and Rosenburg, 1975, 2). His Housing Act of 1965 also represented a real push to use code enforcement more centrally in urban renewal and other neighborhood revitalization efforts.

Federal rehabilitation loans and grants became available to complement concentrated code enforcement. The Housing Act of 1964’s Section 312 rehabilitation loans assisted property owners and tenants in target areas with the rehabilitation of their residences or businesses; in some cases, property owners could also refinance an existing mortgage (Nenno 1982b, 16; Hartman 1975, 72). The Housing Act of 1965 added Section 115 rehabilitation grants ($3,000 to $3,500) for poor homeowners to use instead of or along with Section 312 loans; Section 116 demolition grants for local communities to cover up to two-thirds of the cost of demolishing dangerous properties; and Section 117 federally assisted code enforcement (FACE) grants for cities’ and counties’ to use to concentrate code enforcement and related infrastructure investments (Nenno 1982b, 16, 32; Hays 1995, 229).
On the positive side, these programs did have the “dramatic effect” of presenting cities with an important alternative to slum clearance and marked the important first step in “the long process of learning how to promote neighborhood recovery” (Brophy 1982, 53). On the negative side, only 201 urban renewal concentrated code enforcement grants and just 156 grants for demolishing hazardous structures were made nationwide between 1965 and 1971 (Hartman 1975, 65).

The Housing Act of 1965 also experimented with privatizing some of the nation’s existing public housing stock, then home to more than 2.1 million people (Friedman 1973, 448). The most popular method was known as “turnkey” construction: private developers would build or rehabilitate projects and sell the finished product to a local public housing authority. The Section 23 leasing program let local public housing authorities lease existing private housing units – taking advantage of vacancies – for occupancy by qualified households. Together, these two programs (Section 23 and the “turnkey” program) added roughly four times as many public housing units annually as the traditional approach (Hartman 1975, 123; also see Burchell 1991, 418; Hartman 1975, 120-121; Meehan 1985, 306; Mitchell 1985a, 200; Nenno 1982b, 30; Orlebeke 1999, 5).

As the public housing program expanded, urban renewal faced mounting criticism. Nearly twenty years after its founding, the program’s varied stakeholders continued to disagree about urban renewal’s primary objective. Should cities focus on neighborhoods or downtown? On residential or commercial properties? On clearance and new construction or on the rehabilitation of existing housing? On the physical problems of urban real estate or the social needs of urban residents? (Dolbeare 1961; Winnick 1961). Some believed that it had failed as a revitalization tool and dangerously disrespected the diversity and history of urban neighborhoods. Several scathing critiques of the program received wide audiences:
Jane Jacobs' *The Death and Life of Great American Cities* (1961), which railed against urban renewal for “bloodletting” rather than fortifying urban neighborhoods (12-13); Herbert Gans’ *The Urban Villagers* (first released in 1962 and re-released in 1965), which highlighted officials’ tendency to overuse “blight” and “slums” to the detriment of thriving (if run-down) communities; and Martin Anderson’s *The Federal Bulldozer* (first released in 1964), which documented the program’s slow pace and high costs.

Urban renewal, critics contended, was increasingly focused on downtown or nonresidential developments to attract private participation, and building higher-end (even luxury) housing to lure the middle- and upper-class back to city living. While moderately (although in most cases, barely) successful in achieving these goals, this new approach did little for the existing, mostly poor and African American, residents it either displaced or ignored. Between 1949 and 1963, urban renewal demolished 243,000 units – home to 177,000 families and 66,000 single individuals. These were replaced by just 48,000 units (18,000 were still in construction as of 1963); only 20,000 of these were public housing units (Frieden and Kaplan 1975, 24; Kleinberg 1995, 137). (By the mid-1970s, the program would destroy nearly 400,000 units and displace roughly 1 million people (Cashin 2004, 116).)

During the long hot summers of 1965 through 1968, urban neighborhoods across the country – in many cases areas officials specifically targeted for urban renewal projects or highway construction – erupted in violence. More than 300 separate riots occurred, claiming roughly 200 lives, over the course of these three years (Bean 2000, 165). President Johnson convened a National Advisory Commission on Civil Disorders (chaired by Otto Kerner) to investigate the riots – their instigators, victims, causes, and effects. Among other things, the Commission found that “the number of nonwhites living in substandard housing increased from 1.4 to 1.8 million” between 1950 and 1960, “even though the number of substandard
units declined” (Report of the National Advisory Commission on Civil Disorders 1968, 467). Poverty and racial discrimination in the housing market were the major factors “condemning vast numbers of Negroes to urban slums.” Yet federal housing programs, particularly urban renewal, had done “comparatively little” to remedy this situation (Report of the National Advisory Commission on Civil Disorders 1968, 473). This further reinforced the point that urban renewal, as it existed, lacked “any commitment to a redistribution of resources or power” and often victimized, rather than aided, the poor (Frieden and Kaplan 1975, 34).

As an alternative, the Ford Foundation launched its own “urban renewal” in keeping with the original spirit of the program – to provide a “suitable environment.” The “Gray Areas Program,” started in 1961, focused more on people than on housing, and was designed to comprehensively address “urban human problems” (Ford Foundation). The program made “sizable” grants to both city governments and private social action agencies in Boston, Oakland, New Haven, Philadelphia, Washington, and across North Carolina, to streamline services in target areas and experiment with program design and implementation (Frieden and Kaplan 1975, 27).

The Gray Areas Program and President Kennedy’s Committee on Juvenile Delinquency and Youth Crime would substantially influence the design of the War on Poverty’s Community Action Program (CAP) and the Model Cities Program (Frieden and Kaplan 1975, 28). CAP shared three principles with the Gray Areas Program and the activities pursued by the President’s Committee: to coordinate government resources and concentrate resources on the “most pressing social needs” (human, not just physical, renewal); to experiment with ways to meet these pressing needs; and to involve recipients in program planning and implementation (Frieden and Kaplan 1975, 31; Kleinberg 1995, 155; Teaford 1990, 8). By September 1965, the Office of Economic Opportunity (charged with
managing the federal government’s poverty programs) had funded more than 500
Community Action Agencies (CAAs) across the country. Federal program expenditures on
such outreach rose from $237 million to $628 million between Fiscal Years 1965 and 1966
(Frieden and Kaplan 1975, 32; Haar 1975, 25).

In 1966, the Demonstration Cities and Metropolitan Development Act created the
Model Cities program (Keith 1973, 174). Model Cities was the housing equivalent to the
Community Action Program, representing a “comprehensive, multidimensional” approach
to neighborhood improvement that encouraged cities to develop low- and moderate-income
housing, provide necessary social services to neighborhood residents, and improve overall
neighborhood conditions by concentrating and coordinating resources in targeted
neighborhoods (Kleinberg 1995, 175-176; Frieden and Kaplan 1975, 43-45). The program
also fostered local leadership, supported housing development corporations (some of today’s
oldest community development corporations), and leveraged support from the private sector
and other government agencies (Bratt 1989, 281; Frieden and Kaplan 1975, 45; Haar 1975,
ix).

Unfortunately, the effectiveness of Model Cities was significantly frustrated by the
escalating conflict in Vietnam and Congressional reluctance to fund urban programs on a
sufficient scale (Keith 1973, 174). Authorization for Model Cities was cut from $2.3 billion
over five years to $900 million over two and supplemental grants were also reduced from 90
to 80% of local governments’ contribution (Haar 1975, 101). And these fewer resources
were spread among two and a half times as many sites as originally planned: while a task
force had recommended sponsoring 66 demonstration sites, HUD selected nearly 150
locations (Haar 1975, 54, 145-146). It was not until December 23, 1968, “less than a month
from the inauguration of a new president,” that selected cities’ programs were approved for
funding (Haar 1975, 147). Model Cities would continue to face obstacles after individual “demonstrations” were operational, including opposition from local officials who objected to the program’s practice of bypassing city governments and transferring money directly to citizens’ groups.

Even though most Model Cities funding (nearly 70%) ultimately supported social services, the program did have a lasting impact on both present and future housing and community development programs (Kleinberg 1995, 196). For one thing, it managed to shift officials’ thinking about urban renewal. Not to be outdone, urban renewal “became more socially oriented than model cities,” borrowing the other program’s language and, ironically, stealing its fire (Haar 1975, 196). In addition, Community Development Block Grants, the primary neighborhood-oriented program after the mid-1970s, would adopt Model Cities’ philosophy of affording cities “considerable decision-making power over the use of federal funds” (Haar 1975, 199).

With the federal approach to neighborhoods evolving and the public housing program expanding through increased private participation, President Johnson’s Committee on Urban Housing (known as the Kaiser Committee after its chairman, industrialist Edgar Kaiser) conducted an investigation of housing conditions in the late 1960s. The Committee’s 1968 report, *A Decent Home*, argued that the supply of affordable housing remained inadequate and recommended that the federal government continue using new construction or rehabilitation strategies to increase that supply (Keyes and DiPasquale 1990, 9). The 1968 Housing and Community Development Act heeded the Kaiser Committee’s concerns and advice; Below-market interest-rate (BMIR) programs were its method of choice. The Act replaced the Section 221(d)(3) program (created in 1961) with the Section 235 homeownership program and the Section 236 rental assistance program (Case 1991).
Like the Section 221(d)(3) program, these newer BMIR programs “intended to produce housing for those…literally caught in the middle: The people…too poor to rent or buy standard private housing but not poor enough to be admitted to public housing” (“Publicly Assisted and Subsidized Housing” 1985, 323; Hays 1995; Listokin 1991). However, their means for doing so differed. Section 221(d)(3) authorized the federal government (through Fannie Mae) to purchase mortgages originated at below-market rates (to for-profit and nonprofit affordable housing developers) at a price based on market rates (Bratt 1989, 279; Hays 1995, 101). In contrast to this public financing arrangement, the Section 235 program subsidized either the difference between a 1% interest rate and the market-level rate or the difference between a payment at 20% of the borrower’s income and the full market-rate amount, whichever was smaller (Bratt 1989, 279; Mitchell 1985a, 199; Hays 1995, 87). The Section 236 program provided a similar subsidy for the developers of multifamily rental units (Mitchell 1985a, 199; HUD 1985, 348). The Administration and Congress saw these programs as a “major vehicle for stimulating lower income housing construction” and set a 10-year goal of 26 million new or rehabilitated housing units, 6 million for lower-income households (Mitchell 1985a, 199).

Fully funded, the Section 235 and Section 236 programs became significantly more productive than their predecessors. In Fiscal Year 1971, Section 235 sponsored 138,000 units, representing nearly one-third (29%) of the 480,000 units produced under all federal subsidy programs (Hartman 1975, 136). Section 236 production more than doubled between Fiscal Years 1970 and 1971, climbing from 51,000 to 107,000 units (Hartman 1975, 144). (Section 221(d)(3) loans, for example, placed just 4,200 units in construction in 1962 and 8,700 in 1963; on average, the program reached just one out of every fifty income-eligible households (Keith 1973, 145; HUD 1985, 338).) Together, these BMIRs built or
substantially rehabilitated nearly 500,000 units between 1970 and 1974 (Achtenberg 1989, 233). Yet the Act’s emphasis on production superseded any other goals (such as neighborhood revitalization) and therefore did little to link affordable housing development with neighborhood-wide conditions.

The 1968 Act also pushed FHA to insure mortgages to lower-income households and in urban and minority neighborhoods. Its Section 223(e) gave legislative sanction to FHA’s “waiving or relaxing…property standards to permit mortgage insurance for housing in blighted areas of central cities;” older, declining areas, and lower-income households became “acceptable risks” for FHA and a Special Risk Insurance Fund was established to handle “heavier than normal” insurance losses (Semer 1985, 97).

**Rethinking and Revising (1968-1973)**

Just as Model Cities was getting underway and the fledgling Department of Housing and Urban Development settling into its roles and responsibilities, President Johnson chose not to seek re-election and his Vice President, Hubert Humphrey, lost to Republican candidate Richard Nixon. Nixon’s inauguration sparked the beginning of a period of contradictions. During his first term, subsidized housing production “jumped to over one-quarter of total residential construction, and in less than four years equaled the aggregate production record of the previous 32” (Grigsby and Rosenberg, 1975, 2). By the time he left office, private nonprofit and for-profit developers and local housing authorities would have added 1.6 million units of subsidized housing to the country’s total inventory (Orlebeke 1999, 2). Yet at the same time, the President largely dismantled existing federal housing programs and recast the government’s direct role in the housing market almost entirely.
The Housing and Urban Development Act of 1969 was an early illustration of the conflict of interest between the Great Society-minded Congress and a “New Federalism”-oriented President. While the act “did not strike any important new ground,” it substantially increased (rather than decreased, as the President had requested) the funding for housing programs. Congress raised the Government National Mortgage Association’s (Ginnie Mae) special mortgage-purchase authority by $1.5 billion, increased authorization for Sections 235 and 236 by $25 million each, for urban renewal by $1.7 billion, for Section 202 by $150 million, and for annual public housing subsidies by $75 million (Keith 1973, 206).

Nixon’s landslide re-election in 1972, however, shifted this balance of power. In 1973, Secretary of HUD George Romney declared an “urgent need for a broad and extensive evaluation of the entire...structure of our housing and community development statutes and regulations” (quoted in Hays 1995, 135). One compilation of major housing legislation and executive actions, prepared in 1975, “devoted one-half page to four entries from 1882 to 1931, and 222 pages to those 1931 through 1974” (Mitchell 1985b, 3). In 1966, roughly $25 billion (compared to just $1.628 billion in 1948) flowed from the federal government to states and cities through 379 separate grants-in-aid; Congress added 219 of these grants-in-aid between 1961 and 1966 alone (Haar 1975, 27).

This call for review reflected not only a political preference for a diminished federal government role, but also widespread concern that existing programs were failing. By the mid-1970s, existing housing programs were considered to be “expensive, cumbersome to implement, sometimes inappropriate to local needs and conditions, and disappointingly short of concrete successes” (Galster 1996, 22-23).

Public housing projects were increasingly poor and isolated. The Brooke Amendments (passed in 1969 and revised in the 1970s and 1980s), which initially sought to
protect public housing units as an affordable housing resource for very-low-income households, capped rents at first 25% and then 30% of tenants’ household income. By doing so, the amendments actually encouraged concentrations of extreme poverty and long-term dependency in public housing developments by inadvertently discouraging tenants’ upward mobility (since income increases would result in rent increases).

Public housing projects were also highly segregated. In 1971, HUD data indicated that over half (56%) of public housing sites were hyper-segregated – either all-white or all nonwhite – and an additional 11%, though “mixed” overall, were internally segregated (Hartman 1975, 125). Nearly one-third (31%) of all public housing units were located in one of just 29 large cities (Nenno 1982b, 28). And within those large cities, projects were overwhelmingly located in minority neighborhoods. (In Philadelphia, for example, officials sited every project planned between 1956 and 1967 in minority or transitional neighborhoods (Bauman 1987, 169).) Public housing projects were also frequently in deplorable condition (Kodowitz 1991). A public housing program first occurred in 1972, when wrecking crews demolished the notorious Pruitt-Igoe project in St. Louis (Listokin 1991, 164).

Housing developed or rehabilitated through other programs seemed to be faring no better. Private developers extensively abused the Section 235 program (Galster 1996, 94-95). Evidence of “scandalous abuses” of FHA mortgage activity in urban neighborhoods prompted investigations by “several congressional committees, HUD, the General Accounting Office, and the U.S. Commission on Civil Rights” (Hartman 1975, 138). One study by the House Banking and Currency Committee concluded that subsidies were proving to be a “bonanza to fast-buck real estate speculators” who underpaid for housing in transitioning neighborhoods (accelerating white flight from those neighborhoods), made
cosmetic repairs, and overcharged new (mostly minority) purchasers (Hartman 1975, 1938). The 1968 National Commission on Urban Problems similarly concluded that “FHA was not merely neutral with respect to the incidence of decay and blight; its policies actually aided, abetted, and encouraged it” in urban neighborhoods (Hartman 1975, 141). Excessive mortgages quickly proved too great for in-moving households to bear: By 1972, HUD owned 149,000 homes, up 450% from 1960 (Galster 1996, 95).

At the same time, Section 236 projects were “experiencing failures of major proportions” (Achtenberg 1989, 233). By 1975, 14% of the 640,000 units produced under Section 236 were in projects with defaulted mortgages already assigned to either FHA or HUD (Achtenberg 1989, 233). In all, nonprofit-driven Section 236 projects, often the most challenging kind (rehabilitation projects for families in older and declining areas), failed over four times as often as those developed by for-profit groups. Nearly two-thirds of nonprofits’ family-oriented rehabilitation projects had defaulted by 1977; by 1978, less than one in three of these developments was financially sound (Hays 1995, 127; Bratt 1989, 280).

And urban renewal appeared impotent against rising abandonment rates and ongoing decline in urban neighborhoods. The program was largely unsuccessful at sparking new investment in downtown neighborhoods and, even worse, was often (at least partially) responsible for significant disinvestment in impacted communities. “Housing records were being set daily in central parts of major cities such as Detroit and St. Louis, not for new development but for the number of buildings abandoned” (Haar 1975, 194). By the mid-1970s, as critics pointed out, the program had spent over $3 billion to actually reduce the supply of low-cost housing (Haar 1975, 17).

Officials and academics additionally argued that the program’s infringement on local discretion and decision-making, as well as its failure to encourage cities to approach
redevelopment from a comprehensive and strategic perspective, played a significant part in urban renewal's impotence against ongoing decline. Cities' potential neighborhood revitalization strategies were largely (if not entirely) dictated by the regulations, funding requirements, and administrative design of urban renewal. Cities' attempts to reinvent and revive themselves during what became a period of intense suburbanization were largely restricted by the character of related subsidies: federal urban renewal dollars were limited to specific activities and usable in only a few areas of the city, namely those classified as "slums" with significant "blight."

The nature of urban redevelopment funding—distributed on a project-by-project basis—discouraged cities from developing comprehensive plans for renewal citywide and encouraged local officials to design projects to meet the demands of "federal carrots" rather than their own varied (and in some cases ineligible) local needs (Bellush and Hausknecht 1967, 16). Planning for most cities was little more than "grantsmanship where the staff looked to Washington for ideas in good currency" (Clay and Hollister 1983, 211). Even the areas chosen as urban renewal sites were almost entirely dictated by federally based decision-making and criteria "that often had little to do with local boundaries or social realities" (Clay and Hollister 1983, 211).

An additional drawback of the funding application process was that it forced cities to highlight their worst features rather than their best ones; the more distressed a city could "prove" itself or its neighborhoods, the more likely it was to receive funding to remediate the problem (Clay and Hollister 1983, 211; Kromer 2003). This type of competition—where the worst place typically won—had a detrimental effect on the perception of cities. As one urban renewal official explained: "You've also got to take the curse off—that urban renewal is done only when something is bad" (Greer 1967, 82). Some believed that the "curse," or
the negative perception of both the urban renewal program and the urban renewal areas, only further encouraged the out-migration of people and jobs and, ironically, made attracting private capital to cities and neighborhoods (a key goal of urban renewal) all the more difficult (Kromer 2003). It also undermined the success of urban renewal projects, creating a vicious cycle where urban renewal actually ended up spreading, rather than containing, blight (Rapkin 1961, 81).

The Nixon Administration used these troubles to justify a moratorium, imposed by the Office of Management and Budget on January 1, 1973. The moratorium cut off all new commitments for urban renewal, Model Cities, below-market-interest-rate loans (Section 235 and Section 236), water and sewer grants, open space land programs, public facilities loans, and similar Farmer’s Home Administration programs (Hays 1995, 133-134).

Devolution and Demand-Side Subsidies (1974-1980)

One year later, the Housing and Community Development Act of 1974 restarted federal housing programs. The Act created a special revenue sharing mechanism, the Community Development Block Grant (CDBG), to distribute federal dollars for blight removal, code enforcement, the rehabilitation and new construction of affordable housing, and the provision of necessary community services (Hays 1995, 204). The CDBG program consolidated seven categorical grants (urban renewal, Model Cities, and grants for neighborhood facilities, water and sewage utilities, open space, urban beautification, and historic preservation) and two development loan programs (for public facilities and housing rehabilitation). While CDBG dollars were fairly flexible, local governments could spend no more than 20% of their total grant on social services (Kleinberg 1995, 196). HUD would
allocate resources using a formula (based on local poverty rates and housing distress) rather than in response to individual applications for funding.

The shift from categorical, project-by-project funding to block grants had several implications. First, the distribution of federal dollars between cities changed. Fewer than 150 communities received Model Cities funding and roughly 1,200 received urban renewal assistance. In contrast, nearly 3,000 localities would receive CDBG dollars during the program’s first year (Kleinberg 1995, 197). Initially, this drastically reduced support to those cities most active (and aggressive at going after federal dollars) under earlier programs. (Congress adopted a compromise “dual formula” system that prioritized older and distressed cities (those typically facing the largest losses) in 1977 (Kleinberg 1995, 214-215).)

Second, the division of responsibility between the federal and local governments changed substantially. CDBG gave local governments a significant level of discretion over how funds were distributed between city neighborhoods and among various projects and programs (Morial and Barry 1986; von Hoffman 1999). Eligible communities simply presented HUD with a Housing Assistance Plan (later called the Consolidated Plan) that documented existing housing needs and outlined a realistic strategy (with annual goals) for how the city planned to use CDBG dollars to meet those needs (Nenno 1991, 472-473; Hays 1995, 205). Federal reviewers’ only role was to confirm that all projects met the program’s fairly broad programmatic and spending requirements.

Third, CDBG money was far more flexible than prior urban renewal subsidies. “Instead of concentrating spending in few places or on a single grand project as they did in the 1950s and 1960s, local governments [could] spread CDBG funds among several neighborhoods” (von Hoffman 1999, 16). While grants could subsidize demolition and
clearance, cities were encouraged to focus instead on rehabilitating and conserving existing properties, particularly historic and other notable units.

Together, these changes were both a blessing and a curse for local governments and had significant implications for local government operations (Kromer 2000, 63). Cities now faced new responsibilities related to program planning, design, implementation, evaluation, and budgeting that went “beyond the old redevelopment agency (that is, urban renewal) and beyond the custodial activities common to public works and other line departments and agencies in city hall” (Clay and Hollister 1983, 211). City agencies and departments built around the rules and regulations of urban renewal (like redevelopment authorities) did not necessarily have the expertise CDBG processes demanded. To handle these functions, cities across the country established new local government departments, which replaced, complemented or absorbed existing urban renewal agencies (Hays 1995, 217).

Initially, while cities became familiar with and able to meet these new requirements, many communities simply used CDBG dollars to satisfy existing urban renewal or Model Cities commitments (Hays 1995, 217). Before long, however, cities began to use funds more creatively. Sixty-seven localities used CDBG dollars to rehabilitate over 27,000 units of public housing between 1975 and 1979 (Nenno 1982b, 29). Over the same time period, the portion of CDBG funds going to the “conservation of the housing stock” increased from 16% to 31% (Nenno 1982b, 17).

The Housing and Community Development Act of 1974 also repackaged the BMIRs into the Section 8 New Construction and Substantial Rehabilitation programs, administered by local public housing authorities (Nenno 1982b, 30, 33). These Section 8 project-based programs were similar to public housing except they required that private owners make the required capital investment in housing and allowed rents to rise (and therefore better
accommodate increases in operating expenses) (Mitchell 1985a, 202; Bratt 1989, 283).

"After just 10 years, Section 8 New Construction and Substantial Rehabilitation had produced more units than [the] public housing [program had] in more than 45 years" (Mitchell 1985a, 202). Section 8 project-based programs gave developers more discretion over tenants' incomes and project parameters, which affected the client base, the type and the location of completed projects (Hays 1995, 147). Compared to Section 236 projects, Section 8 developments shied away from the higher-risk ventures (housing for families, rehabilitation projects, anything in an inner city location); far more Section 8 developments than Section 236 developments (as a percentage of all program projects) were new construction, typically built for the elderly, in suburban areas (Hays 1995, 155-156).

Lastly, the 1974 Act embraced a "policy shift to demand-side subsidies," acknowledging that cities could not build their way out of the current housing crisis — the unprecedented abandonment of property in "reasonably sound condition" (Galster 1996, 97; Orlebeke 1999, 7). Two programmatic examples of this type of strategy were the Section 23 leasing program (which let local housing authorities lease private housing units and effectively sublet those units to public housing residents) and the Rental Assistance Program (which provided subsidies to pay a portion of the rent on private housing built using FHA mortgage insurance), both part of the Housing Act of 1965.

To test the effectiveness of these models, HUD launched the Experimental Housing Allowance Program (EHAP) in 1973. "One of the biggest social experiments ever undertaken," EHAP involved more than 25,000 families in 12 cities, and cost upwards of $160 million (Frieden 1985, 370). The study involved three experiments: a demand experiment to analyze the impact of subsidies on the quantity of housing services participating households consumed; a supply experiment to analyze the impact of housing

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allowances on a local housing market; and an administrative experiment to determine various entities’ ability to oversee program administration (local housing authorities, local government agencies, or state government agencies) (Mitchell 1985a, 201; Frieden 1985, 370-371). Unfortunately, in keeping with the general “drift and replace” progression of federal housing policy, “Nixon did not wait for the results of EHAP before launching” the new Section 8 Existing Housing program (Hays 1995, 144).

Still, the Section 8 Existing Housing program did take advantage of housing vacancies by distributing subsidies to lower-income households to cover the difference between 30% of households’ incomes and the “fair market rent” for an apartment on the private market (Mitchell 1985a, 202). The program got off to a fast start once households began receiving subsidies in 1975, and “by the end of 1976, over 140,000 households were being assisted” (Galster 1996, 98). By 1985, household-based subsidies had succeeded in substantially increasing the portion of poor households receiving some form of government housing subsidy: while housing subsidies still reached only one-third (30.9%) of eligible households, this was well above the 1974 figure of just 19.5% (Apgar 1990, 55).

For the most part, President Jimmy Carter’s administration oversaw the continued evolution of Community Development Block Grants and Section 8 subsidies. The Neighborhood Strategy Areas (NSAs) program, launched in 1977, linked Section 8 directly with CDBG-funded efforts. To receive NSA designation, cities had to identify neighborhoods for concentrated outreach, and develop a comprehensive plan and commit public resources to support that outreach. Between 1978 and the early-1980s, 150 neighborhoods in 116 localities participated in the program. A 1981 HUD report asserted that most CDBG Entitlement Cities (those qualifying for funds through the grant formula)
had designated NSAs and funded work in those areas with more than half of their CDBG award (Nenno 1982a, 88-89).

As the 1970s continued, the spending and production boom of the late-1960s and early-1970s tapered, and affordable housing gradually fell from the political agenda. Carter's one new urban-oriented program was primarily focused on economic development. His Urban Development Action Grants (UDAG), created in 1977, targeted economically distressed cities (those who experienced the sharpest drop in federal support as a result of the switch from urban renewal to CDBG) for projects "most likely to attract new investment" and jobs. In keeping with a "New Partnerships" approach to the provision of government services (his equivalent of Nixon's "New Federalism"), public-private partnerships could use these funds to develop office buildings, industrial parks, shopping malls, hotels, or luxury housing. In all, the program provided $4 billion in low-interest loans and grants to private investors and local governments for predevelopment and development work on 2,700 projects in more than 2,000 cities between 1977 and 1985 (Kleinberg 1995, 221-222; Hays 1995, 216). While the program was generous — providing an "extra" $500 million per year for community development between the late 1970s and early 1980s — it was nothing new. In fact, the program was largely reminiscent of the downtown-focused, growth-minded version of urban renewal so abhorred by Great Society advocates. Like its predecessor, UDAG tended to prefer nonresidential development; less than one-third (31%) of UDAG projects receiving awards in 1977 and 1978 included housing (Nenno 1982b, 37).

Instead, the federal government had a larger impact on housing in the mid- to late 1970s by improving the flow of private financing into urban neighborhoods and to lower-income, especially minority, households. The Equal Credit Opportunity Act of 1974 expressly prohibited discrimination in credit transactions based on race, gender, marital
status, age, or source of income. One year later, the Home Mortgage Disclosure Act (HMDA) of 1975 required larger banks, savings and loans, and credit unions to report their loan volumes in individual Census tracts. The Community Reinvestment Act (CRA) of 1977 obligated lenders to show that they were indeed meeting the “credit needs of all segments of their communities” (Galster 1996, 189-190). CRA mandated that federal regulators monitor and “score” banks on their provision of loans to all of the neighborhoods and qualified citizens in their service area. A poor score could scuttle a merger or other business venture requiring regulatory approval.


Under President Ronald Reagan, the only real urban policy was no policy at all. Reagan’s Commission on Housing (1982) continued to blame the plight of cities on the programs introduced by the Housing Act of 1968. The solution to housing unaffordability and unavailability and urban distress, this Commission argued, was to “escape the fetters of public regulation and policies” and let “the genius of the market economy” work its magic (quoted in Keyes and DiPasquale 1990, 3). And the President and Congress listened.

In 1982, the administration consolidated 57 smaller categorical programs into nine block grants to state governments. Together, these new block grants totaled roughly $7.2 billion a year, or 25% less than they had as separate categorical grants (Kleinberg 1995, 228). The Housing Act of 1983 repealed Section 8’s New Construction and Substantial Rehabilitation programs entirely, leaving Section 8 rental assistance “as the only large-scale form of federal housing subsidy” (Orlebeke 1999, 14; Listokin 1991, 166). (By 1991, Section 8 would account for nearly half of all federal spending on housing; by 1998, Section 8 certificates and vouchers would outnumber public housing units 1,391,526 to 1,300,493
In all, between 1981 and 1989, new budget authority for HUD's subsidized housing programs fell 80%, from $30.1 billion to just over $6 billion. (Reagan's proposed budget for Fiscal Year 1987 initially called for no additional budget authority for HUD (Appelbaum 1989, 320).) By the end of Reagan's Administration, Carter's UDAG program had been entirely eliminated (Kleinberg 1995, 233).

To offset some of these cuts, state governments enacted more than 300 new housing programs between 1981 and 1989 (Nenno 1991, 477). Although still not enough to make up for lost federal resources, state spending on housing-related projects and programs nearly quintupled over the course of the 1980s, rising from $621.6 million in 1980 to $2.9 billion in 1990 (Goetz 1993). These dollars came from new housing trust funds and bond issues, and supported homeownership incentives, homeless assistance, and affordable housing construction.

Like states, city governments also took on additional housing and housing-related responsibilities. By the late-1980s, "the housing function in local government reached a new stage of maturity" (Nenno 1991, 482). Across the country, cities improved regulatory functions that addressed neighborhood needs, such as code enforcement and infrastructure maintenance and improvements (Clay and Hollister 1983, 214-215). At the same time, local governments became the "dominant housing provider" for low-income households, particularly since state efforts tended to focus on "less controversial" forms of housing assistance, such as homeownership for moderate-income families and elderly housing (Burchell 1991, 430).

Starting in the late 1970s, several cities instituted their own, locally funded (through bond financing or capital budget funding) efforts to address housing abandonment and stabilize city neighborhoods. In New York City, Mayor Ed Koch unveiled a ten-year, $5
billion plan to acquire and rehabilitate tax delinquent properties. Using foreclosure to bring
tax delinquent (and likely abandoned) properties into city ownership, the city temporarily
took control of roughly 100,000 apartments in 40,000 buildings over the next two decades
(Braconi 1999). Today, the majority of this housing is back in private ownership and in
good condition, thanks to construction and rehabilitation subsidies also provided by the city.
The revival of Harlem (where roughly 60% of the housing stock was abandoned) and the
South Bronx (where landlords commonly deemed burning their properties down (to collect
insurance) more economical than maintaining them) are prime examples of the city's
successful intervention.

In a second example, Cleveland put its own money toward land banking activities,
using foreclosure to acquire abandoned properties and prepare them for future
development. Cleveland Mayor George Voinovich and Planning Chief Norman Krumholz
"successfully drafted and saw passed a new state law which shortened and simplified the
foreclosure procedure for tax-delinquent and abandoned property" (Krumholz 1983). The
new law enabled the city to begin land banking property in preparation for future
development.

A new nonprofit housing sector emerged in the 1980s to assist local governments
with these efforts (Galster 1996, 104). The earliest community development corporations
(CDCs), first appearing in the 1960s, had focused primarily on neighborhood advocacy
(Bratt, et al. 1994, 23). Through the 1960s and into the 1970s, CDCs were largely issue-
oriented groups, established to challenge discriminatory lending practices, demand improved
city services, or oppose urban renewal or gentrification and displacement (Walker 1993, 380-
381). By the 1980s, CDCs were pursuing a decidedly development-focused agenda. The rise
of national intermediary institutions (particularly the Enterprise Foundation, Local Initiatives
Support Corporation (LISC), and Neighborhood Reinvestment Corporation) during the decade helped channel capital and technical expertise to these nonprofit developers (Walker 1993, 370).

Despite their largess and achievements, these new resources only partially filled the vacuum left by federal withdrawal. As a result, they were not able to protect fully the existing stock of subsidized housing or prevent overall affordability issues from growing. Subsidized affordable housing was at risk during the 1980s for two reasons. First, projects faced ongoing vulnerability to default and foreclosure. By 1989, one-quarter of the units developed under Section 221(d)(3) and Section 236—nearly 175,000 units—had defaulted on their mortgage or were in various stages of foreclosure. Second, many of these projects—69,000 by one estimate—had already reached or would soon reach the end of their regulatory lives. This would make it possible for property owners to raise rents or convert units into condominiums (Achtenberg 1989, 227). (The federal government would respond in 1990 by recapitalizing “substantial portions” of the existing subsidized housing inventory through the Low-Income Housing Preservation and Resident Homeownership Act (Gabriel 1996, 681).)

Between 1978 and 1991, the number of new federally assisted housing units fell to almost nothing, dropping by 89% (Galster 1996, 103). And between 1985 and 1989, 169,400 of all subsidized housing units were lost annually, nearly two out of five (38%) lost through demolition (Galster 1996, 103). Equally damaging were HUD’s new “get tough” debt collection tactics for BMIR-sponsored projects. A significant portion of these projects faced foreclosure and default, and a number of them (particularly those managed by nonprofit organizations) had operated for years thanks to either formal or informal mortgage relief
arrangements. Without these arrangements, project sponsors typically had no choice but to sell (Achtenberg 1989, 248).

Making matters worse, the incomes of renter households failed to keep pace with rent increases; between 1970 and 1983, the median rent rose nearly twice as fast as the median renter income. Not surprising, the portion of renter households paying at least 25% of household income on housing rose from 40% of households in 1970 to 59% in 1983 (Appelbaum 1989, 315). While there were more low-cost units than low-income renters nationwide in 1970, by 1991, low-income renters outnumbered low-cost units by roughly 3.4 million; this mismatch would climb to 4.4 million over the next four years (Dreier 1999, 20-21).

The Reagan Administration, though, only addressed affordable housing production and rehabilitation indirectly through tax measures and financial regulations: while budget authority for low-income housing declined between 1980 and 1987, the number of housing-related investor tax deductions increased by 200% (Achtenberg 1989, 241-242). For example, the Economic Recovery Tax Act of 1981 established a new accelerated cost recovery system (ACRS) that let owners write off project costs even faster than under previous accelerated depreciation rules.

The Tax Reform Act of 1986 ended accelerated depreciation and disallowed the use of passive loss to offset other capital gains. These changes made rental housing much less attractive to investors, resulting in a significant decline in private investment in rental housing after the act (Clancy 1990, 295). Low Income Housing Tax Credits (LIHTC), introduced as part of the 1986 act and made permanent in 1993, somewhat countered this loss by providing dollar-for-dollar tax credits to private investors in return for equity for the development of affordable rental housing. State credit agencies (typically state housing
finance agencies) administer the program, choosing which projects in which localities would receive portions of the state's overall allocation (based on population) (Report of the Bipartisan Millennial Housing Commission 2002, 63).


Fifty years after the Housing Act of 1937, the mood was generally one of recovery (from nearly ten years of drastic cuts in housing programs) and revision (to fit remaining programs with present needs, and to complement existing resources with any necessary new ones). In 1987, Congress convened another National Housing Task Force, chaired by James W. Rouse of the Enterprise Foundation and David Maxwell of Fannie Mae, to reexamine the nation's housing policy. The committee presented its findings in a 1988 report, A Decent Place to Live, which both redefined the housing problem and presented recommendations for responding.

The report's proposals would heavily influence subsequent housing legislation under both President George H. W. Bush and President Bill Clinton. First, the committee advocated that the federal government pursue a blended approach to affordable housing, one that included both production and rental assistance (Keyes and DiPasquale 1990, 9). Second, unlike any prior presidential or congressional commission, the report set “states, local governments, and nonprofit developers at center stage” (Keyes and DiPasquale 1990, 15). Housing programs, the report stressed, should be flexible to give lower levels of government the freedom to best match intervention with local needs.

This prompted a renewed federal commitment to affordable housing production (Hartman 1975, 159). The National Affordable Housing Act of 1990 was an early step in this direction, establishing two programs that would play an increasing part in federal
housing policy through the 1990s and early 2000s. The Homeownership and Opportunity for People Everywhere (HOPE) Program, originally designed to create more homeownership opportunities for tenants living in public or other assisted housing, allowed low-income households to buy public housing units and provided funds for nonprofits and resident groups to design and operate homeownership programs. The HOME Investment Partnership Program, a new block grant program also created by the 1990 act, complemented CDBG dollars to help states and municipalities address local affordable housing needs.

Section 153 of the Housing and Community Development Act of 1992 suggested that HUD evaluate the possibility of using rental certificates and vouchers to enable public housing tenants to move into higher income or non-minority neighborhoods (Gabriel 1996, 683). Officials had already used such a strategy in Chicago as part of the court-ordered remedy (following *Gautreaux v. Chicago Housing Authority*) for the Chicago Housing Authority's perpetuation of residential segregation in the city. Following the 1992 Act, HUD launched the Moving to Opportunity program in Baltimore, Boston, Chicago, Los Angeles, and New York City in 1994 (Moving to Opportunity 1999; Galster 1996, 107). The demonstration found that, while families faced adjustment issues in the short-term, moving to low-poverty areas had several long-term benefits: the move significantly decreased families' fear of crime and led to better job prospects for parents and more educational opportunities for children (Moving to Opportunity 1999).

The Republicans' sweeping congressional victories in 1994 changed the direction of housing-related legislation considerably. That year's Multifamily Housing Property Disposition Reform Act focused less on expanding the federal role in affordable housing and more on getting units out of public ownership. The Act introduced technical changes to
the public housing and HOME programs, and gave HUD greater flexibility in how it chose to dispose of HUD-owned properties (acquired through foreclosure). One notable outlier, however, was its expansion of Section 108 loan guarantees. These let a city government “borrow up to five times the amount of its annual CDBG award to support any CDBG-eligible activities” and repay the loan out of future CDBG revenues (Kromer 2000, 68).

Anticipating criticism from a hostile Congress, HUD hoped to head off potential budget cuts by initiating departmental reforms and “reinvention.” In 1995, the agency published *HUD Reinvention: From Blueprint to Action*. The report proposed several adjustments to current policies and programs. First, it suggested converting the Federal Housing Administration (FHA) into “an independent but government-owned Federal Housing Corporation, consolidating its many statutory programs into a few broad, flexible activities directed to three general markets: single-family homeownership, multifamily rental housing, and health care facilities” (Rusk 1999, 268). Second, it proposed combining 60 major programs into three performance-based funds: the Community Opportunity Fund would include CDBG and any economic revitalization initiatives (like the future Community Renewal Programs); the Affordable Housing Fund would include HUD grant programs for low- and moderate-income housing; and the Housing Certificate Fund would bring together all current housing assistance programs (public housing, assisted housing, and Section 8 rental assistance) for administration through local public housing authorities. Lastly, it proposed transforming public housing (Gabriel 1995, 688-689; Rusk 1999, 268-269).

HUD’s first two recommendations (to restructure FHA and consolidate programs into performance-based funds) “never even received a hearing in the Republican-controlled Congress” despite their inclusion in the American Community Partnerships Act of 1995 (Rusk 1999, 268). Congress did consider HUD’s intent to “turn around public housing.”
Progress along these lines was already underway as a result of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act of 1993, which created the HOPE VI program to fund physical and management improvements, as well as social and community services, at distressed sites. The program, for the first time, explicitly linked neighborhood conditions with the provision of public housing and elevated issues previously largely ignored, such as street-friendly urban design and the on-site mixing of incomes and unit types (owner- and renter-occupied). Congress also subsequently adjusted PHA funding, reorganizing “dozens” of funding streams into “two block grants for PHAs, one for capital investment and the other for operating expenses” (Rusk 1999, 271).

In addition, the Moving to Work (MTW) demonstration program, authorized through the Omnibus Consolidated Rescissions and Appropriations Act of 1996, gave selected high-performing PHAs additional flexibility in program implementation and oversight – exempting them from existing public housing and tenant-based Housing Choice Voucher rules, and permitting them to combine operating, capital, and tenant-based assistance monies into a single agency-wide funding source. MTW sites could create and test innovative, locally planned housing and self-sufficiency strategies for low-income families. Congress extended some of these benefits to all public housing authorities with the Quality Housing and Work Responsibility Act (QHWRA) of 1998. Title V of QHWRA reduced certain property management-related regulations and controls, and allowed authorities to admit households with incomes up to 80% of the area median and make it easier and more financially attractive for upwardly mobile households to stay in public housing.

Attempts to “open housing markets” to minority and low-income households progressed as well. New efforts built upon a string of fair housing bills passed in the late
1980s. The Fair Housing Amendments Act (1988) strengthened the earlier act (the Fair Housing Act, Title VIII of the Civil Rights Act of 1968) by outlawing discrimination in housing based on family status or disability. It also accelerated the fairly drawn-out adjudication process for claims by instituting a HUD-sponsored system of administrative law judges, empowered the Justice Department to initiate its own investigations into patterns of discrimination, and increased the penalties for those violating the law (Galster 1996, 196).

One year later, the Financial Institutions Recovery, Reform, and Enforcement Act (FIRREA) strengthened HMDA reporting requirements and made publicly available, for the first time, the detailed disposition of individual loan applications by applicants’ race, gender, and income level as well as by properties’ location (Galster 1996, 197).

Still, federal spending on direct housing assistance continued to decline in the late 1990s (National Housing Law Project). By Fiscal Year 2005, the Public Housing Operating Fund had been shrinking since Fiscal Year 2003; the Capital Fund since Fiscal Year 2001. Even more dramatic, the HOPE VI program received no funding in the Fiscal Year 2004 or 2005 budget requests. Though Congress ultimately funded the program each year, its capacity in Fiscal Year 2005 was just 25% of what it had been in Fiscal Years 2000 to 2003.
Figure 1-4

Enacted HUD Program Funding for Public Housing
(in 2005 Dollars)


Figure 1-5

Enacted HUD Program Funding for HOPE VI
(in 2005 Dollars)


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Similarly, CDBG funding declined by nearly 20% (in real terms) between 1993 and 2005.

**Figure 1-6**

CDBG Funding Allocation, 1993-2005 (in 2005 dollars)

Source: http://www.hud.gov/offices/cpd/about/budget/history/historical04to93.xls

Cities, states, for-profit developers and nonprofit organizations hoping to build affordable housing or invest in declining or weaker markets now not only have fewer resources with which to do so, but also face steeper competition for those resources that do exist. For example, Low Income Housing Tax Credits (LIHTC) represent “the most important resource for creating affordable housing in the United States today” and have helped produce over 1 million low-cost units (HUD). Over one-fourth (27%) of LIHTC-sponsored projects built by 1992 were in Census tracts receiving no rental development and 10% in tracts with no residential development between 1985 and 1990 (Cummings and DiPasquale 1999). Yet, in 1998, the demand for tax credits “outweighed supply by an average margin of 3-to-1...In large states such as California and Texas, demand exceeded supply by about 5-to-1” (Novogradac 1999). Those proposals not receiving funds “are almost never built” (Capital Constraints).
The result, not surprisingly, has been growing affordability problems for low-income households and unrealized revitalization potential in urban neighborhoods. In 1998, three out of every four working poor households paid more than 30% of income on rent; even worse, this was true for four out of every five poor households (In Search of Shelter 1998). That year, 5.3 million households faced worst-case housing needs – had incomes below 50% of the local area median income and either paid more than 50% of that income on rent or lived in seriously substandard housing (Rental Housing Assistance 1998). And between 1990 and 2000, the number of abandoned housing units increased nationally (U.S. Census). This only creates greater challenges for cities, urban neighborhoods, and the organizations seeking to serve them.
Chapter 2
Fighting Blight in a Factory Town:
Four Decades of Neighborhood Investment in Philadelphia

Like so many older industrial cities, Philadelphia has been losing people and jobs since the 1950s. During this period, the pressures and incentives either pushing or pulling residents out of inner city neighborhoods were “staggering” (Wyly, Glickman and Lahr 1998, 24). These forces included government housing- and transportation-related policies and subsidies that heavily favored suburban areas over urban areas. The middle class, particularly the white middle class, took advantage of these subsidies and the new access to homeownership, fleeing cities for suburbs in droves. As a result, Philadelphia lost roughly one-quarter of its population – or one-half million residents – between 1950 and 2000.

Not surprisingly, the drain of people and jobs has had severe implications for Philadelphia’s neighborhoods and housing market. By the early 1960s, various neighborhoods – particularly the manufacturing-based neighborhoods surrounding Center City where the most severe job and population losses were occurring – were beginning to experience long-term housing vacancy (Freeman, Bonham and Rivera-Urrutia 2000). Forty years later, Philadelphia would have more vacant lots and abandoned buildings per capita – 36.5 per 1,000 residents – than any other city in the nation (“Philly’s New Street Smarts” 2002; Powell 2002; Uzelac 2001). Surveys by the city and by Fairmount Ventures on behalf of the Pennsylvania Horticultural Society (PHS) found approximately 30,000 to 31,000 vacant lots – representing “a land mass the size of Center City” – and 20,000 to nearly 26,000 abandoned residential buildings citywide (Gurwitt 2002; Hughes and Cook-Mack 1999; Kenny 2000; Freeman, Bonham and Rivera-Urrutia 2000).

As broader forces pushed neighborhood after neighborhood into decline, city officials repeatedly attempted to fight back. While a stumbling block for many cities, strong
institutional infrastructure was not a problem for Philadelphia during the early years of urban renewal, particularly throughout the 1950s and into the 1960s. The city’s Redevelopment Authority was established in 1946, actually pre-dating federal urban renewal. Five years later, City Charter reform in 1951 not only ushered in a progressive mayoral regime that would extend through two administrations (and into the 1960s) but also bolstered the Philadelphia City Planning Commission (PCPC), established in 1942. Two key administrative positions — Housing Coordinator and Development Coordinator — were added to the mayor’s office in the 1950s; highly contingent on the mayor’s level of support, these offices flourished under progressive mayors Joseph Clark and Richardson Dilworth.

Under strong leadership and with substantial mayoral support, Philadelphia successfully applied for significant urban renewal subsidy for projects downtown and in adjacent neighborhoods. In addition, the Redevelopment Authority and PCPC conducted the Central Urban Renewal Area (CURA) Study from 1954 to 1956 to re-evaluate urban renewal spending patterns and issued a long-term plan. PCPC followed this effort with its 1960 Comprehensive Plan for the city.

By the mid-1960s, however, Philadelphia had lost Mayor Dilworth to the governorship and William Rafsky, the city’s highly effective Development Coordinator, to other pursuits. Neither one’s replacement proved as capable or as committed to urban revitalization. At the same time, urban conditions continued to worsen, proving too much for CURA-related efforts and making a mockery of PCPC’s rosy projections in its 1960 plan. In Philadelphia and elsewhere, support for urban renewal as the appropriate strategy for reinvigorating distressed neighborhoods and commercial districts was waning.

Analysts typically describe Philadelphia’s responses to these issues since the 1960s as “scattered,” not the comprehensive approach necessary to tackle the city’s growing property...
vacancy and abandonment (Kenny 2000). Standing in the way of a coherent strategy for fighting blight was the division of responsibility for related services across more than a dozen city agencies and political entities. These agencies worked largely independently of each other and often missed opportunities to cooperate and reinforce complementary efforts. Individual efforts, typically reactive and problem-driven, rarely translated into “full-fledged neighborhood ‘transformation’” (Schwartz 2000). Instead, these efforts combined to form the city’s “slow, piecemeal response to the problems associated with urban blight” (Freeman, Bonham and Rivera-Urrutia 2000, 2).

On multiple occasions, Philadelphia sought to improve this process. The city’s housing and development office and the Philadelphia City Planning Commission completed studies and comprehensive plans in the 1950s and 1960s, all meant to better understand neighborhood conditions and trends and to recommend ways to redesign community-based investment strategies or reallocate resources. To accommodate the shift from urban renewal to Community Development Block Grant funding, Philadelphia redesigned its delivery system for housing and community-related services in the mid 1970s.

While a number of other cities (including New York City, Cleveland, Boston, Pittsburgh, and Chicago) complemented federal affordable housing and community development dollars with local funds starting in the late 1970s, Philadelphia lacked the local political leadership and the capacity to follow suit. The city was therefore forced to rely solely on federal funds — at whatever level they appeared and with all of their rules and regulations. (Philadelphia would not institute its own housing program until Mayor John Street unveiled the city’s Neighborhood Transformation Initiative (NTI) in April 2001.)

Still, Philadelphia’s Office of Housing and Community Development (OHCD) oversaw a significant amount of impressive work during the 1990s, primarily funded by
CDBG and HOME dollars. The agency took advantage of the Department of Housing and Urban Development's (HUD) Section 108 loan program, which allowed Philadelphia to borrow against future years' CDBG allocation. These dollars not only expanded the city's public resource base, but were also used to leverage private dollars in support of affordable and market-rate housing and community development projects (Kromer 2001, 65-66). Other public and private resources included Homeownership Zone grant funds (part of the city's larger “Home in North Philadelphia” strategy), Low-Income Housing Tax Credits (LIHTC), foundational support from Local Initiatives Support Corporation (LISC) and others, and investments by area institutions (most notably the University of Pennsylvania).

A NATIONAL LEADER IN URBAN RENEWAL (1940S TO 1960S)

The Great Depression, which brought the federal government into the housing market, had a profound affect on Philadelphia's building and lending industries. Between 1926 and 1930, “sheriffs nailed writs of foreclosure on the faded doorways of 49,062 row houses” in Philadelphia, representing nearly 10,000 more defaults than in the previous twenty-five years (Bauman 1987, 19). New residential and commercial construction, property improvements, and public works projects (including the city's airport) declined significantly or stalled altogether in the 1930s and through World War II.

New Deal housing legislation of the 1930, specifically the Housing Act of 1937's devolution of program oversight for urban redevelopment efforts to local housing authorities (LHAs), led some cities to initiate government restructuring in the early 1940s to respond to their growing housing problems. In Philadelphia, the City Council approved legislation to establish the Philadelphia City Planning Commission (PCPC) in 1942. New mayor Bernard Samuels provided the commission with a substantial budget and appointed
Edward Hopkinson as its head and Robert Mitchell, “a professional planner who had recently headed the Urban Section of the National Resources Planning Board,” as its executive director (Bacon 1960; Bauman 1987, 98). In addition, the State Legislature passed the Pennsylvania Redevelopment Act in 1945, allowing Philadelphia to establish its own Redevelopment Authority one year later (Bauman 1987).

This advance work enabled the city to initiate several projects. Between 1948 and 1952, “with [public] housing as much as slum clearance in mind,” PCPC certified sixteen acres of the city for redevelopment through urban renewal. These sites included Aramingo, Eastwick, Fairmount, Lehigh, Lombard, Mill Creek, North Central, Old City, Passyunk, Poplar, Powelton, Southwest Central, Temple, and Triangle — most of which were in aging, largely African-American, industrial neighborhoods (Bauman 1987, 105; Rafsky 1960). Unfortunately, in Philadelphia and elsewhere, during these early years of urban renewal “federal urban policy excited a bevy of area plans and project blueprints, but few tangible results” (Bauman 1987, 136). By 1952, not one of the city’s postwar public housing projects had opened for occupancy (Bauman 1987, 117).

At the same time, Philadelphia’s business and civic leaders were crafting a more rational, businesslike approach to municipal government to replace the city’s existing machine politics. Their revised Home Rule Charter enhanced the power of the mayor and reorganized the City Council. As in many other cities, Philadelphia’s reform politics were
also “closely linked to an emerging planning apparatus and a program for physical renewal” (Adams, et al. 1991, 15). Approved by voters in April 1951, the new City Charter expanded PCPC and explicitly defined its responsibilities to include “the production of an annually updated six-year comprehensive plan, the preparation of a detailed zoning ordinance, and the development of an annual capital program and budget” (Bauman 1987, 119).

This charter reform marked the beginning of an extended period of exemplary mayoral leadership and active community development in Philadelphia. Mayor Joseph Clark’s “extremely brilliant and vigorous administration,” which ran from 1952 to 1956, was followed by “the equally or perhaps even more brilliant administration of Mayor [Richardson] Dilworth,” which ended with his assent to the governor’s office in 1962 (Bacon 1960, 3). Philadelphia’s “renaissance initiatives” were doubly blessed by the “[e]specially significant” appointment of Edmund Bacon as the city’s planning chief upon Hopkinson’s departure in 1952 (Teaford 1990, 57). However, one important drawback of the reforms, which would later substantially hamper the city’s redevelopment efforts, was the fact that “the new Charter made no specific provision for coordination of housing or urban renewal activities in the city” (Weiler 1974, 108). Beyond strengthening PCPC, the charter did nothing to bolster the city’s apparatus for crafting a neighborhood revitalization policy or for overseeing specific programs.

Despite the omission, city officials created two offices under the Mayor focused on such issues during this period of reform: the Housing Coordinator’s Office in 1954 and the Development Coordinator’s Office in 1956. These offices would “weld together the various agencies working…in the urban renewal field” and “give policy direction to the redevelopment program” (Rafsky 1960, 38, 15). With no mention in the Charter, both offices “depended on the political power and support of the Mayor” (Weiler 1974, 108).
Under Clark and Dilworth’s supportive leadership, both positions thrived. William Rafsky in particular, part of Mayor Clark’s administration since 1951 and the city’s first Development Coordinator (who would hold the post until 1963), was “extremely effective” at evaluating the city’s existing policy, implementing new recommendations, and “hold[ing] together the rather unwieldy Philadelphia urban development complex” (Weiler 1974, 139). (Programs’ over-reliance on the city’s mayor would have severe implications for housing policy in Philadelphia under subsequent, less capable and less supportive administrations.)

In 1954, the Housing Coordinator’s office, the Redevelopment Authority and PCPC began the Central Urban Renewal Area (CURA) Study, a two year review of the city’s urban renewal objectives, goals and approach to date. In general, the CURA Study found the city’s “scale of operations…pitifully inadequate” to respond to the city’s varied and substantial urban issues; cooperation between city agencies “unsatisfactory;” knowledge about the city’s housing market and economic potential insufficient to effectively instruct planning efforts; and a comprehensive plan sorely lacking (Weiler 1974, 136). In response, the CURA Study advanced four new policy goals for the city’s urban renewal program: 1) to strengthen the city’s central business district; 2) to prevent deterioration in healthy neighborhoods; 3) to construct needed community facilities; and 4) to provide land for activities that could best contribute to and support the city’s economic base (Weiler 1974).

To inform its recommendations concerning how and where to invest urban renewal dollars in the future, the CURA Study classified all residential sections surrounding Center City based on their level of distress: A for most blighted, B for moderately blighted, and C for “conservable” (Bauman 1987).
"With only slight variation... the worst blight was in a ring around center city. The B areas were in a second circle around the A areas and the C areas were on the outskirts surrounding the B areas" (Rafsky 1960, 6). (These circles looked very much like the "concentric rings" used to illustrate patterns of urban expansion and growth by researchers at the University of Chicago analyzing neighborhood dynamics in the 1920s and 1930s.)

The analysis concluded that blight most significantly affected older areas (A sections) and tended to move from those areas to more recently developed ones (again largely parroting scholars' description of neighborhood life cycles, invasion and succession, and communities' predisposition to decline with age). The implication of this was that as redevelopment concentrated on the oldest and most deteriorated areas of the city – the almost exclusive focus of early urban renewal efforts in the city – blight "was moving on so that [the] problem was never really diminishing" (Rafsky 1960, 8). A more effective strategy, the report suggested, would be to replace the city's tendency to target redevelopment projects in the most distressed places with a new focus on preserving currently stable areas and checking blight before it spread. Therefore, while earlier efforts had channeled city resources into A and B sections, the CURA Study recommended instead concentrating "a substantial portion" of available renewal funding into those 'conservable' areas that promised the greatest chance of success" by pursuing aggressive code enforcement and other preventive strategies to stem further deterioration (Bauman 1987, 145). (Prior to the CURA

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Study's completion, University of Pennsylvania city planning professor (and future President) Martin Meyerson anticipated its conclusions in a memorandum to the Redevelopment Authority's Development Committee in 1955, recommending that the authority "replace its scored project approach with a comprehensive...blight removal program," incorporate code enforcement, rehabilitation, and spot clearance, and turn its attention to areas just beginning to show signs of decline (Bauman 1987, 141; Wallace 1961).

Shortly after the CURA Study's release, the city successfully drafted a more balanced, comprehensive program of conservation and redevelopment that Development Coordinator Rafsky characterized as "a showdown test between an old and sprawling but determined city and 'the demon blight'" (Quoted in Teaford 1990, 116). The city instituted an aggressive code enforcement program in North Philadelphia, Mantua, and along South Street (Weiler 1974, 118). "Instead of pursuing a futile offensive against slums, Philadelphia was now opting for a defensive strategy, a containment of blight" (Teaford 1990, 116).

Unfortunately, by 1960, federal money for conservation and code enforcement efforts "had dwindled to a token sum" (Bauman 1987, 149). Even more disheartening, it was already becoming clear that even this "bold" program to "eliminate blight and slums within 18 years" was "impossibly unrealistic" (Wallace 1961, 50). Philadelphia was not the only city to see high hopes dashed; Baltimore, Detroit, Newark, and Washington, DC, thought even bigger than Philadelphia — "No Slums in Ten Years" in Washington's case — and each faced similar disappointments (Wallace 1961, 50).

Increasing the amount of urban renewal dollars going downtown was another key recommendation of the CURA Study. This coincided with the federal government's loosening of restrictions on spending urban renewal dollars in non-residential
neighborhoods, defined as those where just 20% to 55% of buildings were classified as residential slums. By 1959, one-fifth (20%) of the total urban renewal appropriation was going to non-residential areas, up from 10% in 1954 and 0% in 1949 (Rafsky 1960, 28-29). As a result of this federal policy shift and the CURA Study's findings, Philadelphia officials drafted more and more plans for spending on "downtown, industrial, and institutional renewal" between 1957 and 1962 (Rafsky 1960, 29).

(In some ways, this policy shift was inevitable, built directly into the very structure of urban renewal funding. Federally-sponsored urban redevelopment was designed to leverage private money in order to fully fund particular projects. Existing neighborhoods had only limited development potential – at best for a "small oasis in a sea of decaying structures" – or proved incredibly complicated – requiring, for example, “the rerouting of traffic or the reorganization of utilities” (Vernon 1967, 173). “[M]onster projects” like Penn Center and Market East were actually simpler to plan for and implement than the “human scale” ones pursued to regenerate blighted residential areas (Bauman 1987, 107). This helped explain why “[r]arely did the extensive attention paid to the downtown or the extensive private development in the downtown extend away from the core to traditional neighborhoods” and why the central business district could attract private developers while so much of the rest of the city could not (Clay and Hollister 1983, 209; Adams, et al. 1991).)

Four years after the CURA Study, the Philadelphia City Planning Commission (PCPC) released its own report, the Comprehensive Plan of 1960. According to PCPC’s Plan, urban renewal was meant to serve three essential functions: 1) to revitalize the center city core; 2) to attract visitors to Philadelphia’s downtown for work, shopping, and entertainment; and 3) to entice middle- and upper-income to live within the city (Dolbeare 1961, 95). The first two goals reflected a significant downtown bias in planners’ orientation.
However, the Plan certainly did not underestimate the importance of preventing neighborhood decline, conceding that "[v]ital as it is, improvement of the economic base proper cannot be pursued at the expense of deterioration of the residential environment ("Comprehensive Plan" 1960, 64).

A central component of PCPC’s Comprehensive Plan was its “residential treatment plan,” aimed at both preserving and redeveloping the existing housing stock in order to keep current residents and attract additional middle- and upper-income residents. Based on neighborhood conditions as of 1960, the residential treatment plan proposed pursuing a mix of major reconstruction, limited reconstruction, conservation, and new development. For the most part, areas targeted for major reconstruction largely overlapped with the CURA Study’s A sections; limited reconstruction with the CURA Study’s B sections; and conservation with the CURA Study’s C sections.

In all, the Plan targeted five and a half square miles, or 2,300 acres, of the city for major reconstruction, or “clearance to eliminate substandard housing and provide community facilities” (“Comprehensive Plan” 1960, 328). Such activities would remove at least one-third of the roughly 100,000 dwelling units in these areas; in some major reconstruction sections, all existing dwelling units were slated for demolition. The plan
considered an additional fifteen square miles, or 6,200 acres, for limited reconstruction. In these areas, the plan recommended removing between one-tenth and one-third of the roughly 200,000 existing dwelling units to “eliminate decayed housing and to provide community facilities” like in the major reconstruction areas (“Comprehensive Plan” 1960, 328). Planners found the quality of housing “generally good” in the eleven square miles, or 4,900 acres, classified as conservation areas. In these areas, planners would emphasize the preservation of the 150,000 existing dwelling units, address “spots of substandard housing,” and improve the residential environment and neighborhood quality of life by enhancing public open space (“Comprehensive Plan” 1960, 329). Additional preservation work would occur in the city’s stable areas, “primarily the newer residential areas of the City,” which included another 150,000 dwelling units and accounted for 9,000 acres (“Comprehensive Plan” 1960, 329).

The Plan quantified the number of proposed demolitions, conversions, and new units by Planning Analysis Section. By far the largest number of proposed removals, particularly due to properties’ substandard condition, were concentrated in three sections: West Philadelphia (Planning Analysis Section D) would lose one-quarter (25%) of its units; South Philadelphia (Section B) nearly one-third (31%) of its units; and Lower North Philadelphia (Section E) roughly half (48%) of all units, approximately 20,000 of these due to deterioration. In contrast, Far Northeast Philadelphia (Section L) would receive over

Figure 2-4
PCPC Planning Analysis Sections

Source: Philadelphia City Planning Commission
40,000 new units of housing, nearly twice as much as that planned for Southwest Philadelphia (Section C), the section receiving the second highest amount of new construction.

### Table 2-1: Changes in Number of Dwelling Units in Philadelphia (1950-1980)

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<thead>
<tr>
<th>Planning Analysis Section</th>
<th>Total Units 1950</th>
<th>Removals</th>
<th>Additions</th>
<th>Total Units 1980</th>
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<td>Total</td>
<td>Conversions</td>
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<tr>
<td>CITY</td>
<td>600,000</td>
<td>116,000</td>
<td>42,000</td>
<td>158,000</td>
</tr>
</tbody>
</table>

Source: Comprehensive Plan 1960, 331, 332

A truly comprehensive and strategic approach to updating Philadelphia's housing stock, if overly aggressive at proposing demolitions and neighborhood redevelopment, the Plan's primary weaknesses stemmed from its underlying assumptions. PCPC optimistically believed that with the Plan's proposed investments implemented 1) Philadelphia would remain the "dominant regional center; 2) the city's economic growth would "proceed rapidly enough for the city to invest in the facilities called for;" and 3) the city would "maintain a balanced population, including middle and high, as well as low-income families" ("Comprehensive Plan" 1960, 61). In addition, the Plan projected that Philadelphia’s population would grow to 2,250,000 by 1980 ("Comprehensive Plan" 1960, 65).

Ultimately, not one of these predictions withstood the test of time. By 1980, the city had instead lost more than 300,000 residents; its total population – at 1,688,210 – was well
below the plan's projected total. Philadelphia would lose another 100,000 residents over the course of the 1980s and nearly 70,000 residents in the 1990s. Between 1980 and 2000, populations declined in every city Planning Analysis Section, except for Center City. In three extreme cases, South Philadelphia and Upper North Philadelphia both lost roughly one-in-five residents; Lower North Philadelphia lost one out of every four.

Table 2-2: Population Change by Planning Analysis Section (1980-2000)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>43,552</td>
<td>45,645</td>
<td>49,855</td>
<td>14%</td>
</tr>
<tr>
<td>B</td>
<td>188,318</td>
<td>170,944</td>
<td>155,531</td>
<td>-17%</td>
</tr>
<tr>
<td>C</td>
<td>86,328</td>
<td>81,885</td>
<td>75,716</td>
<td>-12%</td>
</tr>
<tr>
<td>D</td>
<td>232,979</td>
<td>219,713</td>
<td>209,130</td>
<td>-10%</td>
</tr>
<tr>
<td>E</td>
<td>170,611</td>
<td>146,491</td>
<td>125,875</td>
<td>-26%</td>
</tr>
<tr>
<td>F</td>
<td>113,693</td>
<td>106,045</td>
<td>93,763</td>
<td>-18%</td>
</tr>
<tr>
<td>G</td>
<td>100,865</td>
<td>94,715</td>
<td>94,434</td>
<td>-6%</td>
</tr>
<tr>
<td>H</td>
<td>45,440</td>
<td>42,525</td>
<td>41,568</td>
<td>-9%</td>
</tr>
<tr>
<td>I</td>
<td>110,455</td>
<td>103,266</td>
<td>100,152</td>
<td>-9%</td>
</tr>
<tr>
<td>J</td>
<td>184,039</td>
<td>176,550</td>
<td>171,538</td>
<td>-7%</td>
</tr>
<tr>
<td>K</td>
<td>248,559</td>
<td>237,251</td>
<td>241,865</td>
<td>-3%</td>
</tr>
<tr>
<td>L</td>
<td>163,371</td>
<td>160,547</td>
<td>158,123</td>
<td>-3%</td>
</tr>
<tr>
<td>CTY</td>
<td>1,688,210</td>
<td>1,585,577</td>
<td>1,517,550</td>
<td>-10%</td>
</tr>
</tbody>
</table>

Source: Philadelphia City Planning Commission

In contrast, the city's surrounding counties (Bucks, Chester, Delaware and Montgomery Counties in Pennsylvania; Burlington, Camden, Gloucester and Salem Counties in New Jersey) would gain more than 1,000,000 residents between 1960 and 2000.

Figure 2-5

Source: State of the Cities Data Systems (SOCDS)
And Philadelphia saw jobs suburbanize to an even greater degree. In 1969 (the first year of Bureau of Labor Statistics (BLS) data), most of the region’s jobs were located in the city. But the number of jobs in Philadelphia fell steadily between 1969 and 1994, from 938,000 payroll jobs to just 690,000. At the same time, employment in the city’s suburban counties nearly doubled, growing from 887,000 payroll jobs to 1,479,000, or more than twice the city’s employment level ("Factbook" 1995, 5).

(Indeed, problems that would “multiply exponentially” by the 1990s, such as the massive suburbanization of people and jobs, deindustrialization and the demise of the manufacturing sector, and increasing urban vacancy and property abandonment, were already in evidence even as the Plan went to press (Bissinger 1997, 32; Weiler 1974). However, due to its unprecedented scale, the “widespread, long-term nature of this cycle of disinvestment was not widely recognized by the general public until the 1980s and 1990s” (Kromer 1997, 12).)

Despite these weaknesses, the PCPC Comprehensive Plan and the CURA Study demonstrated how advanced Philadelphia was at thinking creatively about local housing policy, and using urban renewal dollars to stabilize and strengthen communities, attract new residents, and generate economic growth within the city. In fact, the entities responsible for these proposals – PCPC under Ed Bacon’s guidance, the Development Coordinator’s Office under William Rafsky, and the Redevelopment Authority – received widespread recognition and praise. “Philadelphia has…the most varied, comprehensive, intellectually defensible renewal program in the country…[with] a City Planning Commission that can’t be topped, a bunch of hard-hitting quasi-public agencies for specific roles, and a first-class coordinator to tie the whole thing together” (Wallace 1961, 48-49).
Such institutional strength not only enabled Philadelphia to implement many successful renewal projects but also set the city well apart from its peers (Wheaton 1960, 8-9). Urban renewal, by its very nature, presented cities with a substantial administrative challenge. The program required the cooperation of many existing local government entities as well as the coordination of local activities with federal overseers. Nearly a decade after its implementation, there was still “no generally accepted doctrine as to which local government structure [was] the best for accomplishing urban renewal” (Duggar 1967, 179). A 1958 study of 242 cities participating in the program found that only 158 (just 65%) had a central agency or official coordinating or administering “a substantial amount of the urban renewal program;” of these 158 cities, only 127 (or barely half (53%) of the 242 cities surveyed) had a full-time director of the central renewal agency (Duggar 1967, 182-183).

While advanced, Philadelphia’s institutional infrastructure was far from perfect. As early as 1960, local officials and other experts were advocating for reform of the city’s housing bureaucracy. One suggestion (that would resurface four decades later as part of Mayor Street’s Neighborhood Transformation Initiative) included the creation of a new housing department to encompass the city’s Department of Licenses and Inspections, the Philadelphia Housing Authority, and the Redevelopment Authority, with a member of the Mayor’s office responsible for coordinating housing policy with other city programs to supplement the new consolidated department (Rafsky 1960, 39).

This need for reform would become evident as the city witnessed an “especially dramatic” turnover from patrician reformer Mayor Richardson Dilworth, “who had won for Philadelphia a reputation for renewal and revival,” to City Council President James Tate, a longtime ward politician, in 1962 (Teaford 1990, 137). Due to the nature of Philadelphia’s housing bureaucracy, this mayoral transition had magnified consequences for the city’s
housing initiatives. Both the Housing Coordinator’s Office and the Development Coordinator’s Office were simply extensions of the mayor’s office. Neither the Housing Coordinator nor the Development Coordinator had any statutory powers; both relied solely on political power, which rose and fell, along with their clout among other government officials and private partners, with the amount of support they received from the mayor. Under the new administration, these offices went from priority activities to afterthoughts. None of William Rafsky’s successor Development Coordinators performed the job as well, a function of both personal ability and mayoral support. Eventually, the post was simply left vacant (Weiler 1974).

Not long after Rafsky’s departure, in November 1963, the Philadelphia Evening Bulletin editorialized that the “feeling is inescapable and widespread that the momentum picked up under Clark and Dilworth is grinding to a halt” (Teaford 1990, 137). This was certainly the case for housing plans and neighborhood revitalization. CURA-related efforts were cut or ended entirely. Planning and redevelopment activities, for the most part, were moved out of neighborhoods and refocused downtown.

Without a commitment to approaching neighborhood revitalization comprehensively, Mayor Tate’s administration both undervalued the prior decade’s work and was unprepared to benefit fully from the range of new federal housing programs unveiled in the 1960s, such as those included in the Economic Opportunity Act of 1964, as well as Model Cities and the Neighborhood Renewal Program (NRP), both launched in 1966. These programs, particularly NRP, encouraged and funded the types of activities proposed by the CURA Study and PCPC’s 1960 Plan: aggressive code enforcement combined with grants to homeowners for property maintenance and repair to stop decline in areas just beginning to show signs of “blight.” Mayor Tate’s administration seriously mismanaged
NRP monies and investigators discovered numerous cases of “overcharging...and faulty construction work done on houses in NRP areas.” Tate’s successor, Mayor Frank Rizzo, would suspend NRP activity in 1972 and eventually phase the program out entirely (Weiler 1974, 119).

While the neighborhood-based urban renewal strategies envisioned by the CURA Study and the PCPC Plan were greatly if not completely reduced, downtown project-based urban renewal continued in full force. In 1967, housing and urban renewal was Philadelphia’s third largest budgetary function, trailing only education and the police department “in terms of the proportion of direct general expenditure allocated to it” (Weiler 1974, 73). That year, the city spent $23.39 per Philadelphia resident on housing and urban renewal, up from $22.37 five years earlier (Weiler 1974, 73). By 1970, the Redevelopment Authority had seventy-one projects completed, underway, or in the planning stage, at a total cost of $434 million ($337 million of which was federal money) (Weiler 1974, 143). Fifteen of these projects were located in the central business district; most of the remaining projects were located in the CURA Study’s A sections – oriented towards redeveloping rather than revitalizing neighborhoods.

To oversee these activities and partner with the relatively young Philadelphia Housing Development Corporation (a quasi-public entity organized in 1965), Mayor Tate created a Deputy Managing Director for Housing in 1968 to replace the Housing Coordinator and Development Coordinator offices. This gave the city’s overseer of housing policy “a formal berth under the city’s Managing Director” rather than in the Mayor’s office (Weiler 1974, 108). This reform inserted an intermediary, the Managing Director, between the official supervising housing- and development-related activities and the mayor, cutting the direct link that previous officials, like Rafsky, had enjoyed.
On the national level, support for urban renewal as the appropriate strategy for reinvigorating distressed neighborhoods and commercial districts was waning by the mid-1960s. Philadelphia provided an example of urban renewal’s failure on two fronts. First, the program was not able to respond to the challenges declining urban neighborhoods presented. After two decades of urban renewal, and even several “notable achievements,” local housing policy could still not substantially reduce Philadelphia’s housing problems (Weiler 1974). As one example of its weakness, official estimates counted more than 24,000 vacant housing units in the city in 1972, and most of these units were in poor condition and likely abandoned. In addition, the number of vacant units was rising rapidly (Weiler 1974, 120). (A notable exception was the Washington Square East Urban Renewal Project, better known as Society Hill, approved for funding in 1957. Rather than demolition, this project stressed the rehabilitation of the existing, historic stock, and involved long-time and new owners in property improvements. Two decades of public investment and publicly supported development helped transform Society Hill “into an attractive residential community offering desirable housing for a middle-class market” (Kromer 2000, 19).)

Second, urban renewal did not equip or encourage local governments to oversee coordinated, comprehensive housing policy. The program’s practice of awarding funding on a project-by-project basis made long-term planning difficult (if not impossible). And the diverse array of federal guidelines and obligations that accompanied urban renewal funding typically fell to multiple entities. Philadelphia, for one, relied on a “diverse and somewhat confusing...complex of local governmental agencies and private groups” to oversee its housing operations, including the Office of the Deputy Managing Director for Housing, the Philadelphia Housing Development Corporation (PHDC), the Department of Licenses and
SHIFTING GEARS (1970S TO 1980S)

By the early 1970s, the unprecedented scale of housing abandonment in several cities across the country (including Philadelphia) highlighted the stark mismatch between federal policy assumptions (that cities needed to build their way out of distress) and local needs. The Housing and Community Development Act of 1974, which replaced urban renewal with the Community Development Block Grant program, gave localities greater flexibility in crafting intervention strategies by devolving decision-making responsibilities, and enabled municipalities to pursue multi-year strategies by awarding funding by formula rather than on a project-by-project basis.

These changes – increased local discretion and greater funding stability – proved to be both a blessing and a curse for cities. In Philadelphia’s case, this shift tested the capabilities of the local bureaucracy in multiple ways. For example, under urban renewal, the city’s Redevelopment Authority was the perfect entity to handle project-specific, categorical funding. CDBG money, however, came to the city as one lump sum and required a degree of policy-making expertise to distribute the discretionary funds. Without the institutional capacity to do this, in the earliest years of the CDBG program, Philadelphia used its funds to continue work on urban renewal projects and to cover the costs of general city services (including the police presence and trash collection) in neighborhoods eligible for CDBG (Gallery 2003). Growing criticism from local officials and the Carter Administration over this misuse of CDBG, as well as an upcoming election for Mayor Rizzo, prompted a review of ways to better address this new stream of money (Gallery 2003).
The key challenge facing John Gallery, the city’s consultant leading this review and charged with redesigning the city’s bureaucracy, was how to change the administrative structure to best accommodate the CDBG program. At the time, several governmental entities, including the Managing Director’s Office, PCPC, the Redevelopment Authority, and the Development Coordinator’s Office, oversaw a piece of Philadelphia’s housing-related programming. No one of these seemed appropriate for the role the CDBG program demanded: the Deputy Managing Director for Housing had proved to be a weak model in the past; PCPC and the Redevelopment Authority, while exceptional at their own work, did not have the money management capacity the CDBG program required of a leading agency; the Development Coordinator’s Office currently had no staff or budget and without new statutory authority its strength would be highly contingent on the person serving as Development Coordinator and his or her support from the mayor (Gallery 2003).

Gallery concluded that the city needed an independent housing office, reporting directly to the mayor. That new office would receive all CDBG money and contract out to existing agencies and non-government organizations for the necessary services. It would also set the city’s priorities for local housing policy. The Comprehensive Plan, required by HUD to receive grant money, would truly be just that: a comprehensive strategy for addressing Philadelphia’s housing and general community needs. This arrangement was accepted by the mayor with one condition: that Gallery head the new agency. So in 1976, Philadelphia’s Office of Housing and Community Development (OHCD) opened for business as a sub-unit of the Mayor’s Office, with Gallery as its Director.

Some of OHCD’s earliest actions included ending the use of CDBG monies for city operating expenses, expanding the list of neighborhoods receiving federal funds for revitalization, and broadening the range of activities funded with CDBG subsidies. The first
was possible through close coordination with the city's Finance Director, and entailed substantially reducing the Redevelopment Authority's staff and budget. Second, OHCD worked with PCPC to determine which neighborhoods should be added to the recipient list. Lastly, to broaden the range of investments made in neighborhoods throughout the city, OHCD cooperated with the Philadelphia Housing Development Corporation (PHDC) to fund community rehabilitation programs, utilized Empowerment Zone-related subsidies, and explicitly linked the city's economic development strategies with its housing and community development efforts (particularly, for example, along the American Street Corridor) (Gallery 2003).

**Figure 2-6: Community Development Block Grants, Yearly Budgets**

Source: Community Development Block Grant Program Newsletter, 1

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In just a short time, the City could boast of substantial progress. By Gallery's second year as Director, OHCD had diverted more than $11 million from general spending to community development efforts, and had more than doubled its spending for conservation and neighborhood revitalization programs and quadrupled investments in economic development ("CDBG" 1978). The agency had also expanded housing and community development activities to twenty new neighborhoods, doubling the number of areas served. (Twenty neighborhoods were already receiving funds from prior commitments made through urban renewal (Rizzo 1978, 36.) For those neighborhoods with active urban renewal projects, OHCD prioritized areas where the urban renewal plan could be completed relatively quickly and intensified its marketing of land previously acquired through eminent domain.

Figure 2-7: Neighborhoods Receiving Community Development Funds

The city also took advantage of major new federal initiatives introduced in the mid-1970s. Philadelphia designated Neighborhood Conservation Areas as targets for a combination of vacant property acquisition and housing rehabilitation loans and grants to existing and new homeowners. The city's Community Sponsored Projects funded local groups to carry out housing rehabilitation projects, provide neighborhood-based services, improve

Source: Rizzo 1978, 36
community facilities, and create community plans (Rizzo 1978, 42). Once again, Philadelphia could boast of a creative, coordinated, and strategic approach to its housing problems.

Yet just as Philadelphia’s new housing approach was gaining momentum, the city faced an imminent regime change. Mayor Frank Rizzo was nearing the end of his second term, and despite a concerted effort, had been unsuccessful in his bid to pass charter reform to allow himself to run for a third time. Though a successor would be taking office in January 1980, even into the late-1970s there was no clear “next one in line” (Gallery 2003).

William Green, a Washington politician with few local constituents, ultimately replaced Rizzo. Unfortunately for the city’s housing bureaucracy as well as its neighborhoods, Mayor Green shied away from housing-related issues; his first OHCD Director (who replaced Gallery) lasted just six months (Gallery 2003). Wilson Goode, the city’s Managing Director at the time, was put in charge of OHCD oversight, once again destroying the direct link between OHCD and the mayor (a link that Gallery’s reform committee had found so important). Hoping to maintain his control over OHCD, Goode appointed a weak OHCD Director (to replace Gallery’s successor). However, with his numerous other responsibilities as Managing Director, effectively controlling OHCD became an impossible task. As a result, the set-up did little more than short-change Philadelphia’s housing policy and neighborhoods (Gallery 2003).

Goode eventually appointed a stronger OHCD Director, although one without substantial independence, when he became mayor in 1984. While deeply committed to attacking all of the city’s problems, his administration generally emphasized downtown economic development projects over neighborhood-based, housing-related projects (Adams, et al. 1991; Gallery 2003). Then, in 1985, Philadelphia police dropped explosives from a
helicopter onto the rooftop of a West Philadelphia rowhouse known to be a communal residence for MOVE group members (after a failed attempt to serve arrest warrants and an ensuing gun battle). The fire from the blast destroyed the entire block and claimed eleven lives. The MOVE debacle greatly reduced the mayor’s ability to implement any of his policies, despite his best intentions. “From that moment on, the best of intentions were not enough to save the mayor. The city, like a living creature, began to devour him” (Bissinger 1997, 24).

Making matters worse, as the city’s housing policy floundered over the course of the 1980s, federal funding for its programming was disappearing. The budget authority for HUD’s subsidized housing programs was slashed over 80% between 1981 and 1989; new construction and substantial rehabilitation were “virtually eliminated as federal programs” (Morial and Barry 1986, 137). CDBG program funding was cut in half between 1981 and 1986, from $4 billion to under $2 billion (Ward 1987, 29).

In the face of declining federal funds and growing needs, several cities initiated their own, locally funded housing policies. Local financial capacity and strong mayoral leadership made these cities’ plans possible. Unfortunately for Philadelphia, the city had neither the finances nor the leadership to follow suit. Teetering on the brink of bankruptcy and having withstood two weak executives in a row — “ineffectual Mayor Green [and] the even less effective Mayor Goode” — Philadelphia sponsored no plan of its own during this time (Teaford 1990, 260).

**BACK FROM THE BRINK (1988 TO THE PRESENT)**

Philadelphia’s housing policy and programs did get a substantial boost, however, in 1988 when Ed Schwartz was appointed OHCD Director. He quickly set about reinstituting...
the office’s neighborhood focus and shoring up the Director’s role in city policy-making (Gallery 2003). In many ways, however, this proved to be too little too late: between 1981 and 1992, the amount of money the city budgeted for the demolition of dilapidated residential and commercial buildings had increased tenfold, from $510,000 to $5.3 million; despite the substantial increase, the city was still not able to keep pace with newly abandoned properties. By 1992, approximately 6% of the city’s residential housing stock, or 27,000 buildings were vacant (Bissinger 1997, 34).

Increased vacancy and abandonment, declining property values, depopulation, less housing construction, diminishing local revenue, and shrinking federal support for cities, had Philadelphia on the verge of bankruptcy in the early 1990s. When Ed Rendell became mayor in 1992, the city’s finances and economic base were in such a state of distress that the city’s focus during the 1990s, by necessity, was primarily (though not entirely) on downtown rather than neighborhood development.

Recognizing, however, that the “prospects for future long-term reinvestment in Philadelphia’s overall economy depend[ed] in large part on the condition and quality of Philadelphia neighborhoods,” Mayor Rendell convened a task force in his first year in office to review the city’s housing agencies and streamline their programs and services (Kromer 1997, 28). The Housing Reorganization Task Force (which included Gallery) found the city’s “housing machinery [to be] cumbersome and ineffective...[with] no coherent vision or strategy for effective housing efforts” (“Rehabilitating the City of Philadelphia’s Housing Operations” 1992, 3). The Task Force advocated returning to the original model established when OHCD was first formed: OHCD would be “analogous to an executive office of a consolidated agency for housing,” establishing policy and budgetary priorities; the Redevelopment Authority would focus on land and property acquisition and project
financing; the Department of Licenses and Inspections (L&I) would keep and update a database of all vacant property to inform OHCD-driven policy; and PHDC would continue to manage the city’s housing rehabilitation loan programs (“Rehabilitating the City of Philadelphia’s Housing Operations” 1992, 18, 21, 23, 27). These improvements, the Task Force argued, were necessary precursors to establishing “an overall housing strategy understood by all the key participants and that guides the allocation of funds and development of programs,” the essential next step following bureaucratic reform (“Rehabilitating the City of Philadelphia’s Housing Operations” 1992, 6).

Under Mayor Rendell’s leadership, the housing agencies’ responsibilities were realigned and a significant amount of overlap removed (Kromer 2003). In addition, new OHCD Director John Kromer further benefited from a direct link to the mayor and OHCD’s restored independence and authority. Kromer was also given a clear mandate to invest in neighborhoods and a good political climate in which to do so (Gallery 2003).

With this foundation, OHCD soon created a new comprehensive housing strategy for Philadelphia that combined the prevention of future vacancies through support for repairs, weatherization, and housing counseling; the preservation of recently vacated properties by increasing available rehabilitation financing; and the demolition of dangerous properties and the re-use of vacant sites (Kromer 1997, 46). The city aggressively pursued a “repopulation” strategy in some of Philadelphia’s most distressed neighborhoods. The “Home in North Philadelphia” policy was launched in 1993 to develop for-sale housing and improve public housing units in Lower North Central Philadelphia (City of Philadelphia). The policy became an annual budget priority, and OHCD funneled public monies from a number of sources (including CDBG and HOME monies, HUD Homeownership Zone (HOZ) grants, a HOPE VI Revitalization Grant for the Richard Allen Homes, and Section 85...
108 loan funds) into the area. With the mayor's support, OHCD was thriving again. In the
mayor's own words: "Kromer has certainly done plenty, transforming ever-dwindling
federal funding into programs that turned out housing and homeowners in ever-increasing
numbers. This has 'created a feeling throughout the city that neighborhood problems are
solvable if we use public resources wisely'" (Quoted in Heavens 2001).

More would soon follow. Between 1997 and 2004, Philadelphia received four
HOPE VI Revitalization Grants and nine HOPE VI Demolition Grants, enabling the city to
transform most of its larger public housing sites. At the same time, local institutions became
increasingly involved in community development. The University of Pennsylvania, for one,
launched the West Philadelphia Initiatives in the late 1990s, putting institutional resources
(both dollars and people) towards increasing homeownership, reducing crime, expanding
rental and retail opportunities, and improving educational services in West Philadelphia
(Kerman and Kromer 2004). And the substantial local investment Philadelphia was unable
to make in the 1980s came in 2002, when the City Council approved $295 million in bond
financing to fund a range of activities from conservation to demolition under Mayor John
Street's Neighborhood Transformation Initiative (NTI).
Chapter 3: 
Neighborhood Dynamics: The Power of People and Perceptions

While U.S. housing policy has tackled (or sought to tackle) a range of issues, from improving housing conditions to increasing housing affordability for lower-income owners and renters, federal efforts have only rarely linked unit- or household-based programming to neighborhood-wide dynamics. The earliest federal housing legislation (which would have substantial influence over subsequent programs) was primarily focused on reinforcing the real estate and banking industries, both decimated by the Great Depression. As a result, pre- and post-war programs largely targeted banks and builders and thought in terms of housing units and individual loans — not neighborhoods.

In addition, these interventions came at a time when little was known about how cities and their neighborhoods functioned, how they accommodated an ever-changing parade of uses and residents, and how they adapted over time to new needs and new strains. It was not until 1920 that a majority of American residents (51.2%) lived in urban areas (defined by the U.S. Census as places with populations over 2,500). By 1930, 13 American cities were home to more than 500,000 people (compared to just 6 cities in 1900) and 93 were home to more than 100,000 people (three times as many as in 1900, when just 38 cities had at least 100,000 residents). Over the 1920s and 1930s, scholars across academic disciplines (most notably several sociologists at the University of Chicago) were busy working to understand and describe these new urban settings.

The scholars’ highly subjective descriptions of current urban conditions — of the inevitable decline of centrally-located housing as it aged or “filtered” downward as it was “invaded” by poorer or minority households or undesirable land uses; of the inevitable separation of households by income or race or ethnicity; of the inevitable out-migration of
higher-income households into the newly constructed housing in the nascent suburbs—
came to be understood as objective explanations of how urban neighborhoods would fare
over time. These descriptions had a profound influence on federal policy (as well as on
popular opinion and real estate and lending industry practices). Many early government
programs accepted scholars’ assumptions that neighborhood decline (particularly in central
cities) was unavoidable and therefore sought simply to avoid such decline (where it already
existed or where researchers predicted it was likely to exist) instead of reversing it. Federal
mortgage insurance programs run through the Federal Housing Administration, for example,
supported middle-class homeownership and new construction on the urban fringe and
explicitly refused to invest (or insure private investments) in older, economically or socially
diverse, or mixed-use areas. Programs like urban renewal, that did funnel subsidies into
urban neighborhoods (but which received just a fraction of the support going into mortgage
insurance and homeownership incentives), did not seek to halt decline but, rather, to target
“problems” — namely the presence of lower-income or minority households, or the presence
of outdated housing — for removal or “redevelopment.”

By the 1960s, the inevitability of neighborhood decline and existing policy
approaches were coming under fire from activists (most notably Jane Jacobs) and scholars.
By the 1970s, neighborhoods in city after city further challenged the idea of decline as
unavoidable as they began attracting higher-income households. Rather than “dying,” these
older neighborhoods were being “reborn;” rather than filtering down, individual housing
units were filtering up. And this was largely happening outside or in spite of federal housing
policy. (The shift from project-based urban renewal to flexible Community Development
Block Grants at least partially reflected officials’ acknowledgement of the mismatch between
neighborhood-based realities and existing federal housing programs.) The “urban revival” of
the 1990s, during which not only neighborhoods but whole cities attracted new investment and registered population gains for the first time since the suburban exodus began in earnest in the 1940s, further demanded new explanations for how and why neighborhoods change.

Scholars have since responded, greatly expanding what is known about neighborhood dynamics in recent years by adding to and blending elements from existing work. Neighborhood change, these theories argue, is bounded by larger economic forces and political shifts and specified by how these external forces reverberate through a city’s housing market. While baseline social and physical conditions can influence a neighborhood’s subsequent level of distress, so can the strength of residents’ ties to one another and their neighborhood. Residents’ commitment to their neighborhood as well as neighborhoods’ attraction to outsiders are a function of both actual conditions and individuals’ and institutions’ perceptions of those conditions and expectations for how they will change over time. Ultimately, residents’ commitment, insiders’ and outsiders’ demand for local housing, and popularly held area perceptions and expectations shape future trends.

While neighborhood change may be unavoidable (as fashions change, land uses change, households change, economics change, and politics change), neighborhood decline is not. Although all neighborhoods are susceptible to disinvestment (the loss of an institutional or commercial anchor, the in-migration of lower-income households, the decline of a nearby community, or a disruption in public services), some neighborhoods can “thrive on change” rather than suffer from it (Downs 1981, 18-19; Aitken 1990, 249). “Healthy” neighborhoods are those with sufficient “self-healing properties” or “coping mechanisms” to ease the pace of change or stave off disruptive change as well as with sufficient “community capacity” to access necessary resources and respond quickly to new problems (Goetze 1979, 136, 92; Chaskin 1999, 5). “Healthy” neighborhoods can therefore
ensure that incremental changes in socioeconomic or demographic characteristics, small population losses, or minor property disinvestment, when they do occur, do not reach a level at which "it is difficult if not impossible" to remediate the problematic conditions (Pollock and Rutkowski 1998, 7, 64; Aitken 1990, 249).

While earlier theories of neighborhood change argued that "no single actor can have any decisive impact" on neighborhood decline, which was itself unavoidable, more recent models see change as being "discontinuous," prompted by an "identifiable factor or agent that might be modified or controlled" to ensure that change is positive (Koloday 1983, 100). This, importantly, opens the door for public policy to positively influence neighborhood trends. And with a broader understanding of what makes neighborhoods "healthy"—housing in good condition, a reputation as a desirable place to live, horizontal ties between neighbors, vertical ties to public and private institutions, high quality of life—government officials now have a wider array of neighborhood revitalization tools to choose from.

**INEVITABLE, UNIDIRECTIONAL CHANGE**

The earliest work on neighborhood change and those theories stemming directly from it (known as ecological models of neighborhood change) focuses on the "economic competition for urban locations among various social groups and the inevitable filtering down of older buildings" (Temkin and Rohe 1998, 65). These descriptions emphasize neighborhoods' demographic and socioeconomic characteristics, how various subpopulations are distributed (or segregated) across a city, how various subpopulations "invade" and transform particular areas, and how a neighborhood's location and access to employment opportunities and other amenities influence this process (by influencing the local price of housing) (Williams 1985, 46). Importantly, these models assume that
neighborhood trajectories “are predetermined to change [or decline] as time takes its inevitable toll” (Temkin and Rohe 1996, 160; Metzger 2000, 8).

Ecological models are largely based on work done at the University of Chicago in the early twentieth century. Researchers there, “inspired by evolutionary theory, botany, and the dramatic changes taking place around them, connected community structure, location, and local social life with a human ecological framework” (Taylor 2001, 10; see also Temkin and Rohe 1996, 160; Galster 2000, 62-63). At the time, the United States’ urban population was growing dramatically: the number of residents in urban areas (defined by the U.S. Census as places with at least 2,500 residents) would roughly triple (from 30.2 million to 90.1 million) between 1900 and 1950; and urban areas were becoming home to a majority of Americans for the first time in the nation’s history. Against this backdrop, researchers increasingly explored how individuals interacted with, influenced, and were influenced by, this new, dynamic environment.

**Figure 3-1**

*U.S. Population in Urban and Rural Areas, 1900-1950*

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Residents</th>
<th>Rural Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>30,214,832</td>
<td>27,949,968</td>
</tr>
<tr>
<td>1910</td>
<td>50,164,495</td>
<td>52,302,638</td>
</tr>
<tr>
<td>1920</td>
<td>54,253,283</td>
<td>57,459,231</td>
</tr>
<tr>
<td>1930</td>
<td>69,160,599</td>
<td>61,197,604</td>
</tr>
<tr>
<td>1940</td>
<td>74,705,338</td>
<td>61,977,604</td>
</tr>
<tr>
<td>1950</td>
<td>90,128,194</td>
<td>57,459,231</td>
</tr>
</tbody>
</table>

*Source: U.S. Census*
Based in Chicago, scholars used the city and its neighborhoods as their laboratory. As the country's second largest city (at the time), Chicago represented an extreme case of national trends: between 1900 and 1930, Chicago's population fully doubled, growing by more than 1.6 million residents. In 1930, over 850,000 of the city's residents (or one-fourth of all Chicagoans) were foreign-born (U.S. Census).

As the city grew, the movement of individual households and the changing quality of individual housing units were creating patterns—of social cohesion, of property upkeep, and of neighborhood demand. Chicago School sociologists sought to describe and explain these trends and patterns. First, they noted that population increases produced “differentiation and specialization” (Wirth 2000, 100). “[A]ccessibility [to employment], healthfulness, prestige, [aesthetics], absence of nuisances..., [and]...desirability,” distinguished one neighborhood from another, and set prices on an area-wide (as opposed to house-by-house) basis (Wirth 2000, 101; Taylor 2001, 11). This effectively sorted residents into neighborhoods by income, turning the city into “a mosaic of social worlds” (Wirth 2000, 101). The nature of urban expansion replicated this type of sorting on a metropolitan-wide
scale, creating “a series of concentric rings” similarly differentiated by household characteristics and land uses (Wirth 2000, 101; Leven 1976, 26).

With economic and racial and ethnic segregation as a central assumption, these theorists then explored how households and non-residential land uses re-sorted themselves as urban growth continued. From this work came the “invasion/succession” model of neighborhood change as well as the “stage model” of neighborhood decline (Lauria 1998, 398). Ernest Burgess first introduced the idea of “invasion/succession” in 1925 (in The City, co-authored by Robert E. Park and Roderick D. McKenzie). He argued that neighborhoods changed when sections of the city were invaded by a more dominant land use. Succession occurred once the “more dominant use replaced its predecessor” (Temkin and Rohe 1996, 160).

Researchers found that racial and economic segregation fueled a similar “neighborhood succession process” in residential areas (Baxter and Lauria 2000, 676). Mixed-income and racially diverse neighborhoods were thought to be inherently transitional — the temporary outcome of new residents of a particular economic or racial background “invading” neighborhoods with different socioeconomic or demographic profiles. The in-migration of ethnic or racial minorities or lower-income households would both encourage white or higher-income residents to move out of the neighborhood and discourage other white or higher-income households from moving into it (Ottenstmann 1995, 132). Therefore, “succession” always followed “invasion,” and the transitioning neighborhood become resegregated in whatever way it was trending — from white to black, or from higher-to lower-income.

Homer Hoyt, another Chicago School scholar, recast the invasion/succession process as a flow of households through the housing stock with his concept of “filtering” in
the 1930s (Leven 1976, 27). Hoyt documented that as incomes rose, households tended to demand more housing (or larger housing units). As the highest-income households moved (primarily into newly constructed units), the demand for and therefore the value of their vacated homes declined (since other high-income households were similarly preferring the newer stock over the existing stock). Depreciation enabled the next-highest income households to move into these higher-end existing units, which reduced the demand for and price of their own last residence. This process — of housing “filtering down” to households of progressively lower incomes — would continue until the lowest-income households moved out of the worst units, which officials could then demolish.

At best, this process would enable people to “filter upwards toward better quality housing” (Goetze 1976, 129). Households could benefit either by improving their “housing bundle” without increasing what they spent on housing, or by staying in their current home but getting to pay less for it (Leven 1976, 27, 28, 46). And filtering could bring not only higher quality units but also higher quality neighborhoods within lower-income households’ reach (Birch 1971, 86). Imagining the process to play out in this promising way, some researchers have even argued that the “goals of policy vis-à-vis neighborhood dynamics clearly should not be to halt neighborhood deterioration” since deterioration is what improves households’ living conditions (emphasis added) (Rothenberg, et al. 1991, 286, quoted in Temkin and Rohe 1996, 160).

Certainly the federal government’s post-war housing policy — with its heavy emphasis on supporting new construction in suburban areas and enabling higher- and middle-income households to buy this new housing — banked on the filtering process providing higher quality housing and neighborhoods for lower income households (FHA 1967, paragraph 71603.7, quoted in Metzger 2000, 9). (This was particularly true as even urban renewal
increasingly shifted its focus away from the production of affordable housing and as public housing construction substantially trailed early goals and only accommodated a fraction of eligible households.)

But filtering could never benefit lower-income households in the long-run and the reasons why, paradoxically, came out of filtering theory and the complementary stage theory themselves. These models assumed that “invasion and succession” and “filtering” always followed the same patterns: housing always flowed from higher to lower status inhabitants. Due to the spatial concentration of these changes, neighborhoods too always transitioned from higher- to lower-income or white to black residents. (When these models were first formulated in the 1920s and 1930s, nearly all (approximately 95%) of the United States’ non-white population was black (U.S. Census).)

Several researchers (such as Larry S. Bourne, Anthony Downs, Edgar Malone Hoover, and Raymond Vernon) argued that these neighborhood-level transformations mimicked an organism’s progression from birth to maturity to death (Aitken 1990, 248-249). Changes in population densities, socioeconomic characteristics, building conditions and land uses take areas through a “neighborhood life cycle,” which advances from the new construction of single-family homes, to “full occupancy” as densities increase, to “downgrading” as resident incomes fall, to “thinning out” as buildings deteriorate and the population declines, and ultimately to abandonment (Aitken 1990, 248-249; Lauria 1998, 398-399; Cohen 2001, 417). Others describe neighborhoods’ progression from “viability” to “nonviability” (Temkin 2000, 55; Goetze 1979, 29; Downs 1981, 63-64; Ahlbrandt and Brophy 1975, 7-9). “Healthy” neighborhoods (with “smoothly functioning real estate markets,” strong socioeconomic profiles, and high quality of life) decline as owners forego maintenance and repairs and problematic conditions become more pronounced, until
“current land uses are no longer economic,” “private sector institutions have withdrawn from the area,” city services “are nonexistent or severely inadequate, and the only remaining residents are those with nowhere else to go (Ahlbrandt and Brophy 1975, 7-9).

In each of these conceptions of neighborhood change, some decline is inherently followed by more decline, especially as a neighborhood’s socioeconomic and demographic profile shifts. Therefore, even if a neighborhood or housing unit is initially of better quality than a lower-income household’s last home, the lower-income household’s sheer presence is bound to destabilize its new neighborhood (since resident purchasing power, housing values and rents, and neighborhood “desirability,” all decline with resident income levels), causing conditions to deteriorate further (Baxter and Lauria 2000, 677; Nyden, Maly and Lukehart 1997, 493; Leven 1976, 28, 38). Passive filtering, or “changes in [a household’s] housing bundle over which [it] has no control” (changes primarily caused by neighborhood externalities), tends to negate any temporary gains from active filtering, or a household’s move into a better unit (Leven 1976, 46, 49).

So while filtering has produced high-quality neighborhoods for high- and middle-income households, and good-quality neighborhoods for moderate-income households, “this same process [has been] disastrous for the lowest-income households.” Economic and racial residential segregation, forcing lower-income and minority households “to concentrate in the oldest, most deteriorated neighborhoods,” means that the filtering process negatively impacts not just individual housing units but entire neighborhoods, specifically those neighborhoods which are home to lower-income and minority households (Downs 1981, 53; Megbolugbe, Hoek-Smit and Linneman 1996, 1783).

Several studies since the 1970s have challenged some of filtering theory’s underlying assumptions: that owners base their investment decisions primarily on the age of an
individual housing unit; and that housing markets are driven by landlords and renters (as opposed to homeowners). First, researchers have since proven that while a unit's characteristics and conditions certainly affect its value, a range of other variables do so as well (Brophy 1982a, 58). In fact, the nature of a neighborhood's housing stock can only weakly explain or predict the neighborhood's trajectory over time (Temkin and Rohe 1998, 84). Various housing attributes actually affect housing prices differently in different neighborhoods (Can 1990, 254). (The “value” of 2,000 square feet of living space is not uniform across city neighborhoods; nor would adding 500 square feet of living space result in the same rate or dollar amount of price increase across city neighborhoods.) Therefore, the aging of the housing stock — what filtering theory considers central to neighborhood change — is not a consistent, or necessarily very powerful, predictor.

Second, researchers developed the filtering model when just one-third of American households owned their homes. As a result, they based the filtering process on the investment decisions of landlords and the mobility decisions of renters. Today, however, more than two-thirds of American households own their homes, and homeowners collectively represent “the largest single group of housing producers in the nation” (Galster 1987, 2). This reality and the complexity of homeowners’ decision-making process suggest looking to these owners for a more nuanced understanding of what motivates property investments (Galster 1987, 2).

While subject to a range of other factors, households' investment decisions typically begin with a straightforward comparison of costs and returns (Lees 1994, 146; Smith 1996, 192). Yet for homeowners, very little is straightforward about either the costs or the returns of home purchase or improvements. Costs depend “on the idiosyncrasies [age, construction, condition, etc.] of the existing stock” (Galster and Rothenberg 1991, 43). Costs also depend
on what level of investment is deemed “necessary” to bring the unit up to “appropriate” condition, a highly subjective determination.

Quantifying “returns” is even more complicated for homeowners. To landlords, the equation is fairly simple. Investor owners’ decisions hinge almost entirely on a building’s annual cash flow, appreciation and eventual sale price — or exchange value (Ahlbrandt and Brophy 1975, 14). In contrast, homeowners, while recognizing the potential for future appreciation, base investment decisions more heavily on a property’s use value (Galster 1987, 15). Since homeowners can use new rooms and amenities (as long as they stay in the house and the neighborhood), property improvements “pay off” for them in more ways than they do for landlords. Not surprisingly, “homeowners are more likely than landlords to undertake repairs and...[tend to] spend more on them” (Rohe and Stewart 1996, 48).

This focus on the use value of housing units also means that neighborhood conditions — both physical and social — will play a greater role in homeowners’ investment decisions than in landlords’ (Galster 1987, 3; Varady 1986b, 7). In particular, social relationships with neighbors, attachment to the neighborhood, and participation in local organizations (all nearly or entirely absent from landlords’ calculations) can matter a great deal to homeowners (Ahlbrandt and Cunningham 1979, 21; Galster 1987, 3, 88, 219). Indeed, researchers have shown that homeowners’ maintenance expenditures tend to increase with local social involvement, household income, and confidence in the neighborhood’s future (Rohe and Stewart 1996, 48-49). At the same time, homeowners are swayed by social pressure “to conform to neighborhood norms for appropriate home maintenance levels” (something far easier for landlords to ignore) and also motivated by the social status that a high quality and attractive home confers (Quercia and Galster 1997, 420; Rohe and Stewart 1996, 47).
The most significant weakness of filtering and stage theories is that neighborhood decline is not inevitable. "There is nothing inherent in the aging process that requires older neighborhoods to wear out as does a tire after 30,000 miles" (Ahlbrandt and Cunningham 1979, 25; quoted in Temkin and Rohe 1996, 162). Few neighborhoods actually evolve in steady, straight-line trends as they mature (Nenno 1982b, 38). Decline is a function of disinvestment and deferred maintenance, not housing unit age. While older buildings tend to be more expensive to maintain, investing to extend their physical life may still be an economically rational decision for owners to make (Megbolugbe, Hoek-Smit and Linneman 1996, 1780). Reinvestment can be just as deliberate and rational an act as disinvestment (Smith 1996, 193-194). And human agency, not individuals' socioeconomic or demographic characteristics, dictates neighborhood outcomes (Ding and Knaap 2003, 703).

THE INFLUENCE OF EXTERNAL FORCES ON INTERNAL CHANGE

Understanding that housing units themselves can do little to explain neighborhood trajectories, scholars increasingly focused elsewhere, not only beyond the housing unit but outside the neighborhood in question. (To be sure, early ecological models also considered neighborhoods in the context of their cities and regions. Chicago School researchers traced neighborhood dynamics to socioeconomic and demographic trends and settlement patterns, as well as to metropolitan-wide development trends like concentration and deconcentration, centralization and decentralization, and how land uses distributed themselves throughout the city (Ahlbrandt and Cunningham 1979, 17, 19). Yet, too often, these descriptions did not fully link external conditions with internal changes.) Scholars soon concluded that internal neighborhood changes are in fact "externally induced" (Galster 2001, 2118). External conditions not only prompt internal change but also bound it, placing "general limits on
what patterns of neighborhood change are possible and what directions of change are most likely" (Taub, Taylor and Dunham 1984, 183; see also Birch 2002, 12; Rothenberg, et al. 1991, 249).

A range of external characteristics exert influence over neighborhood conditions. Certainly, regional housing market trends play a large role in shaping neighborhoods’ futures. Housing demand typically functions on a regional level since households looking to move into or within a region are not constrained by neighborhood or municipal boundaries (Downs 1981). The nature of household growth – whether regions are attracting or keeping households with children or not; whether regions are attracting or keeping households with high or low incomes – determines which types of housing units are in the greatest demand (Downs 1981). Similarly, the nature of housing unit growth – the pace of new construction (particularly against the pace of new household growth); the location of new construction – determines the tightness of the overall housing market and the strength of the demand for the local stock (Heilbrun and McGuire 1987; Berry 1999; Downs 1981, 2000).

For example, the ongoing suburbanization of people and jobs (a reality for nearly all American cities) has serious consequences for urban neighborhoods. For one, the loss of higher- and middle-income households (those most able and likely to suburbanize) drains cities and their neighborhoods of both financial and social resources (Downs 1997, 383). These trends frequently increase cities’ public service burdens while simultaneously reducing cities’ tax revenues, forcing local governments to either do more with less or increase the tax burden on the households who remain (Downs 1997, 383; Pollock and Rutkowski 1998). Either way, this typically results in still worse public services (particularly public schools) which, along with any tax hikes, only encourage more households with choice to move out of the city, leaving increasing concentrations of poor residents behind. And so the cycle
continues, further reducing the quality of local public services, weakening local institutions, undercutting cities’ collective political power, and devaluing and destabilizing urban housing and neighborhoods (Medoff and Sklar 1994; Pollock and Rutkowski 1998; Quercia and Galster 1997, 410-411; Rothenberg, et al. 1991, 275-279; Savich and Kantor 2002; Taub, Taylor and Dunham 1984).

National and regional economic trends additionally impact urban neighborhoods (Haar 1975). Globalization and deindustrialization have transformed cities just as much as suburbanization (Harvey 1973 and Logan and Molotch 1987; cited in Baxter and Lauria 2000). Economic restructuring has recast the role of cities and stripped many urban neighborhoods of their original functions (Berry 1999; Cohen 2001, 417; Savich and Kantor 2002, 19; von Hoffman 2003). The one-time “workshops of the industrial world” (like Philadelphia) and their once-vibrant blue-collar neighborhoods (like Lower North Philadelphia) and institutions have “lost their function” and are “but shadows of their former selves,” no longer springboards to upward mobility but instead places of last resort (Savich and Kantor 2002, 5; von Hoffman 2003, 14).

Regional labor market conditions provide (or deny) an employment base for neighborhood residents, influencing local income levels and purchasing power and shaping population trends (as households in-migrate to fill job positions or move elsewhere for employment opportunities) (Jargowsky 1997, 48; Pollock and Rutkowski 1998; Taub, Taylor and Dunham 1984). To what extent the area labor market is housed in the city’s central business district matters for downtown vitality (Berry 1999, 785; Downs 1981). A strong central business district also has several spillover effects for urban neighborhoods: neighborhoods adjacent to the central business district or well-linked by roads or public transportation boast a locational advantage that can attract new residents (hoping to cut
down on commuting times); commercial growth downtown additionally generates revenue to support city public services and locally-sponsored neighborhood-based investments (Case 1972; Downs 1981; Pollock and Rutkowski 1998; Taub, Taylor and Dunham 1984).

Beyond these wider social and economic structures, political decisions and the “choices made and not made by various institutions” greatly impact regions, cities, and neighborhoods (Sugrue 1996, 11; see also Williams 1985, 47). Corporate actors, including universities and other nonprofit institutions as well as private companies, choose where to move and invest just like individuals do (Beauregard 1990; Haar 1975). They also choose (or choose not) to lobby for particular politicians or public services or neighborhoods. For these reasons and because many are major area employers, these actors “possess substantial influence” over the distribution of political and financial resources and the extent to which they do or do not flow into individual neighborhoods and their housing stocks (Taub, Taylor and Dunham 1984, 183).

The real estate industry – lending institutions, real estate agents, brokers, insurance companies – shape this distribution of resources and neighborhood destinies even more directly (Cohen 2001; Downs 1981; Kolodny 1983; Medoff and Sklar 1994; Metzger 2000; Rothenberg, et al. 1991, 275-279). Discriminatory practices (such as “steering” households away from certain neighborhoods because of either their race or the neighborhood’s racial breakdown, and “redlining” (or refusing to provide financing within) certain neighborhoods simply because of the age of the housing stock or the socioeconomic or demographic characteristics of the population) seriously affect areas’ ability to attract investments and ward off decline (Downs 1981, 36; Rothenberg, et al. 1991, 275-279).

Lastly, government agencies, policies and programs set important limitations on citywide or neighborhood-based growth and change. Federal defense spending patterns are
at least partially responsible for the massive migration of people and related industries from
the “Rust Belt” regions in the Northeast and Midwest to the “Sun Belt” in the South and
Southwest. Federal spending on highway construction not only encouraged these national
growth patterns but enabled the suburban boom of the 1950s, 1960s, and 1970s. Federal
policies and spending (or lack of spending) on the environment, social welfare, public health,
employment and housing all manipulate how resources are disbursed throughout the country
and spread throughout a given metropolitan region (Brophy and Vey 2002; Cohen 2001;
Haar 1975; Pollock and Rutkowski 1998).

(Early ecological models of neighborhood change gave only minimal (if any)
attention to these institutional decision makers that exert substantial influence over
neighborhoods’ trajectories, or the fact that it was their actions (to deny loans in cities, to
encourage suburbanization, to perpetuate economic and racial segregation), rather than fate,
that made researchers’ negative expectations for older housing and older neighborhoods a
reality (Bright and Goodman 2000, 4; Ahlbrandt and Cunningham 1979, 26-27).)

On the positive side, this influence means that public housing initiatives can
significantly influence a neighborhood’s trajectory – by directly improving the local housing
stock or indirectly encouraging investment or in-migration. Federal Community
Development Block Grants (CDBG), HOME Funds, Low-Income Housing Tax Credits
(LIHTC), and public housing subsidies (particularly HOPE VI grants), can all act as “pump-
priming assistance that restores [neighborhood] self-reliance” or “reveal market demand that
few thought existed” and, by doing so, reverse neighborhood decline (Goetze 1979, 136;
Briggs 1997, 747). At the state level, laws and regulations pertaining to cities, as well as those
encouraging regional cooperation, can give or deny cities a range of tools to improve
citywide and neighborhood-based conditions. Of central importance are regulations
surrounding abandoned, tax delinquent and blighted properties (Brophy and Vey 2002). Local government spending and public services (often constrained by migration patterns and suburbanization, and cities’ resulting public service and tax burdens) can also be a key asset or principle hurdle in maintaining or increasing neighborhood demand or sparking neighborhood recovery (Downs 1981; Kolodny 1983).

**THE INFLUENCE OF NEIGHBORHOOD CHARACTERISTICS ON CHANGE**

While these external characteristics and institution decisions “act as parameters” on neighborhood change, internal characteristics specify neighborhood change within these limitations and determine how contextual forces will play out “on the ground” (Sugrue 1996, 11; Beauregard 1990, 856; see also Chaskin 1999, 11; Temkin and Rohe 1996, 159; Temkin and Rohe 1998, 67). Neighborhood trajectories, then, actually reflect the community’s response to broader trends and are a function of those broader trends and the neighborhood’s capacity to accommodate or adapt to them. This interaction between external forces and internal characteristics and capacities explains why “all neighborhoods within a city do not follow the same trajectory over time” and why “market conditions…vary substantially across neighborhoods” (Temkin and Rohe 1996, 162; Brophy and Vey 2002, 2).

Unfortunately for housing policymakers, while early theories did discuss several features associated with decline (noting that conditions tended to deteriorate where lower income households lived and where older housing units were located), they were largely “silent on the internal dynamics of neighborhoods, particularly those factors that [might] resist or accelerate” neighborhood decline (Ahlbrandt and Cunningham 1979, 19).
Fortunately, far more is known today about what can enable neighborhoods to prevent
decline and encourage investment.

One subset of the newer research focuses on neighborhoods’ social environments
and the role a strong social network can play in maintaining neighborhood health (Williams
1985, 46; Temkin and Rohe 1996, 162; see also Ahlbrandt and Cunningham 1979, 17; Ding
and Knaap 2003, 703; Temkin and Rohe 1998, 65, 67). Neighborhoods where residents
have strong “horizontal ties” with one another; where residents enjoy “vertical ties” (or
access) to political, institutional, and businesses leaders; where residents can exploit that
access to bring resources into the neighborhood; and where residents enforce behavioral and
maintenance norms are also typically neighborhoods where residents (renters or owners) are
both willing and able to stay and invest their time and resources (Beauregard 1990; Chaskin
1999, 8, 28; Gittell and Vidal 1998; Kolodny 1983; Quercia and Galster 1997, 25;

A neighborhood’s “community capacity” to promote and sustain its well-being also
resides in the residents themselves (Chaskin 1999, 28). While people of all backgrounds can
(or cannot) create strong neighborhood attachments and reinforce positive neighborhood
norms, socioeconomic characteristics can equip some individuals (and therefore some
neighborhoods) better than others to do so (Heilbrun and McGuire 1987; Kolodny 1983;
Leven 1976; Rothenberg, et al. 1991; Temkin 2000). Residents’ own capabilities, to a certain
extent a reflection of educational achievement, can help or hinder efforts to lobby on the
neighborhood’s behalf. Residents’ stability, a reflection of household income, life stage, and
housing tenure choices, can encourage or discourage neighbors’ attachment to one another
and commitment to the neighborhood, which can in turn work for or against collective
action in response to declining conditions (Taylor 2001, 12; Temkin and Rohe 1998, 84).

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In addition to the residents, the local housing stock – its condition and characteristics – helps determine the nature and direction of neighborhood change. (The housing stock, though, is clearly not solely responsible for shaping neighborhood trajectories, as earlier theories contended.) For example, future conditions are often a function of current housing conditions and how those conditions are trending; future housing vacancy and abandonment levels are similarly often a function of current levels and trends (Cohen 2001; Downs 1981; Greenberg 1999; Kolodny 1983; Pollock and Rutkowski 1998; Taub, Taylor and Dunham 1984). There is also a relationship between housing age and neighborhood change, just not as simple a relationship as early theories of filtering suggested. Older housing can be a real neighborhood asset if it includes interesting architectural features, helps give a neighborhood an identity, or is of a style that is valued by the market and that is not available elsewhere (or is only minimally available elsewhere) (Beauregard 1990; Downs 1981).

Housing characteristics (unit sizes, the breakdown of units per structure, features such as yards or garages or porches, etc.) are so important because, just like regional economic strength or the quality of public services, they impact neighborhood demand (Cohen 2001). High demand prevents the outflow of households, maintains housing values at a level that gives homeowners and landlords sufficient incentive to invest in their properties, and provides something of a buffer to protect the neighborhoods (to a certain extent) against negative external influences (Cohen 2001).

Neighborhood characteristics also significantly influence demand (Downs 1981, 1997; Higgins 2001; Kolodny 1983; Pollock and Rutkowski 1998; Temkin 2000). The “housing bundle” that households purchase is really a “neighborhood package” more than a “housing package” (Leven 1976, 6; Rothenberg, et al. 1991, 2-3). In most cases, households

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with the resources to choose among neighborhoods and housing units place far more emphasis on “a whole constellation of attributes...collectively designated ‘neighborhood characteristics’” (such as the overall condition of the block, the strength of local social networks, the lack of disorder and criminal activity, the quality of public services and local infrastructure) than on the features of the unit itself (Leven 1976, 48-49; Rothenberg, et al. 1991, 250-251; see also Ahlbrandt and Cunningham 1979, 13; Galster 1987, 19; Higgins 2001, 2). Neighborhoods themselves are products valued on a collective basis by the market (Ahlbrandt and Brophy 1975, 158; Galster 2001, 2112). Important amenities include a neighborhood’s physical location and proximity (or not) to a waterfront, parkland, downtown, or other strong neighborhoods; as well as quality local commercial and retail uses, and good public transportation or highway access (Beauregard 1990; Downs 1981; Kolodny 1983; Leven 1976; Taub, Taylor and Dunham 1984). Key local services include police and fire protection and garbage collection (all “essential to neighborhood survival”) as well as schools, parks, libraries, community facilities, and social and religious institutions (Greenberg 1999, 604; Downs 1981; Kolodny 1983; Taylor 2001).

To add another layer, demand reflects not just the local conditions themselves, but rather how neighborhoods compare to one another. “Good” housing and “good” neighborhoods are not defined by universally agreed-upon standards but rather in relation to local alternatives and reflect a unit’s or neighborhood’s “relative desirability” (emphasis added) (Ahlbrandt and Brophy 1975, 18; see also Galster 2001, 2115). “Good” housing is really just “better” housing – housing in superior condition or housing with more interesting architectural features. “Good” neighborhoods are really just “better” neighborhoods – neighborhoods with less crime or more amenities.
Local conditions divide a city’s “neighborhood packages” into “distinct housing submarkets,” defined by their housing stock, their residents, and their overall neighborhood environment (Apgar 1990, 32; see also Megbolugbe, Hoek-Smit and Linneman 1996, 1780; Rothenberg, et al. 1991, 3, 17). Each submarket includes housing and neighborhoods that, though they may differ, are “evaluated... by demanders and suppliers as reasonably close substitutes” (Galster and Rothenberg 1991, 38). A neighborhood’s position within the overall hierarchy is “in a continual state of flux” as regional economic centers shift, states build new highways, cities transform vacant industrial space into waterfront parkland, public housing authorities reinvent problematic developments, local organizations spearhead substantial reinvestment projects, and so on (Grigsby 1963, 37).

How influential one neighborhood is on another depends on how closely the two are linked. “The closer the substitutability between any two submarkets (the smaller the quality difference) the greater will be the repercussion of changes in one on the other, the more remote the substitutability (the greater the quality difference) the smaller will be the repercussion” (Galster and Rothenberg 1991, 38; see also Rothenberg, et al. 1991, 4, 244). In this way, individual neighborhoods respond both to broader trends (operating on a national, regional, or citywide level) and to other neighborhoods’ responses to those broader trends.

THE INFLUENCE OF INDIVIDUAL DECISIONS

*Cities are products of human decisions.* (Bier 2001, 1)

In an early critique of deterministic theories of neighborhood change, Ira S. Lowry blamed deterioration and neighborhood decline on “human agency” (individual and institutional investment decisions, and residents’ upkeep standards and housing preferences),
not “the relentless passage of time” (1960, 370). A neighborhood’s housing stock is constantly changing as owners decide whether or not to invest in property maintenance or improvements or adjustments (to enlarge, subdivide, upgrade, downgrade, or convert to owner- or renter-occupancy) (Goetze 1976, 129; Grigsby 1963, 22; Rothenberg, et al. 1991, 221). The outcomes of owners’ investment decisions largely dictate housing quality and neighborhood vitality. Since “[h]ousing maintenance is a ceaseless activity, particularly when the structures are no longer new,” the decision not to invest in upkeep can quickly result in declining property (and, most likely, neighborhood) conditions (Taub, Taylor and Dunham 1984, 119; see also Bier 2001, 6; Mayer 1984, 2).

Owners’ incentive to invest is a both a function of their ability to invest (their having incomes high enough to cover the purchase price or the costs of the necessary repairs or upgrades) as well as their willingness to do so (Goetze 1979, 34; Goetze 1976, 31; Smith 1982, 147-148). Willingness to invest is influenced heavily (if not entirely) by the surrounding neighborhood context. Where neighborhood conditions are sufficiently good and where neighborhood confidence is sufficiently strong, owners will be motivated to put money into housing (Goetze 1979, 31; Varady 1986a, 496).

Individuals and households of various ethnic or racial backgrounds, with an array of incomes, and at various life stages, also choose whether (or not) to move into or out of a particular neighborhood (Grigsby 1963, 22). One estimate suggests that, under normal circumstances, approximately half of a neighborhood’s housing units could turn over in under five years (Wood and Lee 1991, 612). In-migrating households impact a neighborhood’s social climate and overall stability to a large degree based upon how different they are (or are perceived to be by long-time residents and other institutional decision-makers) from the households they join and replace (Kolodny 1983, 94). These
perceptions influence how others act (whether long-time residents invest or move; whether lending institutions provide financing for housing; whether local government officials respond to neighborhood demands), which in turn influences how still others act. In this way, “[d]epending on who moves where, communities rise or fall” (emphasis added) (Bier 2001, 2; see also Boehlke 2001, 4).

Households’ mobility decisions even more clearly demonstrate their satisfaction with current neighborhood conditions and expectations for the future. Neighborhood satisfaction and confidence, as well as strong social ties and neighborhood involvement, make households more likely to stay in their current homes (Ahlbrandt and Brophy 1975, 12; Rohe and Stewart 1996, 52; Varady 1986a, 495). In fact, a housing unit’s “objective characteristics” (like age and configuration) play only a minor role in households’ mobility plans (Galster 1987, 171; Varady 1986a, 496-497). Instead, the neighborhood context, especially its social fabric and cohesiveness, as well as a householder’s job and family situation, are far more powerful predictors (Varady 1986a, 482).

The scale, pace, and nature of households’ mobility decisions ultimately shape neighborhood trends. Population loss (more out-movers than in-movers), especially accelerating population loss, reflect a neighborhood’s decreasing ability to attract new residents or even keep existing residents; neighborhoods unable to attract (or keep) people are typically also unlikely to attract investment (Downs 1981, 26). Present and future neighborhood conditions, then, are created “from countless individual housing actions,” which are themselves based on economic rationality and households’ efforts to maximize their own well-being (Goetze 1979, 92; see also Temkin and Rohe 1996, 161).
THE POWER OF PERCEPTION

For current and potential homeowners and investors, perceptions of neighborhood conditions and housing market strength “may be the most important factor affecting investment in the neighborhood,” whether that investment is property maintenance, improvement, or purchase (Higgins 2001, 2; see also Ahlbrandt and Cunningham 1979, 159; Galster 1987, 223; Goetze 1976, 43; Varady 1986a, 496). Also “critical to improvement” and investment are current and potential owners’ confidence in the neighborhood’s future conditions, quality of life, and values (Goetze 1979, 62; see also Ahlbrandt and Cunningham 1979, 16, 155; Galster 1987, 15-16). Pessimistic neighborhood expectations and concerns about income or ethnic shifts, physical deterioration, declining public services (particularly schools), and increasing crime, cause owners to invest less in their properties and potential investors to look elsewhere (Galster 1987, 199).

This highlights the way that neighborhoods’ internal characteristics relate with and reinforce one another. The variables that establish a neighborhood’s relative desirability (physical condition, social networks, public services, criminal activity) have “interaction and feedback effects;” shifts in any one characteristic change households’ perception of and satisfaction with the neighborhood, which can then affect households’ propensity to invest in or move into the neighborhood, which then changes other neighborhood conditions (Temkin 2000, 59; Galster 2001, 2116).

Interaction and feedback effects often turn households’ initial conception of neighborhood dynamics (trending upwards, trending downwards, in good condition, in bad condition) into reality. Households act in ways that reinforces the highly subjective “change” or “condition” they first envisioned; institutions, the real estate industry, business leaders, government officials and households living elsewhere all do the same. As a result,
original expectations become self-fulfilling prophecies (Galster 1987, 229; see also Galster 2001, 2120; Metzger 2000, 27; Williams 1985, 24). In this way, too, both positive and negative changes gain momentum: recognition of declining conditions or expectations that conditions will decline sparks behaviors that ensure they will, and at a faster pace; recognition of improving conditions or expectations that conditions will improve sparks behaviors that ensure they will, and at a faster pace (Smith 1996, 190-191).

“Invasion and succession” is largely driven by interaction and feedback effects. How long-time residents and in-migrants perceive each others’ status sets the “tenor of the neighborhood” and the “tone” of change (revitalizing or declining) (Goetze 1979, 36, 13). When residents consider newcomers to be significantly different from them, “some alter their investment decisions regarding maintenance and upgrading while others... reexamine whether to move or stay” (Goetze 1979, 36-37). Racial or ethnic changes, for example, can cause neighborhood decline not because minority residents are themselves a declining influence, but because they are perceived to be. Popular (whether admitted or not) attitudes about race and minority neighbors reduce demand for housing in diverse neighborhoods and discourage investing in them, ultimately destabilizing such areas (Kolodny 1983; Pollock and Rutkowski 1998).

Because of interaction and feedback effects, neighborhood change does not progress steadily downward or upward but rather in a series of vicious or virtuous cycles. The interplay of crime and blight is one type of vicious cycle (Greenberg 1999; Ross and Mirowsky 1999; Taylor 2001). First, both issues (encompassing noise, aggressive behavior, vandalism, graffiti, decay and abandonment) independently cause residents and outsiders to consider a neighborhood to be distressed; when “both crime and serious blight are present, a neighborhood is rated as poor or fair quality, irrespective of other characteristics”
(Greenberg 1999, 607). Social disorder and physical decay are also “highly correlated” with one another and both likely to breed more of the same (Ross and Mirowsky 1999, 423; see also Kelling and Coles 1996, 11). The presence of crime affects individuals’ “willingness to invest in neighborhood upkeep;” the presence of decline acts as implicit approval of disordered social behavior (Taub, Taylor and Dunham 1984, 179; see also Kelling and Coles 1996).

More generally, disinvestment of any kind – whether in terms of dollars spent on property maintenance or time spent working with neighbors to address community-wide issues – typically causes additional disinvestment. (One exception is when disinvestment “occurs on a sporadic basis in sound neighborhoods” (Ahlbrandt and Brophy 1975, 152).) “Both theory and empirical evidence suggest that when several owners fail to maintain their properties, others nearby follow suit” (“Report of the Bipartisan Millennial Housing Commission” 2002, 11; see also Cohen 2001, 416; Leven 1976, 186). Vacant structures and land, for example, depress area property values, reduce neighborhood quality of life, “overwhelm...redevelopment efforts,” and blunt residents’ future expectations for the neighborhood (Gurwitt 2002; Hughes and Cook-Mack 1999, 14). Together, these reduce owners’ ability to sell or find financing to make renovations, and ultimately end up encouraging additional abandonment, both hastening and expanding neighborhood decline.

Thankfully, positive characteristics reinforce each other in a similar way, stimulating virtuous cycles in neighborhoods showing signs of improvement that further improves area perceptions (Koontz and Ramos 2003, 21). The interaction between neighborhood commitment, residential stability, and property upkeep is one example. In this case, stable neighborhoods encourage residents’ participation in community organizations and therefore their social interaction with neighbors; strong neighborhood ties tend to make residents
more satisfied with their communities and confident in their neighborhoods' futures; satisfaction and confidence encourage property maintenance and upkeep; quality conditions reinforce neighborhood stability; and so the cycle continues (Rohe and Stewart 1996, 54-55; see also Ahlbrandt and Brophy 1975, 18; Taylor 2001, 7).

One issue that can potentially impede virtuous cycles (and encourage vicious cycles) is the fact that individuals’ housing investment decisions “mutually interactive” (Rothenberg, et al. 1991, 288; see also Galster 1987, 24). In reality, the value of an owner’s property is determined only partially by his or her own actions. Neighborhood-wide conditions — neighbors’ behaviors and levels of property upkeep — can raise or lower a property’s value regardless of how much or little its owner invests. Therefore, if owners acted in their short-term economic self-interest, they would choose to “free ride” (let their neighbors make the property improvements necessary to raise area real estate values and reap the benefits while doing nothing themselves). However, if everyone acted rationally and took a “free ride,” no one would invest in the neighborhood (Aaron 1985, 28; Taub, Taylor and Dunham 1984, 12, 121). The result: widespread deterioration and housing market decline (Taub, Taylor and Dunham 1984, 185-186).

Luckily, preference models and the theory of threshold effects have shown that individuals instead make housing investment decisions based on the number of other individuals who are already investing. Once “enough others” have demonstrated their confidence in the neighborhood by investing or have produced enough results (improved building conditions or increased property values to a certain degree), the actor in question reaches his or her threshold point and follows suit (Galster 2001, 2120; Taub, Taylor and Dunham 1984, 12-13). Rather than encouraging an owner to free ride, others’ investments actually “increase the chance that one will commit his or her own time, energy, and resources
to improving things” (Taub, Taylor and Dunham 1984, 122; see also Galster 1987, 22; Quercia and Galster 1997, 420). Empirical evidence confirms that homeowners are “crowd-followers” in this way when it comes to investing in their homes and neighborhoods (Galster 1987, 229).

As a result, “[n]eighborhood rehabilitation [becomes]...a self-reinforcing cycle” after reaching a critical level (Taub, Taylor and Dunham 1984, 13). Just as distress spreads across a block and neighborhood as more owners disinvest (at least partially due to the distress around them), improvements spread across a block and neighborhood as more owners invest (at least partially due to the improvements around them). Revitalization efforts (whether publicly or privately sponsored) tend to have a “domino effect” onto nearby properties and areas once they reach a critical level of scale and visibility for others to feel sufficiently confident in the neighborhood and its future to make investments of their own.

Neighborhoods reach this positive tipping point, or “development threshold,” when “attitudes about the neighborhood’s viability, based on expectations of future growth,” are optimistic enough and when profits are considered high enough and risks low enough to cause an “increase in the capital flowing into the built environment” (Higgins 2001, 3; Smith 1996, 150). Once neighborhoods reach a development threshold, they become “self-sustaining,” able to attract future private investment without any form of public subsidy or intervention and able to prevent isolated problems from becoming more widespread distress (Higgins 2001, 24; Pollock and Rutkowski 1998, 10, 68). At this point, public officials can shift their focus from direct investment and risk reduction strategies (appropriate pre-development threshold) to preserving affordable housing opportunities and providing indirect support through quality public services (Buki 2003).
As described, certain neighborhood features can help neighborhoods reach the development threshold: the age and nature of the housing stock; the neighborhood’s proximity to a strong central business district; and the neighborhood’s baseline social and economic conditions (Higgins 2001, 27). The existing research also suggests that government housing- and neighborhood-based intervention strategies also become increasingly influential in leading neighborhoods to the development threshold as they are concentrated spatially and temporally. The more subsidized investments are targeted and the greater their “investment-signaling impact,” the more likely the public will be to perceive the change occurring and the more likely programs will be to spark additional development (Higgins 2001, 25; Quercia and Galster 1997, 432).
Chapter 4
Methodology

The existing research on how (or if) subsidized investments produce neighborhood-wide impacts is largely inconclusive. In the words of a recent report from the Joint Center for Housing Studies at Harvard University, because “comprehensive, careful impact studies of these approaches are rare, it remains unclear whether the arsenal of interventions presently available are sufficient to stabilize or reinvigorate distressed communities” (von Hoffman, Belsky and Lee 2006, v). For example, scholarly assessments of the CDBG program have primarily documented where and how cities spend these funds and how efficiently cities implement their spending plans. Few studies (one recent literature review found just two) explicitly considered “whether and under what circumstances...[CDBG spending] produced any measurable changes in [targeted neighborhoods’] trajectories” (Galster, et al. 2004, 904-905). The existing quantitative studies are weakened by their exclusion of complementary housing subsidy programs (focusing solely on CDBG spending), their analysis of neighborhood change over a short period of time, or their inclusion of only those neighborhoods receiving especially high levels of subsidy (Walker, et al. 2002, v). Similarly, most of the current research on the “impact” of community development corporations (CDCs) tends to focus narrowly on the number of units developed or households served; these studies are also largely qualitative and anecdotal and therefore fail to quantitatively link place-based investments with neighborhood-wide effects (Mayer 1984, 59-61; see Medoff and Sklar 1994; Von Hoffman 2003).

As a result, “the jury is still out” on whether place-based strategies have any affect on future neighborhood trends, and “[w]e are still a long way from understanding specifically, and under what circumstances, which types of interventions may work best to reverse
neighborhood decline" (Katz 2004, 12; von Hoffman, Belsky and Lee 2006, v). This provides policy-makers with a weak justification for pursuing neighborhood-based community development projects at all, and few concrete and tested recommendations for how housing programs might simultaneously address housing problems and “develop viable communities” (one of the Department of Housing and Urban Development’s key objectives). Increasingly, officials are demanding evidence of subsidies’ broader impacts and instruction on how to more effectively tailor or deploy resources to maximize their effect (Ding and Knaap 2003, 706; Galster, et al. 2004, 905; Kasarda 1999, 776; Kromer 1997, 36; Van Ryzin and Genn 1999, 807; Vidal 1995, 171; Wagner, Joder and Mumphrey 1995b, x).

This study seeks to provide such answers and, in doing so, help close this disturbing gap in our knowledge about the interplay between housing policy and neighborhood dynamics. Existing contributions “to the ongoing debate about the degree to which federal place-based policies have noticeable effects” are an important foundation for this project, and inform its conceptual model as well as its data collection and analysis (Galster, et al. 2004, 923, 925). This study, though, presents important new knowledge through its systematic, quantitative review of neighborhood conditions and trends across Philadelphia and publicly-sponsored subsidized housing investments and low-cost lending in all city neighborhoods, as well as through its analysis of the interaction between the two. To do so, this project both replicated tested methodologies in Philadelphia (for the first time) and used new techniques for quantifying neighborhood trends and measuring the neighborhood-wide impact of place-based investments.
RESEARCH QUESTIONS

To document the interplay between housing policy and neighborhood dynamics requires a detailed understanding of both (Lyons 1996, 48; Mayer 1984, 54). Program impacts can be shaped by the nature, scale, and concentration of housing subsidies on the one hand, and by pre-existing neighborhood conditions and recent neighborhood trends on the other. Neighborhood outcomes (like increasing property values or area abandonment rates), too, can be the result of programmatic intervention, baseline conditions, or broader trends (Newman and Schnare 1997, 704; Walker, et al. 2002, vi). As a result, this study thoroughly investigated neighborhood conditions and trends as well as program investments, asking the following questions:

1. What types of neighborhoods (summarized into “Neighborhood Clusters” based on conditions in 1990 and 2000 and changes over the course of the decade) exist throughout Philadelphia?
2. What types of programming (summarized into “Investment Clusters” and “Low-Cost Loan Clusters”) did federal, state and city agencies pursue in Philadelphia in the 1990s?
3. In which types of neighborhoods (or “Neighborhood Clusters”) did these entities invest?
4. Did subsidized housing investments and low-cost lending impact neighborhood conditions and housing market strength?
5. What types of programming (or “Investment Clusters” and “Low-Cost Loan Clusters”) had the largest impact on neighborhood conditions and housing market strength for each type of neighborhood (or “Neighborhood Cluster”)?
6. Do these results recommend a particular investment strategy for particular neighborhoods?

CONCEPTUAL MODEL

The conceptual model directing this analysis describes the way neighborhood conditions change, and also how subsidized place-based investments can affect neighborhood trends. As described in Chapter 3, external forces influence and internal forces refine neighborhood trajectories. External forces, such as regional or metropolitan-
wide economic, social, demographic, or political conditions, both initiate neighborhood change and also bound the extent of neighborhoods’ growth or decline (Temkin and Rohe 1996, 166; Walker, et al. 2002, 39; Wyly and Hammel 1998, 306). Internal neighborhood conditions — a neighborhood’s location, amenities, housing stock, and resident profile — mediate these broader forces and specify the nature, pace and direction of change (Temkin and Rohe 1996, 166). They do so primarily by affecting popular perceptions about a neighborhood’s current conditions and widely-held expectations about a neighborhood’s future quality and value. Perceptions and expectations, in turn, affect institutional and individual decision-makers’ willingness to invest (and likelihood of investing) in a given neighborhood (Higgins 2001, 24; Temkin and Rohe 1996, 166).

Government housing programs can be a “critical ingredient” in the neighborhood change process (Van Ryzin and Genn 1999, 807). Subsidized investments and low-cost loans act directly by “renovating the housing stock, creating or upgrading community facilities and public infrastructure,” encouraging homeownership, and pursuing other activities that create value in the neighborhood and therefore serve as a “precondition for neighborhood revitalization” (Walker, et al. 2002, 7; Report of the Bipartisan Millennial Housing Commission 2002, 11; see also Galster, et al. 2004, 907; Van Ryzin and Genn 1999, 811-812). They also act indirectly by first affecting decision-makers’ perceptions and expectations, making them more or less willing (and likely) to invest (Galster, et al. 2004, 907; Walker, et al. 2002, 7). Area homeowners, property owners, and potential investors then make their own investments which join governmental and nonprofit-sponsored efforts to improve local conditions and quality of life (Galster 1987, 90; Galster, et al. 2004, 908; Higgins 2001, 24; Report of the Bipartisan Millennial Housing Commission 2002, 11). In this way, housing program results can be both tangible (by causing or prompting short-term
changes) and sustainable (by encouraging ongoing private intervention in the area) (Gittell and Vidal 1998, 23).

The sustainability of public housing dollars – their ability to encourage long-term reinvestment in a particular neighborhood – depends on just how tangible, or visible, they are to local residents and other investors. The visibility of program outcomes depends in part on the type and scale of the subsidies. For example, spatially targeted subsidies tend to produce larger impacts than dispersed subsidies (Galster, et al. 2004, 924). Existing neighborhood conditions and characteristics and recent neighborhood trends also influence the visibility of program investments (Miller-Adams 2002, 42). The “productivity of [subsidized housing investments] in creating neighborhood effects…is contingent on…preexisting conditions and trajectories of change in the neighborhoods targeted for…investments” (Galster, et al. 2004, 907; see also Leven 1976, 30). In other words, rehabilitating a property will have one kind of impact in a neighborhood with low levels of distress or currently seeing a significant amount of reinvestment than in a highly distressed area that is currently experiencing population losses or seeing property values decline.

**Figure 4-1: Conceptual Model of Neighborhood Change**

[Diagram of the Conceptual Model of Neighborhood Change]

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Figure 4-2: Conceptual Model of the Role of Subsidized Place-based Investments

Understanding neighborhood change and the role that subsidized investments or low-cost loans can play in reshaping neighborhood trajectories, therefore, requires recognizing supporting and inhibiting factors (such as external forces, internal conditions and characteristics, and popular perception of and expectations for the neighborhood). This requires documenting how neighborhood residents, housing units, and housing markets respond to these factors (Aitken 1990, 249; Goetze 1979, 30; Jargowsky 1997, 51; Kromer 2000, 42). The flow of people through the housing stock and through neighborhoods reflects households' mobility decisions; the flow of dollars illustrates owners' investment decisions. Both flows also demonstrate which neighborhoods compete directly with one another for people or dollars, and how the various neighborhoods are ranked.

Understanding neighborhood change and the role that subsidized investments or low-cost loans can play in reshaping neighborhood trajectories additionally requires specifying the presence, nature and scale of public intervention, and measuring the outcomes of that intervention. Too often, evaluations celebrate output numbers, such as the number of units produced (Boehlke 2001, 9; Walker 1993, 372). Output numbers greatly
underestimate the true impact of housing subsidies. For example, roughly half of all community development corporations (CDCs) produce fewer than ten units annually (Walker 1993, 386). Yet these same CDCs pursue other strategies that make neighborhoods more attractive to private investors, that improve local quality of life, that strengthen neighborhood cohesion, that build equity for current homeowners, and that empower residents (Boehlke 2001, 6, 9). The challenge, of course, is that such outcomes “are extremely difficult to measure” (Walker 1993, 392).

**APPROACH**

While few studies have systematically linked subsidized housing program spending with neighborhood-wide outcomes, many researchers have completed projects focused on pieces of this puzzle. The existing literature addresses how and why neighborhoods change over time, what makes (and keeps) neighborhoods “healthy” and how public housing dollars are spent. This work provides a number of models for measuring neighborhood conditions, neighborhood change, and program spending. These models quantify people-based (demographic and socioeconomic) characteristics, housing stock characteristics, neighborhood characteristics, housing market dynamics, and the type and scope of intervention strategies (Galster, et al. 2004, 913; Goetze 1976, 30; Hays 1995, 51). (See Appendix for a full description of these indicators.)

**People- and Place-based Variables**

This study strategically selected variables from among the wide array of indicators existing models use. For one thing, prior research has demonstrated that certain indicators — particularly housing values and household incomes — act as proxies for others. Housing
values “systematically reflect externalities” like excessive traffic, air or noise pollution, low standards of upkeep, and problematic neighborhood norms; can account for the types of properties (their design, historic significance, exterior materials, and particular features) in a neighborhood; and can reflect neighborhood amenities, like proximity to retail and recreational activities, park space, views, and quality public services (Leven 1976, 30; Taub, Taylor and Dunham 1984, 22-23). Holding other factors constant, “housing prices and neighborhood quality tend to be closely correlated,” and several studies have confirmed that neighborhood quality gets capitalized in housing prices (Ding and Knaap 2003, 703; Goodman 1978). Other researchers point to housing prices as “the best indicator of neighborhood revitalization” and the “simplest indicator or proxy for confidence” since prices reflect local demand (the desire of people to invest and live in a particular neighborhood) and also the interplay between buyers and sellers (Goetze 1976, 44; Higgins 2001, 11).

In a similar way, researchers consider rising incomes to be a “dependable indicator of revitalization” (Nelson 1988, 117). Income is also one of several variables tied to neighborhood expectations and satisfaction: Researchers have shown that a decline in a neighborhood’s median household income is “one of the most important predictors of neighborhood pessimism” (Varady 1986a, 488).

Just as work on proxies highlights essential indicators to include, so have scholars’ factor analyses (principally those conducted as part of a broader effort to measure the impact of CDBG dollars on neighborhood conditions) (Galster, et al. 2004; Walker, et al. 2002). According to this research, six “factors” explain roughly two-thirds of the variance in neighborhood conditions and quality of life. These factors include: social disadvantage (based on the portion of female-headed families, the percentage of households with income
from public assistance, racial breakdowns, and teenage birth rates), housing type and tenure (based on the portion of single-family housing units and the homeownership rate), prestige (based on the percentage of adults with college degrees and employed in professional occupations, and the median value of owner-occupied housing units), business and employment (based on the number of local businesses and jobs), crime (based on property and violent crime rates), and housing vacancy (based on residential vacancy rates) (Galster, et al. 2004, 913, 929-930; Walker, et al. 2002, 26-27; see also Galster 1987, 86).

This study collected such neighborhood-based indicators from three sources: the U.S. Census (American FactFinder), the Neighborhood Change Database (NCDB), and the Cartographic Modeling Lab at the University of Pennsylvania. American FactFinder (http://factfinder.Census.gov) provides free access to Census data from 1990 and 2000. Both Short Form and Long Form results are available for geographies as small as block groups (areas with populations of approximately 500 residents); Short Form results are available for geographies as small as blocks (areas with populations of approximately 100 residents).

Since Census tract boundaries can shift with each decennial Census if a tract's population significantly changes, it is impossible to calculate trends over time using multiple-year data from American FactFinder. Calculating neighborhood trends requires data from the Neighborhood Change Database (NCDB). NCDB was developed by the U.S. Census Bureau in association with the Urban Institute, with support from the Rockefeller Foundation. The dataset includes U.S. Census Long Form data from 1970, 1980, 1990 and 2000 at the Census tract level; programmers recalculated and normalized data from 1970, 1980, and 1990 to 2000 Census tract boundaries.
Lastly, the Cartographic Modeling Lab at the University of Pennsylvania (http://cml.upenn.edu/) has compiled several interactive applications that allow users to access information about Philadelphia neighborhoods, council districts, elementary school catchment areas, zip codes, Census tracts and Census block groups. \textit{neighborhoodBase} includes data on area demographic and socioeconomic characteristics, properties' ownership status and sale history, housing vacancy, and housing violations; \textit{crimeBase} reports criminal activity and trends for the same geographies.

This study followed other quantitative analyses of neighborhoods and used Census tract boundaries as “neighborhood” boundaries (see Galster 1987, 91; Galster, et al. 2004, 913; Newman and Schnare 1997, 709). This study recognizes that “neighborhoods” can be defined in a variety of ways (Rohe and Stewart 1996, 39). In fact, an entire strand of sociological and planning theory struggles with the neighborhood concept itself. Neighborhoods are spatial as well as social, and their boundaries are highly fluid and entirely subjective. Where one neighborhood begins and ends depends, to a large extent, on who is drawing the boundary lines. Grappling with these issues was beyond the scope of this study. Using Census tracts to represent “neighborhoods” substantially eased data collection challenges and was further justified by the fact that, according to prior studies, Census tracts are likely to be small enough (commonly home to roughly 2,000 residents) and homogeneous enough to reflect economic or social functions, unlike larger boundaries such as zip codes or planning areas (Ding and Knaap, 721). Therefore, this study gathered data on residents, housing stocks, housing market strength, residential mobility, and criminal activity for all tracts in Philadelphia.
Figure 4-3: People-based Characteristics

General
- Total Population
- Total Households
- Total Families and Subfamilies
- Age Breakdown

Race/Ethnicity
- Black Population
- % Black
- Hispanic Population
- % Hispanic
- Non-Hispanic White Population
- % Non-Hispanic White

Family Structure
- Families with Children
- % of Families that have Children
- % of Families that are Married-Couple Families with Children
- % of Families with Children Headed by Married Couples
- % of Families with Children Headed by Single Mothers

Educational Attainment
- % of Adults with Less than a High School Degree
- % of Adults with at least a Bachelor’s Degree
- High School Drop-out Rate (% of 16- to 19-year-olds not in school)

Employment
- Unemployed Adults
- Unemployment Rate
- % of Workers in Professional Occupations

Income
- Average Household Income
- Average Owner Income
- Average Renter Income
- Median Household Income
- % of Households with Public Assistance Income
- % of Households with Wage Income

Poverty
- Persons in Poverty
- Poverty Rate
Figure 4-4: Place-based Characteristics

General
- Units per Structure
  - % Single-family Detached
  - % Single-family Attached
  - % Multifamily (2-4 units)
  - % Multifamily (5 or more units)
  - % Mobile Homes

Age of Housing Stock
- Units Built in 1939 or Earlier
- % of Units Built in 1939 or Earlier
- Units Built in the 1990s
- % of Units Built in the 1990s
- Median Year Built

Tenure
- Owner Units
- Rental Units
- Homeownership Rate

Housing Conditions
- Abandoned Units ("Other" Vacant)
- Abandonment Rate (% "Other" Vacant)
- % of Properties with Liens Sold for Delinquent Taxes

Housing Cost Burdens
- % of Owners Paying >30% of Income on Housing
- % of Owners with Incomes <$20,000 and Paying >30% of Income on Housing
- % of Renters Paying >30% of Income on Housing
- % of Renters with Incomes <$20,000 and Paying >30% of Income on Housing

Housing Market Indicators
- % of Properties Unsold between 1972 and 2004
- Number of Residential Sales
- Median Residential Sale Price
- Median Gross Rent
- Median Value
- Units Valued <$50,000
- % of Units Valued <$50,000
- Units Valued <$100,000
- % of Units Valued <$100,000
- Units Valued >$200,000
- % of Units Valued >$200,000
Figure 4-5: Residential Mobility Indicators

General
- Net and % Population Change
- Net and % Change in Households
- Net and % Change in Families and Subfamilies
- Net and % Change in Age Breakdown

Race/Ethnicity
- Net and % Change in Black Population
- Net and % Change in Hispanic Population
- Net and % Change in Non-Hispanic White Population

Family Structure
- % Change in Families with Children
- % Change in % of Families that have Children
- % Change in % of Families that are Married-Couple Families with Children
- % Change in % of Families with Children Headed by Married Couples
- % Change in % of Families with Children Headed by Single Mothers

Mobility
- Year Moved into Current Unit and Length of Tenure
- % of Population in Different Unit in 1995

Income
- Average Income of Households Migrating in the 1990s
- Average Income of Owners Migrating in the 1990s
- Average Income of Renters Migrating in the 1990s
- Ratio: Average Income of Households Migrating in the 1990s vs. Average Income of All Households
- Ratio: Average Income of Owners Migrating in the 1990s vs. Average Income of All Owners
- Ratio: Average Income of Renters Migrating in the 1990s vs. Average Income of All Renters
- % Change in Median Household Income
- % Change in % of Households with Public Assistance Income
- % Change in % of Households with Wage Income

Poverty
- Net and % Change in Persons in Poverty

Tenure
- Homeownership Rate Among Households Migrating in the 1980s
- Homeownership Rate Among Households Migrating in the 1990s
- Ratio: Homeownership Rate Among Households Migrating in the 1990s vs. Overall Homeownership Rate
Figure 4-6: Crime Measurements

**Incidence of Crime**

- All Serious (Part 1) Incidents, excluding Homicide and Rape
- Crimes against Persons (Robbery, Aggravated Assault)
  - Robberies
  - Aggravated Assaults
- Crimes against Property (Burglary, Theft, Auto Theft)
  - Burglaries
  - All Thefts
- Narcotics Arrests
- Vandalism and Criminal Mischief
  - Vandalism
  - Graffiti

Indicators not available at the Census tract level (such as physical health indicators, building permit data, and private construction or rehabilitation activity data, which are only available for larger geographies) were excluded. Also, for logistical reasons, this study did not include information only obtainable through block-by-block surveys or resident surveys, such as individual unit characteristics (exterior materials, vintage, historic distinctiveness) and certain neighborhood conditions (like the attractiveness of the streetscape, sidewalk conditions, and the presence of scenic views); or residents’ satisfaction with neighborhood conditions and the quality of public services, residents’ future expectations for the neighborhood, residents’ moving and investing intentions, and qualitative feedback on neighborhoods’ social fabric and cohesion.

**Program Variables**

Subsidized housing programs and neighborhood revitalization initiatives intervene in the neighborhood change process by developing affordable housing, by improving area infrastructure, by encouraging homeownership, by arresting or incrementally reversing neighborhood decline, or by substantially reinventing communities. At the federal level, public sector subsidies include the public housing program, particularly its HOPE VI-
sponsored redevelopment projects, Homeownership Zone Initiatives, Community
Development Block Grant (CDBG) funding, HOME funding, and Low-Income Housing
Tax Credits (LIHTC) (Ding and Knaap 2003, 707; Newman and Schnare 1997, 710;
Turnham and Bonjorni 2003, 1; Walker, et al. 2002, iiiv, 14). At the state, county and local
levels, housing trust funds, state programs, land-banking activities, and city operational and
capital spending also support neighborhood revitalization (Ding and Knaap 2003, 707). To
these public initiatives, national and regional foundations (like the Enterprise Foundation
and LISC), nonprofit institutions (like universities and hospitals), and businesses and lenders
add their own efforts or provide support to community development activities and other
neighborhood-based initiatives (Ahlbrandt and Brophy 1975, 105; Ding and Knaap 2003,
707; Turnham and Bonjorni 2003, 1).

This project collected data for most (though not all) of these programs and compiled
this information into a program database created specifically for this study. (Addresses
receiving support from area institutions and Philadelphia LISC, as well as those receiving
weatherization and basic system repair grants or loans from the city, were not available.)
Philadelphia’s Consolidated Plans provided information on the city’s development projects
sponsored by CDBG and HOME dollars. All housing projects confirmed to be underway
or completed were categorized by project type, assigned to a Census tract or tracts, and listed
with available information about the total dollar amount spent on-site, the number of units
created or affected, the year the project began, and the year the project was completed.
CDBG- and HOME-sponsored projects and units were then summarized, or totaled, at the
Census tract level. (Work by Patrick Boxall, George C. Galster, Chris Hayes, Jennifer
Johnson, and Christopher Walker (Galster, et al. 2004; Walker, et al. 2002) and George C.
Galster (1987) informed this data collection effort.) Information on Philadelphia’s HOPE
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VI and Homeownership Zone developments was also gathered and added to this project’s program database from online and printed sources (from the Department of Housing and Urban Development (HUD) and the Philadelphia Housing Authority (PHA)). This study also used program data originally collected as part of a statewide study recently commissioned by the Pennsylvania Housing Finance Agency (PHFA). As part of that effort, data analysts from The Reinvestment Fund geo-coded all Low-Income Housing Tax Credit projects and HUD-sponsored Section 202 and Section 811 projects in Pennsylvania.

Data analysts also worked with representatives from PHFA to compile data on all PHFA-sponsored single-family home purchase loans. These loans were included in this project as a counterpoint to more traditional subsidized investments. CDBG- or LIHTC-sponsored projects, for example, are largely if not entirely shaped by policymakers – in terms of their scale, location, and characteristics. In contrast, low-cost lending programs (like PHFA’s) are typically consumer-driven enterprises, where individual borrowers dictate (within program guidelines) how agencies allocate program dollars.

Data was only included in this study’s program database for projects completed or in construction, or for low-cost loans provided, between 1990 and 1997. This study excluded data on work begun in 1998 or later due to the established time lag “between recorded expenditures…and the recognition of them by market forces in the neighborhood,” or between neighborhood-based investments and changes in “objective data” like home values, rent levels, vacancy rates (Galster, et al. 2004, 914; Goetze 1976, 30; see also Ahlbrandt and Brophy 1975, 76). This study replicated the leading CDBG impact study’s three-year lag, capturing roughly $500,000,000 in subsidized investments and $400,000 in low-cost lending (Galster, et al. 2004, 914).
Table 4-1: Approximate Funding Levels for Programs and Projects included in this Analysis

<table>
<thead>
<tr>
<th>Type</th>
<th>Program</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized Investment</td>
<td>CDBG and HOME Funds</td>
<td>$250,000,000</td>
</tr>
<tr>
<td></td>
<td>LIHTC (dollars generated)</td>
<td>$235,000,000</td>
</tr>
<tr>
<td></td>
<td>HOZ Grant</td>
<td>$5,520,000</td>
</tr>
<tr>
<td></td>
<td>HOPE VI (Richard Allen)</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>Low-Cost Lending</td>
<td>PHFA Homeownership Loans</td>
<td>$400,000,000</td>
</tr>
</tbody>
</table>

Data Analysis Techniques

To illustrate conditions and trends over time, this study used 1990 as a baseline year (or “start year”) and 2000 as a comparison year (or “end year”) for all U.S. Census and NCDB indicators. Early data manipulation included calculating values and percentages for each year (from the raw data gathered) and calculating rates of change for each variable between 1990 and 2000. (These initial calculations drew on work by Roger S. Ahlbrandt and Paul C. Brophy (1975), and Robert A. Beauregard (1990), among others.) For crime data, which was available on an annual basis starting in 1998, this study used annual figures from 2000 and calculated averages and trends (or slopes) for each indicator from 1998 to 2002.

To determine which percentage values were excessively low or high, and which rates of change were “normal” or “extreme,” early data manipulation activities also included converting all variables (straight values and rates of change) into relative values. Exploring how values diverged among neighborhoods illustrated how each neighborhood was evolving (Goetze 1979, 33). Relative values also isolated conditions and trends unique to individual neighborhoods from those that were simply “manifestations of exogenous variables affecting the entire community of which the neighborhood is a part” (Ahlbrandt and Brophy 1975, 60). Prior research has shown that ranking neighborhoods in this way “can open new frontiers of understanding” (Goetze 1979, 150; see also Grigsby 1963, 83).
This study created two types of relative values. First, it converted Census tract-level values into percentages of the citywide value for the start year (1990) and end year (2000). (For crime data, relative values were calculated for annual figures and for the time period averages and trends.) Existing studies using these comparisons include work by Dennis E. Gale (1984) and Kenneth Temkin and William Rohe (1998).

Second, this study compared all Philadelphia Census tracts to one another, calculating Z Scores for each variable both in the start year (1990) and end year (2000). Z Scores are especially useful because they provide relative values, and tailor that relativity to the group of cases (or geographies) being analyzed. Z Scores convert individual values from percentages, dollars, or numbers into distances (measured in standard deviations) from the group's overall average value. (The standard deviation for a set of values reflects how tightly they are clustered around the average. A large standard deviation indicates that the values vary widely; a small standard deviation implies that most values are close to the average. When values are “normally distributed” around the average, roughly two-thirds are within one standard deviation (either above or below) the average.) For a given variable, an individual case's Z Score equals the individual case’s value minus the group’s average value, divided by the group’s standard deviation for that variable. For the bulk of cases, the Z Score will be between -1 and +1 (or within one standard deviation either below or above the average). In this way, Z Scores quickly highlight extreme cases — those not among the bulk of values right around the average.

**Neighborhood Clusters**

Factor analysis work by Galster and his colleagues suggested two people-based summary clusters (Galster, et al. 2004; Walker, et al. 2002). Their first factor, *Social Disadvantage*, includes the percentage of families headed by single mothers, teens having
children, and households receiving welfare, as well as racial breakdowns. In Philadelphia, these variables (excluding teen birth rates, which were not available at the Census tract level) along with additional indicators illustrating adults' educational attainment and employment status, and residents' poverty status, and were highly correlated with one another in both 1990 and 2000:

Table 4-2: Pearson Correlations for Social Disadvantage Indicators, 1990

<table>
<thead>
<tr>
<th></th>
<th>% Black</th>
<th>% Non-Hispanic White</th>
<th>% Single Mothers</th>
<th>% of Adults with &lt; HS</th>
<th>Drop-out Rate</th>
<th>Unemployment Rate</th>
<th>% of Households with Welfare Income</th>
<th>Poverty Rate</th>
<th>% of Households with Wage Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Black</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Non-Hispanic White</td>
<td>-.939(*)</td>
<td>1</td>
<td>-.837(*)</td>
<td>-.253(*)</td>
<td>-.265(*)</td>
<td>-.679(*)</td>
<td>-.674(*)</td>
<td>.509(*)</td>
<td></td>
</tr>
<tr>
<td>% Single Mothers</td>
<td>.817(*)</td>
<td></td>
<td>1</td>
<td>.562(*)</td>
<td>.413(*)</td>
<td>.746(*)</td>
<td>.754(*)</td>
<td>.750(*)</td>
<td></td>
</tr>
<tr>
<td>% of Adults with &lt; HS</td>
<td>.253(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drop-out Rate</td>
<td>.205(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>.589(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% with Welfare Income</td>
<td>.539(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>.509(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% with Wage Income</td>
<td>-.118(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Pearson Correlation is significant at the 0.01 level (2-tailed).**
*Pearson Correlation is significant at the 0.05 level (2-tailed).

Table 4-3: Pearson Correlations for Social Disadvantage Indicators, 2000

<table>
<thead>
<tr>
<th></th>
<th>% Black</th>
<th>% Non-Hispanic White</th>
<th>% Single Mothers</th>
<th>% of Adults with &lt; HS</th>
<th>Drop-out Rate</th>
<th>Unemployment Rate</th>
<th>% of Households with Welfare Income</th>
<th>Poverty Rate</th>
<th>% of Households with Wage Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Black</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Non-Hispanic White</td>
<td>-.915(*)</td>
<td>1</td>
<td>-.804(*)</td>
<td>-.493(*)</td>
<td>-.179(*)</td>
<td>-.621(*)</td>
<td>-.624(*)</td>
<td>.432(*)</td>
<td></td>
</tr>
<tr>
<td>% Single Mothers</td>
<td>.774(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Adults with &lt; HS</td>
<td>.294(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drop-out Rate</td>
<td>.076</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>.477(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% with Welfare Income</td>
<td>.462(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>.432(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% with Wage Income</td>
<td>-.178(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Pearson Correlation is significant at the 0.01 level (2-tailed).**
*Pearson Correlation is significant at the 0.05 level (2-tailed).
Therefore, for this analysis, Social Disadvantage reflects a Census tract’s percent of African-American residents, percent of Non-Hispanic white residents (inverse), portion of female-headed families, percent of adults without a high school diploma, portion of households receiving public assistance, portion of households with wage income (inverse), high school drop-out rate, unemployment rate, and poverty rate. The Z Scores calculated for each indicator were averaged into one Social Disadvantage Score for 1990 and 2000, both of which were multiplied by -1 so that higher scores reflected “better” conditions (or less social distress).

Galster and his team also summarized several variables — portion of adults with a college degree, portion of workers in professional occupations, and median house values — into Prestige (Galster, et al. 2004, 930). In Philadelphia, a Census tract’s portion of adults with at least a Bachelor’s degree, percent of workers in professional occupations, and median household income were all highly correlated in 1990 and 2000:

<table>
<thead>
<tr>
<th>Table 4-4: Pearson Correlations for Prestige Indicators, 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Adults with at least a Bachelor’s Degree</td>
</tr>
<tr>
<td>% of Adults with at least a Bachelor’s Degree</td>
</tr>
<tr>
<td>% of Workers in Professional Occupations</td>
</tr>
<tr>
<td>Median Household Income</td>
</tr>
</tbody>
</table>

**Significant at the 0.01 level (2-tailed).

<table>
<thead>
<tr>
<th>Table 4-5: Pearson Correlations for Prestige Indicators, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Adults with at least a Bachelor’s Degree</td>
</tr>
<tr>
<td>% of Adults with at least a Bachelor’s Degree</td>
</tr>
<tr>
<td>% of Workers in Professional Occupations</td>
</tr>
<tr>
<td>Median Household Income</td>
</tr>
</tbody>
</table>

**Significant at the 0.01 level (2-tailed).
Therefore, a Census tract’s *Prestige Score* reflects the average of these three indicators’ Z Scores in 1990 and 2000. Higher scores signal “better” conditions (or higher graduation rates from college, more workers in professional occupations, and higher median household incomes). This study limited *Prestige* to people-based indicators for two reasons: 1) to be able to later test how people- and place-based indicators interact; and 2) to be able to later measure the impact of *Prestige* on housing value trends. The Z Scores for all indicators comprising both *Social Disadvantage* and *Prestige* were also averaged to generate one composite *Social Disadvantage/Prestige Score*.

Galster and his team’s “housing type and tenure” factor incorporates both a neighborhood’s portion of single-family homes and homeownership rates (Galster, et al. 2004, 930). In Philadelphia, though, while the nature of the housing stock appears to influence housing market outcomes, homeownership rates are only weakly correlated with values, rents, or abandonment levels. In fact, several of the city’s most distressed neighborhoods have some of its highest homeownership rates.

As a result, this study’s *Housing Stock Cluster* reflects only unit breakdowns. To determine each Census tract’s *Housing Stock Cluster*, Z Scores were calculated for all tracts based on their percentage of single-family detached, single-family attached, smaller multifamily (2- to 4-unit), and larger multifamily (5-unit or larger) properties. The largest Z Score — indicating the type of housing present to the greatest degree above citywide averages — dictated the tract’s *Housing Stock Cluster* designation.

To summarize housing market conditions, this study created a second place-based cluster score, *Housing Demand*, which reflects a Census tract’s residential property abandonment rate, median gross rent, and median value — all of which were significantly correlated in both 1990 and 2000.
Table 4-6: Pearson Correlations for Housing Demand Indicators, 1990

<table>
<thead>
<tr>
<th></th>
<th>Abandonment Rate</th>
<th>Median Gross Rent</th>
<th>Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abandonment Rate</td>
<td>1</td>
<td>-2.77(**)</td>
<td>-3.87(**)</td>
</tr>
<tr>
<td>Median Gross Rent</td>
<td>-2.77(**)</td>
<td>1</td>
<td>0.567(**)</td>
</tr>
<tr>
<td>Median Value</td>
<td>-3.87(**)</td>
<td>0.567(**)</td>
<td>1</td>
</tr>
</tbody>
</table>

**Significant at the 0.01 level (2-tailed).

Table 4-7: Pearson Correlations for Housing Demand Indicators, 2000

<table>
<thead>
<tr>
<th></th>
<th>Abandonment Rate</th>
<th>Median Gross Rent</th>
<th>Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abandonment Rate</td>
<td>1</td>
<td>-3.61(**)</td>
<td>-3.93(**)</td>
</tr>
<tr>
<td>Median Gross Rent</td>
<td>-3.61(**)</td>
<td>1</td>
<td>0.636(**)</td>
</tr>
<tr>
<td>Median Value</td>
<td>-3.93(**)</td>
<td>0.636(**)</td>
<td>1</td>
</tr>
</tbody>
</table>

**Significant at the 0.01 level (2-tailed).

The Z Scores for each of these indicators was averaged into one Housing Demand Score for 1990 and 2000. A higher Housing Demand Score revealed “better” conditions (or stronger markets, with higher values and lower abandonment rates).

One of this study’s major analytical innovations was its development of Z Score Change variables. This study created Z Score Change variables for Social Disadvantage, Prestige, Social Disadvantage/Prestige, and Housing Demand by calculating the difference between each cluster’s end year Z Score and start year Z Score. Each Z Score Change variable quickly highlighted Census tracts that improved or declined along the lines in question, and to what degree, relative to the group as a whole.

Investment Clusters

To further describe the scale of investment, a “percent subsidized” variable (the number of units subsidized by Low-Income Housing Tax Credits (LIHTC), Community Development Block Grants (CDBG) or HOME funds, as well as the Philadelphia Housing Authority (PHA), divided by the number of all housing units) was calculated for all city
Census tracts. This study’s *Subsidized Investment Scale Cluster* drew on this analysis, reflecting the scale of subsidized investments (0%, less than 1.5%, 1.5% to less than 5%, or 5% or more of all housing units) in each tract.

Subsidized projects were classified as targeting owners, renters or both; and as providing public housing units, affordable rentals, or units for elderly or special needs populations. Units of each type were totaled at the Census tract level, and project type breakdowns, illustrating the nature of investment, were calculated for each tract. This study’s *Subsidized Investment Type Cluster* indicates the type of subsidized investment (entirely for owner-occupancy, for both owner- and renter-occupancy, or entirely for renter-occupancy) made in all city neighborhoods.

For Pennsylvania Housing Finance Agency (PHFA) single-family loans, this study totaled the number of loans and dollars lent by Census tract, and also averaged borrower incomes by Census tract and compared that average to the tract’s median household income (to determine whether PHFA borrowers – a subset of a neighborhood’s new owners – typically had incomes above or below those of longer-term residents). A *Low-Cost Loan Scale Cluster* reflected the number of loans in a particular Census tract (0, less than 10, 10 to 24, 25 to 49, 50 to 99, or 100 or more); a *Low-Cost Loan Borrower Income Cluster* indicated how borrowers’ incomes compared to area medians.

**Regression Analysis**

Regression analysis is a powerful tool for determining the link between dependent and independent variables, and for predicting the variation in a dependent variable (based on the values of all known independent variables). For these reasons, several prior studies have used regression analysis to measure programmatic impacts on neighborhood conditions and trends (see Ding and Knaap 2003; Van Ryzin and Genn 1999). This study regressed people-
and place-based variables and program inputs on a Census tract's change in total population, median household income, and median value between 1990 and 2000, and the average income of owners moving into their current unit (within the Census tract) in the 1990s.

**The Interaction between Neighborhood Clusters and Investment Clusters**

This study approached the interaction between Neighborhood Clusters and Investment Clusters from two perspectives: 1) starting with neighborhood trends and attempting “to establish general relationships between the observed changes and the factors that may have been responsible,” such as neighborhood characteristics or program inputs; and 2) starting with program investments and then analyzing neighborhood trends and end year conditions in neighborhoods receiving certain levels or types of support (Ahlbrandt and Brophy 1975, 105; Wyly and Hammel 1998, 306).

First, this study quantified the distribution of all housing units, subsidized units, and low-cost loans by *Social Disadvantage Score* and *Housing Demand Score* in 1990 to illustrate which type of neighborhoods received which kind of investments. This study also used descriptive statistics to determine whether subsidized investments or low-cost loans were associated with positive neighborhood trends. This entailed comparing the average Z Score Change variables for *Social Disadvantage* and *Housing Demand*, as well as the average percent change in tracts' median value (between 1990 and 2000) for served versus unserved tracts, and for initially strong versus weak markets. Results indicated whether the presence of subsidized investments or low-cost loans was associated with positive neighborhood trends and if that association differed based on initial (1990) neighborhood conditions.

Second, this study replicated one technique used by recent work testing whether CDBG spending made a measurable difference (or significantly shifted the pace and direction of economic and social change) in low-income neighborhoods (Galster, et al. 2004;
Walker, et al. 2002). The authors of that effort used the following statistical model to calculate expected end year values (Galster, et al. 2004, 907, 910):

\[
\text{End Year Indicator Value} = a + b_1 \text{ (CDBG spending)} + b_2 \text{ (Start Year Indicator Value)}
\]

Note: "a" represents the constant value and "b_1" and "b_2" are the coefficient estimates.

The authors then compared the expected and actual end year values. Census tracts that “exceeded the expected value by [two-thirds standard deviation] were declared to 'out-perform' the group, those falling short of the expected value by [two-thirds standard deviation] were declared to ‘under-perform’ the group,” and all other tracts were considered to have performed as expected (Walker, et al. 2002, 9-10, 50).

This study generated “expected” market values with the following equation:

\[
\text{End Year Median Value} = a + b_1 \text{ (Start Year Median Value)}
\]

A tract’s start year median value explained nearly all (88%) of the variation in that tract’s end year median value, and regression results provided coefficients for calculating expected median values:

<table>
<thead>
<tr>
<th>Predictors</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant), Median Value (1990)</td>
<td>.937</td>
<td>.878</td>
<td>.878</td>
<td>25297.490</td>
</tr>
</tbody>
</table>

**Table 4-8b: Coefficients**

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>B 1941.338</td>
<td>Beta .937</td>
<td>2.691</td>
<td>.007</td>
</tr>
<tr>
<td>Median Value (1990)</td>
<td>1.128</td>
<td>.022</td>
<td>50.776</td>
<td>.000</td>
</tr>
</tbody>
</table>

Therefore, this study used the following equation to determine “expected” median values:

\[
\text{Expected Median Value} = 5224.910 + 1.128 \text{ (Start Year Median Value)}
\]
Tracts’ expected median values were compared to their actual 2000 median values. The

differences between tracts’ expected and actual values were then converted into Z

scores. All tracts with atypical results (with Z scores greater than 0.5 or less than -0.5) were

flagged as significantly exceeding or trailing expectations. Flagging tracts that exceeded or

trailed expectations from 0.5 to 0.66 standard deviations nearly doubled (from 66 to 120) the

number of “extreme” cases. This greatly enriched this study’s subsequent analysis of

whether initial neighborhood conditions, the presence, scale or type of programmatic

investment, or a combination of the two, made tracts more or less likely to have “extreme”

results.

Third, Sidney Wong’s analysis of Enterprise Zones (2004) modeled a final technique

 replicated in this study. To show whether a particular Enterprise Zone out-performed or

under-performed its surrounding region, Wong calculated a “zone differential” using the

following equation (p. 9):

\[
Zone\ Differential = \left( \frac{Zone\ End\ Year\ Value}{Zone\ Start\ Year\ Value} \right) - \left( \frac{Region\ End\ Year\ Value}{Region\ Start\ Year\ Value} \right)
\]

Wong subsequently used this performance indicator to compare the effects of different zone

types (p. 12).

This study’s “tract differential” measured a Census tract’s performance (defined as

percent change in median value between 1990 and 2000) relative to the city as a whole.

\[
Tract\ Differential = Tract\ %\ Change\ in\ Median\ Value - City\ %\ Change\ in\ Median\ Value
\]

(The larger the tract differential, the more Census tract appreciation rates exceeded that for

the city as a whole.) This study compared the average tract differential for Census tract’s
based on the presence, scale or type of subsidized investments; on the presence, scale or
typical borrower income (relative to the tract median) of low-cost lending; and on the
presence of subsidized investments or low-cost lending by Housing Demand Score. Comparing
these means detected whether appreciation rates varied significantly between served and
unserved tracts, and also due to the nature of the investment or the initial neighborhood
conditions.
Chapter 5
Patterns of Place: Conditions and Trends across Philadelphia

This chapter reviews several people- and place-based indicators for Philadelphia Census tracts to illustrate neighborhood conditions in 1990 and 2000, how those conditions shifted over the course of the 1990s, and where neighborhood trends significantly differed from citywide trends (or where conditions within a given neighborhood improved or declined to a greater extent than in the city as a whole). Variables include neighborhood residents' demographic profile (racial and ethnic breakdowns), socioeconomic status (family type, educational attainment, employment, occupation, income and poverty) and mobility (type and length of tenure); and neighborhoods' housing value, sales activity, tax delinquency and residential property abandonment.

These individual indicators illustrate Philadelphia's overall pattern of social distress and housing market strength — concentric zones emanating out from a strong central core, going from weak to strong. This pattern is not new. It was already noticeable when the Home Owners Loan Corporation (HOLC) first conducted surveys of the city in 1937 (Bissinger 1997, 205, 212). And officials noted it in the city’s 1956 Central Urban Renewal Area (CURA) Study and in the Philadelphia City Planning Commission’s 1960 Comprehensive Plan.

In some ways, this pattern is a function of the housing stock — itself a function of the city’s evolution (when in time the city’s population expanded, who that housing was initially built for, whether those uses still exist or whether the housing that was built for them was able to adapt to a new reality). This pattern is also a function of the way government programs (like the HOLC and later the Federal Housing Administration) and the real estate and lending industries historically responded to both this housing stock and the people who
called it home as early as the 1930s, decision-makers who, "by predicting the obsolescence of so much of the city,...had guaranteed it" (Bissinger 1997, 212).

Reinforced by decades of institutional and governmental actions, this pattern largely held through the 1990s. However, the city's housing strategy to target investments in the city's weakest areas (particularly Lower North Philadelphia) and broad population trends (smaller population losses and greater diversity among city residents) did adjust the pattern slightly. For example, some Census tracts in Lower North Philadelphia attracted slightly higher-income households in the 1990s and had dramatic increases in homeownership rates. Alternatively, some Census tracts in Bridesburg/Kensington/Richmond and Near Northeast Philadelphia became far less stable and increasingly diverse and distressed.

**PHILADELPHIA'S HOUSING STOCKS AND FLOWS**

The City of Philadelphia gained roughly one million residents between 1860 and 1910 and added at least 200,000 people per decade from 1870 to 1920, before hitting its peak population in 1950.

**Figure 5-1**

**Total Population in Philadelphia, 1790-1990**

Source: U.S. Census

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As a result, a significant portion of the city's housing stock – nearly half (42%) – was built prior to 1940. (According to the 2000 U.S. Census, just 12% of the city's stock was built between 1970 and 2000, just 5% was built in 1980 or later, and only 2% was built between 1990 and 2000.) In 2000 the median age of all housing units in Philadelphia was 55 years.

Figure 5-2: Year Structure Built, 2000

Source: U.S. Census

The typical unit was built prior to 1940 in many Philadelphia neighborhoods, from once-industrial South Philadelphia, Lower and Upper North Philadelphia, and Bridesburg/Kensington/Richmond, to more suburban West Philadelphia and Germantown/Chestnut Hill.
Figure 5-3: Housing Age

Philadelphia Census Tracts
Median Year Built
- 1939
- 1940 - 1949
- 1950 - 1959
- 1960 - 1969
- 1970 - 1983

Philadelphia Census Tracts
% Built 1939 or Earlier
- 0% - 9%
- 10% - 24%
- 25% - 49%
- 50% - 74%
- 75% - 90%

Source: U.S. Census

147
Originally designed to accommodate an industrial workforce, most units tend to be smaller row homes (typically including just 1,000 to 1,300 square feet of living space and only 12 to 14 feet wide) ("Board of Revision of Taxes" 2004; Langdon 2001, 7). Citywide, roughly half of all units are less than 2,000 square feet in size and more than three-quarters are less than 2,500 square feet (American Housing Survey 2004; U.S. Census). Nearly all (84%) owner-occupied units have three or fewer bedrooms.

At the same time, three-fifths (60%) of the city’s housing stock is single-family attached housing. In much of Upper North and South Philadelphia and Bridesburg/Kensington/Richmond, at least three-quarters of all units are single-family attached homes. Single-family detached housing is concentrated in the Far Northeast and the northwestern Philadelphia; multifamily units are most common in Center City and near-West Philadelphia (around the University of Pennsylvania and Drexel University).
This housing stock, though, simply sets the stage for flows – of people and investment – through Philadelphia and its neighborhoods.

**Race and Ethnicity**

Between 1990 and 2000, Philadelphia as a whole became more diverse. While the city lost nearly 200,000 Non-Hispanic white residents over the course of the 1990s (or more than one-fifth of its 1990 Non-Hispanic white population), Philadelphia gained roughly 24,000 African-American residents and nearly 40,000 Hispanic residents.

**Table 5-1: Philadelphia Population by Race and Ethnicity, 1990 and 2000**

<table>
<thead>
<tr>
<th></th>
<th>Philadelphia 1990</th>
<th>Philadelphia 2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Residents</td>
<td>631,936</td>
<td>655,824</td>
<td>23,888</td>
</tr>
<tr>
<td>Hispanic Residents</td>
<td>89,193</td>
<td>128,928</td>
<td>39,735</td>
</tr>
<tr>
<td>Non-Hispanic White Residents</td>
<td>825,839</td>
<td>644,395</td>
<td>-181,444</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

Between 1990 and 2000, the city's portion of African-American residents rose from 40% to 43%, and its percent of Hispanics nearly doubled, from 5% to 9%.

**Figure 5-5**

![Race and Ethnicity in Philadelphia, 1990 and 2000](image)

Sources: U.S. Census, Neighborhood Change Database

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These trends were not uniform citywide. Philadelphia is highly segregated by race and ethnicity. According to the U.S. Census, among cities with populations over 100,000, Philadelphia had the eighth-highest dissimilarity index between whites and blacks (behind Chicago, New York City, Atlanta, Washington, DC, Fort Lauderdale, Cleveland, and Newark), and the fourth-highest dissimilarity index between Non-Hispanics and Hispanics (behind Oakland, New York City, and Los Angeles) in 2000. That year, three-quarters (76%) of African-American Philadelphians and two-thirds (64%) of Hispanic Philadelphians would have had to move to be evenly distributed across all city neighborhoods ("Housing Patterns").

Figure 5-6: Percent African-American

![Map of Philadelphia showing percent African-American by Census tract]

Sources: U.S. Census, Neighborhood Change Database

In fact, all Census tracts in West Philadelphia, Southwest Philadelphia, western Lower and Upper North Philadelphia, western Olney/Oak Lane, and eastern Germantown/ Chestnut Hill were at least 40% African-American in both 1990 and 2000; most were more than 80% black.
Over the course of the 1990s, the African-American population increased by more than 1,000 people in several tracts in Bridesburg/Kensington/Richmond, eastern Olney/Oak Lane, and the southwestern corner of Near Northeast Philadelphia. While blacks accounted for less than 10% of residents in these tracts in 1990, many were more than 20% black by 2000.

Figure 5-7: Change in African-American Population, 1990-2000

The Hispanic population also increased substantially in Bridesburg/Kensington/Richmond and throughout the Near Northeast between 1990 and 2000, and remained high in eastern sections of Upper and Lower North Philadelphia and Olney/Oak Lane. Most of Philadelphia's Hispanic residents lived within these areas in 2000, when most tracts in this part of the city were at least 20% Hispanic.
Those tracts gaining minority residents typically lost white residents. By 2000, whites represented a smaller share of the population in Near Northeast Philadelphia, eastern Olney/Oak Lane, and northern sections of Bridesburg/Kensington/Richmond. Census tracts in South and Southwest Philadelphia also lost Non-Hispanic white residents.
Socioeconomic Characteristics

Philadelphia as a whole saw most socioeconomic indicators worsen over the course of the 1990s. Citywide, the portion of families with children headed by single mothers, the portion of households receiving public assistance income, the portion of the workforce
currently unemployed, and the portion of residents living below the poverty level all increased between 1990 and 2000. (One exception was the portion of city adults without a high school degree, which declined from 36% in 1990 to 29% in 2000.) In fact, by 2000, Philadelphia had 14,300 more households on welfare and nearly 23,000 more poor residents than ten years prior.

Table 5-2: Socioeconomic Characteristics for Philadelphia, 1990 and 2000

<table>
<thead>
<tr>
<th>Philadelphia</th>
<th>1990</th>
<th>2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Female-headed Families</td>
<td>42.5%</td>
<td>46.1%</td>
<td></td>
</tr>
<tr>
<td>% of Adults with Less than High School</td>
<td>35.7%</td>
<td>28.8%</td>
<td></td>
</tr>
<tr>
<td>% of Adults with at least a Bachelor's Degree</td>
<td>15.2%</td>
<td>17.9%</td>
<td></td>
</tr>
<tr>
<td>% of Workers in Professional Occupations</td>
<td>18.3%</td>
<td>21.1%</td>
<td></td>
</tr>
<tr>
<td>% with Wage Income</td>
<td>70.1%</td>
<td>70.2%</td>
<td></td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>9.7%</td>
<td>10.9%</td>
<td></td>
</tr>
<tr>
<td>% with Public Assistance Income</td>
<td>14.0%</td>
<td>16.6%</td>
<td></td>
</tr>
<tr>
<td>Households with Public Assistance Income</td>
<td>83,969</td>
<td>98,268</td>
<td>14,299</td>
</tr>
<tr>
<td>Median Household Income (Constant $)</td>
<td>$34,171</td>
<td>$31,795</td>
<td>($2,376) -7.0%</td>
</tr>
<tr>
<td>Average Household Income (Constant $)</td>
<td>$43,345</td>
<td>$42,591</td>
<td>($754) -1.7%</td>
</tr>
<tr>
<td>Average Owner Income (Constant $)</td>
<td>$50,128</td>
<td>$50,551</td>
<td>$423 0.8%</td>
</tr>
<tr>
<td>Average Renter Income (Constant $)</td>
<td>$30,427</td>
<td>$31,015</td>
<td>$588 1.9%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>20.3%</td>
<td>22.9%</td>
<td></td>
</tr>
<tr>
<td>Residents living in Poverty</td>
<td>313,374</td>
<td>336,177</td>
<td>22,803 7.3%</td>
</tr>
</tbody>
</table>

Source: U.S. Census, Neighborhood Change Database

As with race and ethnicity, these conditions and trends were not consistent citywide but varied considerably by neighborhood. By 2000, for example, female-headship rates were nearly universally high (at least 50%) in West, Southwest, Lower North and Upper North Philadelphia. The portion of families with children headed by single mothers rose in Olney/Oak Lane and sections of Bridesburg/Kensington/Richmond, and remained low in the Far Northeast and throughout much of northwestern Philadelphia.
Citywide and in most Philadelphia Census tracts, the portion of adults with less than a high school degree declined between 1990 and 2000. These decreases were especially...

Figure 5-11: Portion of Adults with Less than a High School Degree in Philadelphia, 1990 and 2000

Also on the positive side, the city also saw its portion of adults with at least a Bachelor’s degree as well as its portion of workers employed in professional occupations increase over the course of the 1990s. However, the majority of these gains as well as the majority of all 4-year college graduates and professional workers were limited to neighborhoods within or immediately surrounding Center City, in near-West Philadelphia (around the University of Pennsylvania and Drexel University) and along West Philadelphia’s northern border, and in northwest Philadelphia (Roxborough/Manayunk and Germantown/Chestnut Hill).
Figure 5-12: Portion of Adults with at least a Bachelor's Degree in Philadelphia, 1990 and 2000

Sources: U.S. Census, Neighborhood Change Database

Figure 5-13: Portion of Workers in Professional Occupations in Philadelphia, 1990 and 2000

Sources: U.S. Census, Neighborhood Change Database

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Citywide, the portion of households with income from wages remained relatively stable (just above 70%) over the course of the 1990s. However, sections of Lower North Philadelphia, with very low percentages (often less than half) of wage earners in 1990, had larger shares by 2000. In contrast, areas in far West Philadelphia saw their portion of wage earners decline.
While the portion of Philadelphia households with income from wages remained fairly constant, the city's unemployment rate climbed from 9.7% in 1990 to 10.9% in 2000. Since unemployment actually fell across the country and in Pennsylvania as a whole during this time, the city's unemployment rate went from equaling one-and-a-half times the national and statewide rates (6.3% and 6.0%, respectively) in 1990 to nearly twice those rates (5.8% and 5.7%, respectively) in 2000. Throughout the city, unemployment rates remained high or increased in areas with lower education levels. By 2000, at least one out of every six workers was unemployed throughout most of West, Upper North and Lower North Philadelphia. Northern Southwest Philadelphia, eastern South Philadelphia, southern Olney/Oak Lane, and portions of Bridesburg/Kensington/Richmond also had high unemployment rates.

Figure 5-15: Unemployment Rate in Philadelphia, 1990 and 2000

Sources: U.S. Census, Neighborhood Change Database
At the same time, in both 1990 and 2000, at least one out of every four households received public assistance in most of Lower and Upper North Philadelphia. The same was true in central portions of West Philadelphia and western South Philadelphia by 2000.
Citywide, both the median and average household income fell over the course of the 1990s (by 7% and nearly 2%, respectively, after adjusting for inflation). By 2000, the city’s median income was roughly $30,000, or barely half (53%) of the metropolitan area’s median income ($57,800 in 2000) (HUD’s Office of Policy Development and Research). The typical owner’s income rose less than 1% over the 1990s, to approximately $50,000; the typical renter’s income rose by less than 2%, to approximately $30,000.

During this time, median household incomes remained low (mainly below $35,000 but often below $20,000) throughout Lower North Philadelphia, West Philadelphia, and South Philadelphia. The largest declines between 1990 and 2000 (at least $5,000 after adjusting for inflation) occurred in Near Northeast Philadelphia, northern sections of Bridesburg/Kensington/Richmond, and portions of Olney/Oak Lane, Roxborough/Manayunk, Southwest and West Philadelphia.

**Figure 5-17: Median Household Income in Philadelphia, 2000 (in Constant $)**
Among owner households, average incomes exceeded $100,000 throughout most of Center City and Germantown/Chestnut Hill by 2000. That year, the average owner income crossed $75,000 in the area of West Philadelphia surrounding the University of Pennsylvania (possibly reflecting the early effect of the school's employer-assisted housing program). At the same time, the typical owner earned less than $35,000 throughout much of Upper North Philadelphia and the Bridesburg/Kensington/Richmond area, and in northern sections of West and Lower North Philadelphia. Owner incomes dropped to low levels in 2000 from averages above $35,000 or even $50,000 in Bridesburg/Kensington/Richmond and the southeast corner of Olney/Oak Lane.
Figure 5-18: Average Income of Owners in Philadelphia, 2000 (in Constant $)

Source: U.S. Census, Neighborhood Change Database

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Renter incomes tended to follow similar patterns, though with a few exceptions.

Figure 5-19: Average Income of Renters in Philadelphia, 2000 (in Constant $)

Most of Germantown/
Chestnut Hill and
Center City had the
highest average renter
incomes (exceeding
$80,000) by 2000.

Higher-income renters
also appeared in
Roxborough/
Manayunk, where
averages generally
topped $40,000 and in
some cases topped
$80,000 in 2000.

Though not reaching
quite this level, average
renter incomes also
increased in much of
Bridesburg/
Kensington/
Richmond (in contrast
to owner income declines), in northern South Philadelphia, and in central Lower North
Philadelphia.

Sources: U.S. Census, Neighborhood Change Database
Even more than other socioeconomic indicators, poverty levels act as a bellwether of a neighborhood’s overall health. “High-poverty” areas, locations with poverty rates over 40%, are also typically home to more physical distress (including poor housing conditions, property abandonment, and vandalism) and social delinquency (including criminal activity, teen pregnancy, and dependence on drugs or public assistance) (Jargowsky 1997, 11). Over the course of the 1990s, tracts throughout most of Upper and Lower North Philadelphia and in near-West Philadelphia remained “high-poverty” tracts. Several tracts in western Bridesburg/Kensington/Richmond saw rates jump from below 20% (considered “low-poverty”) to over 40%. Rates also approached “high-poverty” levels in southern sections of Olney/Oak Lane and Germantown/Chestnut Hill. These areas, in addition to lower-Near Northeast Philadelphia, gained at least 500 poor residents during the 1990s – all while many “high-poverty” tracts, particularly in Lower North Philadelphia, lost poor residents.

Figure 5-20: Poverty Rate and Change in Poor Population in Philadelphia, 1990 and 2000

![Poverty Rate Map](image)

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Crime

Philadelphia's high-poverty neighborhoods are in fact home to higher rates of criminal activity. Rates of both Part 1 Crimes and Crimes against Property (or the number of crimes per 1,000 residents) are highest – and furthest above citywide rates – in portions of Upper and Lower North Philadelphia and Bridesburg/Kensington/Richmond. (High crime rates in Center City, Philadelphia's downtown district, are a function of far more people using the area than living in the area.)
Rates of Crimes against Persons are also highest throughout Upper and Lower North Philadelphia and in parts of Bridesburg/Kensington/Richmond. In these areas, rates of Crimes Against Persons are typically more than double the city’s overall rate.
Criminal activity trended upward between 1998 and 2002 mainly in those areas where socioeconomic characteristics worsened during the 1990s. For example, Crimes against Persons, Crimes against Property, and/or Part 1 Crimes were increasing throughout Near Northeast Philadelphia and the Bridesburg/Kensington/Richmond area.
Neighborhood Stability and Migration Patterns

Demographic and socioeconomic trends can reflect both how an individual’s or household’s status changes over time as well as how a neighborhood’s population changes over time. Migration patterns help tease out the latter (the arriving or departing of households with various characteristics) from the former (the improving or worsening of existing households’ characteristics). These patterns also highlight the neighborhoods’ degree of stability and where residents (more often homeowners) have lived for years or where residents (more often renters) are more transient.

In both 1990 and 2000, approximately three out of every five Philadelphia households owned their homes (although the city’s overall homeownership did slip slightly over the course of the decade) and a similar portion had lived in their home for at least five years.

Table 5-3: Housing Tenure and Stability for Philadelphia, 1990 and 2000

<table>
<thead>
<tr>
<th>Philadelphia</th>
<th>1990</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeownership Rate</td>
<td>62.0%</td>
<td>59.3%</td>
</tr>
<tr>
<td>% in Same House Five Years Ago</td>
<td>64.3%</td>
<td>61.9%</td>
</tr>
<tr>
<td>Length of Tenure</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Length of Tenure (Owners)</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

Homeownership rates were high throughout Southwest, northeast and northwest Philadelphia, and in northwestern Olney/Oak Lane, far-West Philadelphia, and southern South Philadelphia. While rates in much of these areas had been above 75% in 1990, many tracts (particularly in Bridesburg/Kensington/Richmond, South Philadelphia, and far-West Philadelphia) saw rates slip below 66% by 2000. Homeownership rates rose (although remained low) in northern sections of Center City and in southern and central sections of Lower North Philadelphia.
Figure 5-25: Homeownership Rates in Philadelphia, 1990 and 2000

Sources: U.S. Census, Neighborhood Change Database

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Residents were especially mobile in high-renter-occupancy areas like Center City, southern Lower North Philadelphia, and near-West Philadelphia — as of 2000, at least 75% of residents in these areas had moved into their home since 1995. The portion of movers increased in parts of Roxborough/Manayunk, Near Northeast Philadelphia, Bridesburg/Kensington/Richmond, and South Philadelphia between 1990 and 2000.

Sources: U.S. Census, Neighborhood Change Database

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According to residents' median length of tenure, far-West Philadelphia, southern South Philadelphia, portions of Upper and Lower North Philadelphia, and western Olney/Oak Lane, were the city's most "stable" neighborhoods. In 2000, the typical resident in these areas had lived in the neighborhood for at least 15 years and the typical owner for at least 20 years.
“Neighborhood stability does not necessarily equal neighborhood health however, nor does it necessarily imply stability in property values” (Rohe, McCarthy and VanZandt 2000, 19). This is certainly true in Philadelphia, where the city’s longest-tenure neighborhoods tend to be its most distressed. This stability appears to be more a function of residents’ lack of choice (or lack of capacity to afford housing elsewhere) rather than residents’ expression of choice. These “stable” neighborhoods have some of the cities highest levels of social distress and criminal activity, and weakest housing markets (described in detail later in this chapter).

Migration patterns, as opposed to neighborhood stability, illustrate how households are exercising choice. Over the course of the 1990s, the city as a whole lost nearly 70,000 residents – a population decline of 4.3%.

Table 5-4: Population Trends in Philadelphia, 1990 to 2000

<table>
<thead>
<tr>
<th>Philadelphia</th>
<th>1990</th>
<th>2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>1,585,577</td>
<td>1,517,550</td>
<td>-68,027</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

This was less of a loss than the city experienced during the 1980s (more than 100,000 residents) or the 1970s (more than 260,000 residents). Still, the ongoing suburbanization of the region meant that Philadelphia had fewer residents in 2000 than in 1910.

As with other trends, these losses were not evenly distributed across the city but concentrated in some of Philadelphia’s already-weak areas. Between 1990 and 2000, Census tracts in parts of Upper and Lower North Philadelphia, West Philadelphia, and Southwest Philadelphia lost the largest numbers and shares of residents – in some cases well over 500 people, or more than one-in-four residents. Population increases occurred primarily in Bridesburg/Kensington/Richmond, eastern Olney/Oak Lane, and upper Near Northeast Philadelphia.
Figure 5-28: Population Change in Philadelphia, 1990 to 2000

Philadelphia Census Tracts
Population Change, 1990-2000
-4,000 - 500
-499 - 0
1 - 249
250 - 499
500 - 1,000

Philadelphia Census Tracts
% Population Change, 1990-2000
-0.5% - 0%
0% - 4%
5% - 9%
10% - 20%

Sources: U.S. Census, Neighborhood Change Database
Not only how many people move into or out of a neighborhood but also which people (in terms of socioeconomic characteristics and tenure choices) move into or out of a neighborhood can play a large part in shaping subsequent conditions and trends. Citywide, more than 300,000 households moved into their current residence in the 1990s — more than half (55%) of all households and one-third (36%) of all owners. Most movers (61%) were renters. By the end of the decade, the city had 24,289 fewer owner households and 11,285 more renter households. On average, moving owners had incomes well above (1.09 times) those of all owners; moving renters had incomes slightly above (1.02 times) those of all renters.

Again, these gains and losses, and the nature of these gains and losses, were not uniform across the city. Center City and Far Northeast Philadelphia netted the largest gains in owners; Bridesburg/Kensington/Richmond and South, Southwest and Near Northeast Philadelphia, as well as tracts within Upper North Philadelphia, in southern Germantown/Chestnut Hill, in southeastern Olney/Oak Lane, and in southwestern Lower North Philadelphia netted the greatest gains in renters. In Near and Far Northeast Philadelphia, Bridesburg/Kensington/Richmond, northwestern Roxborough/Manayunk, and lower South and Southwest Philadelphia, most 1990s movers were homeowners; the homeownership rate among 1990s movers in these areas was typically over 50%.
Figure 5-29: Tenure Trends in Philadelphia, 1990 to 2000

Sources: U.S. Census, Neighborhood Change Database

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Households moving in the 1990s into units in Census tracts within Center City and northwestern Philadelphia averaged the highest incomes (often over $75,000), while movers in Census tracts within Lower North Philadelphia averaged the lowest incomes (often under $20,000).

Owner households moving in the 1990s into northwestern Philadelphia, Center City, the northernmost Census tracts in South Philadelphia, and Far Northeast Philadelphia, averaged the highest incomes (usually over $75,000), while owners moving into units in Census tracts in much of West, South, Southwest, Upper North, and Lower North Philadelphia, as well as in Bridesburg/Kensington/Richmond, averaged the lowest incomes (typically less than $35,000). Moving owners’ average incomes exceeded the averages for all owner households in Census tracts throughout South Philadelphia, in upper West Philadelphia, and Roxborough/Manayunk. The opposite was true in Southwest Philadelphia, lower West Philadelphia, Bridesburg/Kensington/Richmond, and southern sections of Near Northeast Philadelphia.
Moving renters, like renters in general, tended to have lower incomes than owners. However, moving renters in Center City and northwestern Philadelphia still often averaged incomes above $50,000 (if not above $75,000).

Interestingly, in most Census tracts throughout the city, moving renters averaged incomes equal to or above those of all renters. Moving renters averaged much higher incomes in parts of Lower North Philadelphia and northern Roxborough/Manayunk; moving renters averaged lower incomes in parts of West Philadelphia and central Germantown/Chestnut Hill.
**Housing Market Strength**

Housing market strength — including the value of owner-occupied and rental housing, the scale and price of for-sale housing, and the presence or absence of problematic conditions such as abandonment and tax delinquency — also illustrates how households are exercising their housing choices, and reflect their opinions about existing neighborhood conditions and their expectations about neighborhoods’ future quality of life and market value. Housing market strength is not uniform across the city; property values, the volume and price of for-sale housing, and the scale of financial distress vary widely from one neighborhood to another.

Citywide, the median rent and median value both declined between 1990 and 2000 (after adjusting for inflation) by 4.5% and 6.4%, respectively. By 2000, more than one-third (37%) of the city’s owner-occupied stock was valued below $50,000 and just 3% was valued at or above $200,000. (In the surrounding suburbs (Bucks, Chester, Delaware and Montgomery Counties) these figures were reversed: just 3% of the suburban stock was valued below $50,000 and 30% valued at or above $200,000.) In 2000, Philadelphia’s median sale price was just $48,000.

At the same time, the city’s number of abandoned units and the abandonment rate (according to the U.S. Census) were both on the rise. The number of abandoned units rose by more than 4,250, an 11% increase; and the abandonment rate (the number of units identified as “other vacant” by the Census (according to its 1990 definition) as a percent of all units) climbed from 5.7% to 6.4%. In contrast, abandonment declined in the suburbs over the course of the 1990s, and the suburban abandonment rate was just 1.1% in 2000. That year, fully 81% of area abandoned units were located within the city of Philadelphia.
<table>
<thead>
<tr>
<th></th>
<th>Philadelphia</th>
<th>1990</th>
<th>2000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Gross Rent (Constant $)</td>
<td>$596</td>
<td>$569</td>
<td>-$27</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Median Value (Constant $)</td>
<td>$63,768</td>
<td>$59,700</td>
<td>-$4,068</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Value &lt;$50,000</td>
<td></td>
<td>130,337</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Valued &lt;$50,000</td>
<td></td>
<td>37%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value &gt;$200,000</td>
<td></td>
<td>11,047</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Valued &gt;$200,000</td>
<td></td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales (2000)</td>
<td></td>
<td>21,993</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales (2000) vs. Housing Units</td>
<td></td>
<td>3.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median Price (2000)</td>
<td></td>
<td>$48,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Unsold (1970-2006)</td>
<td></td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% with Liens</td>
<td></td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abandoned Units (Census 1990 Definition)</td>
<td>38,383</td>
<td>42,651</td>
<td>4,268</td>
<td>11.1%</td>
</tr>
<tr>
<td>Abandonment Rate</td>
<td></td>
<td>5.7%</td>
<td>6.4%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database, neighborhood data (Cartographic Modeling Lab, University of Pennsylvania)

Center City and the neighborhoods in northwestern Philadelphia remained the city’s strongest rental markets in 2000. Median rents in these areas typically exceed $800. However, the largest dollar increases (after adjusting for inflation) in median rents between 1990 and 2000 were in portions of South Philadelphia, Roxborough/Manayunk, and Far Northeast Philadelphia. Modest rent increases occurred in central Lower North Philadelphia and in much of Bridesburg/Kensington/Richmond, while median rents typically declined in West Philadelphia, Olney/Oak Lane, Germantown/Chestnut Hill, and Near Northeast Philadelphia.
Similarly, median values remained highest in northwestern Philadelphia (a higher homeownership area) and Center City (largely renter-occupied). (Interestingly, neither of
these areas is among the city's most "stable" in terms of residents' length of tenure. In both areas, residents' median length of tenure is typically less than 10 years.) Median values fell by at least $25,000 (after adjusting for inflation) in northwestern sections of Far Northeast Philadelphia and western Germantown/Chestnut Hill between 1990 and 2000. Median values also declined (although by lesser amounts) throughout Near Northeast Philadelphia and Bridesburg/Kensington/Richmond, and in eastern Olney/Oak Lane. Much of West Philadelphia, Southwest Philadelphia, and Upper and Lower North Philadelphia experienced modest gains over the course of the 1990s.

Figure 5-34: Median Value in Philadelphia, 1990 and 2000 (in Constant $)
Figure 5-34: Median Value in Philadelphia, 1990 and 2000 (in Constant $)

Philadelphia Census Tracts
Change in Median Value (CD), 1990-2000
- ($164,295.13) - ($25,000.00)
- ($24,999.99) - $0.00
- $0.01 - $9,999.99
- $10,000.00 - $24,999.99
- $25,000.00 - $85,037.15

Sources: U.S. Census, Neighborhood Change Database
By 2000, most housing in the city’s high demand areas (specifically, Germantown/Chestnut Hill and Center City) was valued at or above $200,000. At the same time, more than three-quarters of all owner-occupied housing units in Upper and Lower North Philadelphia, West and Southwest Philadelphia, and Bridesburg/Kensington/Richmond, and in western South Philadelphia, lower Olney/Oak Lane, and lower Near Northeast Philadelphia, was valued below $50,000.

While the price of for-sale housing was highest in northwestern Philadelphia, Center City and the Far Northeast in 2000 (where median values were also highest), South and Southwest Philadelphia, Bridesburg/Kensington/Richmond, and Near Northeast Philadelphia had the greatest sale activity – both in terms of the numbers of sales and the portion of neighborhood housing units on the market.
At the other end of the spectrum are those neighborhoods grappling with high abandonment rates and stagnant (or nonexistent) real estate markets.
Abandonment rates remained at or above 10% throughout Lower and Upper North Philadelphia, and in much of West, South, and Southwest Philadelphia during the 1990s. While rates remained lower in Near Northeast Philadelphia, they worsened significantly in Census tracts along the neighborhood’s southern border. Abandonment also grew in Bridesburg/Kensington/Richmond and Census tracts in southeastern Germantown/Chestnut Hill, exceeding 10% by 2000.
The lack of sales activity and the presence of tax arrears are additional indicators of housing market weakness. In many of the city's high-abandonment neighborhoods (particularly Lower North Philadelphia), one-third or more of Census tracts' total units had not sold since 1970. And in Upper North Philadelphia, eastern Lower North Philadelphia, West and Southwest Philadelphia, western South Philadelphia, eastern Germantown/Chestnut Hill and western Olney/Oak Lane, and most of Bridesburg/Kensington/Richmond, at least than one-in-ten units had existing tax liens in 2000, an indication of fiscal distress and an early warning sign of future abandonment.
Chapter 6
Interactions and Outcomes: Conditions, Investments, and End Results

To summarize these various conditions and trends, to illustrate how individual tracts fared relative to one another, and to bring the patterns they formed into clearer focus, this study classified city Census tracts into three typologies based on residents’ and households’ socioeconomic status, and into two typologies based on housing stock characteristics and housing market strength. This study then mapped the city’s subsidized investment (large projects funded with CDBG dollars, HOME funds, and LIHTCs, or sponsored by the Philadelphia Housing Authority) and low-cost loans (the Pennsylvania Housing Finance Agency’s single-family home-purchase loans) from 1990 to 1997.

Replicating existing methodologies in Philadelphia for the first time, and pioneering new techniques for quantifying neighborhood “health” and change, this study used descriptive statistics and regression analysis to highlight those factors significantly influencing a Census tract’s population, income level, and housing values over time; associations between program spending and certain neighborhood trends; and the interaction between the scale and nature of subsidized investment or low-cost lending, initial neighborhood conditions, and subsequent neighborhood outcomes. This work’s findings provide policy-makers with new knowledge about how subsidized investments can be strategically tailored to different neighborhoods in order to maximize impact, and also how low-cost loan programs can be utilized as a key neighborhood revitalization tool.

Social Disadvantage and Prestige

Combining several highly correlated indicators that reflected a Census tract’s level of social distress (including educational attainment, employment status, welfare dependency, single-parenthood, and poverty levels) into one Social Disadvantage score clarified...
Philadelphia’s patterns of socioeconomic status. As the following maps illustrate, Social Disadvantage was consistently greatest in West Philadelphia, Lower and Upper North Philadelphia, and western South Philadelphia in 1990 and 2000.

**Figure 6-1: Social Disadvantage Clusters in Philadelphia, 1990 and 2000**

Over the course of the 1990s, Social Disadvantage worsened (relative to the city as a whole) in Southwest Philadelphia, eastern Upper North Philadelphia and Olney/Oak Lane, Bridesburg/Kensington/Richmond, and southwestern Near Northeast Philadelphia. Several tracts in these areas had Social Disadvantage Score declines (indicating increases in distress) of more than one-fourth of a standard deviation – meaning these increases in distress substantially outpaced citywide trends. In contrast, Census tracts just south of Center City and many within Lower North Philadelphia gained considerable ground relative to the city as a whole. By 2000, several tracts in these areas had Social Disadvantage Score increases (indicating declines in distress) of more than one-fourth of a standard deviation.
To a greater degree than the Social Disadvantage Clusters, Philadelphia’s Prestige Clusters show how the city’s strongest households (those with the highest incomes, most education, and employed in professional occupations) were highly concentrated in Germantown/Chestnut Hill and Center City in 1990 and 2000.
Figure 6-3: Prestige Clusters in Philadelphia, 1990 and 2000

Sources: U.S. Census, Neighborhood Change Database
Between 1990 and 2000, *Prestige* substantially increased (relative to the city as a whole) in the Census tracts just south of Center City (suggesting that areas in northern South Philadelphia benefited from some “spillover effects” from Center City, which also experienced *Prestige* gains (although smaller ones) during the 1990s), in southwestern Lower North Philadelphia (an area receiving significant subsidized investment) and in sections of the Far Northeast.

**Figure 6-4: Change in Prestige in Philadelphia, 1990 to 2000**

The composite *Social Disadvantage/Prestige Clusters* further highlight how people with various socioeconomic characteristics are distributed across the city. By 2000, Philadelphia’s strongest households were concentrated in Center City and Germantown/Chestnut Hill, with strong households living throughout Near and Far Northeast Philadelphia and Roxborough/Manayunk; the city’s weakest households were concentrated mainly in Lower and Upper North Philadelphia and parts of West Philadelphia. Between 1990 and 2000,
Census tracts with strong households (with low levels of social distress and high levels of *Prestige*) attracted still more strong households: Census tracts throughout Center City and Germantown/Chestnut Hill saw their *Social Disadvantage/Prestige Scores* improve, relative to the city as a whole, by the largest margin of any tracts citywide. The city’s weakest areas – Upper and Lower North Philadelphia and much of West Philadelphia – saw *Social Disadvantage/Prestige Scores* worsen, relative to the city as a whole, by the largest margin of any tracts citywide.

**Figure 6-5: Social Disadvantage/Prestige Clusters in Philadelphia, 1990 and 2000**
These findings — that neighborhoods with strong socioeconomic profiles became stronger and neighborhoods with weak socioeconomic profiles became weaker — supports earlier findings on the profound affect of initial neighborhood conditions on subsequent trends. Existing social distress tends to have “damaging effects [that] reverberate forward in time” (Taylor 2001, 161). Alternatively, studies have found neighborhood prestige to have a “significant and positive effect on [future neighborhood] stability” (Temkin and Rohe 1998, pp. 81-82).
Housing Stock and Demand

Demographic profiles and socioeconomic status illustrate several key aspects of neighborhood “health.” People-based characteristics suggest how stable a community is likely to be, hint at residents’ social or political capital (or their ability to advocate on their neighborhood’s behalf or gain access to business and political leaders), and quantify residents’ purchasing power, or ability to pay for housing. However, these indicators only tell part of the story.

Just as important to a neighborhood’s fate is current and potential residents’ and investors’ willingness to pay for local housing. To gauge a neighborhood’s attractiveness to owners and investors, or to measure the demand for local housing, requires becoming familiar with a neighborhood’s housing stock and existing housing market strength. Housing demand further depends on how both the housing stock and market strength compare to those in “competing” neighborhoods within the same housing market (throughout the city or region). Therefore, this study categorized all Philadelphia Census tracts into two place-based clusters — reflecting the configuration of housing units and the value of housing units.

This study’s Housing Stock Clusters show that, in general, the city has zones of housing types. Larger multifamily units are most prevalent in Center City and near-West Philadelphia; smaller multifamily units are most prevalent in the tracts immediately surrounding these areas; single-family attached units are most prevalent in the tracts adjacent to these; and single-family detached units are most prevalent near the city’s northwestern and northeastern boundaries.
The configuration of a neighborhood’s housing stock appeared to have a significant impact on local housing market strength. Comparing the means for a range of variables by Housing Stock Cluster shows the impact that housing stock characteristics tend to have on housing demand in Philadelphia. (Statistical testing confirmed that clusters’ means were significantly different from one another.) On average, the median value of owner-occupied housing was roughly four times greater in tracts classified as “single-family detached” than in those classified as “single-family attached.” While “single-family attached” tracts averaged median values equal to just 64% of the median for all city tracts in 2000, this represented a slight increase (up from 58% in 1990) even as the average median value in “single-family detached” tracts declined (from 214% of the median for all tracts in 1990 to 208% in 2000). “Multifamily, 2-4 Units” tracts also trailed citywide averages, while tracts typified by larger multifamily units averaged values closer to those in “single-family detached” areas.
Table 6-1: Typical Median Value by Housing Stock Cluster, 1990 and 2000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Median</td>
<td>as a % of Median for All Tracts</td>
</tr>
<tr>
<td>Single-family Detached</td>
<td>$136,263</td>
<td>214%</td>
</tr>
<tr>
<td>Single-family Attached</td>
<td>$37,021</td>
<td>58%</td>
</tr>
<tr>
<td>Multifamily, 2-4 Units</td>
<td>$50,151</td>
<td>79%</td>
</tr>
<tr>
<td>Multifamily, 5+ Units</td>
<td>$102,951</td>
<td>162%</td>
</tr>
<tr>
<td>All Tracts</td>
<td>$63,553</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

Median gross rent levels followed similar patterns:

Table 6-2: Typical Median Rent by Housing Stock Cluster, 1990 and 2000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Median</td>
<td>as a % of Median for All Tracts</td>
</tr>
<tr>
<td>Single-family Detached</td>
<td>$522</td>
<td>121%</td>
</tr>
<tr>
<td>Single-family Attached</td>
<td>$391</td>
<td>91%</td>
</tr>
<tr>
<td>Multifamily, 2-4 Units</td>
<td>$409</td>
<td>95%</td>
</tr>
<tr>
<td>Multifamily, 5+ Units</td>
<td>$508</td>
<td>118%</td>
</tr>
<tr>
<td>All Tracts</td>
<td>$431</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

Not surprisingly, homeownership rates were highest in “single-family detached” and “single-family attached” tracts. The homeownership rate declined between 1990 and 2000 citywide and in all Housing Stock Clusters except for “multifamily, 5+ units” tracts. While dropping slightly during the 1990s, the average homeownership rate in “single-family detached” tracts fell less than the citywide rate; by 2000, the typical homeownership rate in “single-family detached” tracts was equal to 122% the citywide rate, up from 119% ten years before. The average homeownership rate in “single-family attached” tracts, though, dropped more than the citywide rate, falling from 120% of the city’s rate in 1990 to 117% in 2000.
Table 6-3: Typical Homeownership Rate by Housing Stock Cluster, 1990 and 2000

<table>
<thead>
<tr>
<th>Housing Stock Cluster</th>
<th>Homeownership Rate (1990)</th>
<th>Homeownership Rate (2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>as a % of Rate for All Tracts</td>
</tr>
<tr>
<td>Single-family Detached</td>
<td>72.5%</td>
<td>119%</td>
</tr>
<tr>
<td>Single-family Attached</td>
<td>73.0%</td>
<td>120%</td>
</tr>
<tr>
<td>Multifamily, 2-4 Units</td>
<td>53.7%</td>
<td>88%</td>
</tr>
<tr>
<td>Multifamily, 5+ Units</td>
<td>30.2%</td>
<td>50%</td>
</tr>
<tr>
<td>All Tracts</td>
<td>61.0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

“Single-family attached” tracts also averaged some of the highest abandonment rates (as did “multifamily, 2-4 units” tracts). And “single-family attached” tracts’ average rate climbed significantly between 1990 and 2000 – far more than in other areas.

Table 6-4: Typical Abandonment Rate by Housing Stock Cluster, 1990 and 2000

<table>
<thead>
<tr>
<th>Housing Stock Cluster</th>
<th>Abandonment Rate (1990)</th>
<th>Abandonment Rate (2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate</td>
<td>as a % of Rate for All Tracts</td>
</tr>
<tr>
<td>Single-family Detached</td>
<td>2.7%</td>
<td>47%</td>
</tr>
<tr>
<td>Single-family Attached</td>
<td>5.8%</td>
<td>102%</td>
</tr>
<tr>
<td>Multifamily, 2-4 Units</td>
<td>7.9%</td>
<td>139%</td>
</tr>
<tr>
<td>Multifamily, 5+ Units</td>
<td>4.2%</td>
<td>74%</td>
</tr>
<tr>
<td>All Tracts</td>
<td>5.7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Neighborhood Change Database

This provides further evidence that homeownership rates are not always positively associated with housing market strength in Philadelphia. Not only were abandonment rates high and climbing (on average) in “single-family attached” tracts (where homeownership rates were generally high), median values were typically lowest (again, on average) in these tracts. In fact, many of the city’s higher homeownership areas are among its lowest value areas.
Because of the complicated relationship between tenure and housing market strength in Philadelphia, this study's Housing Demand Clusters used just a tract's abandonment rate, median value of owner-occupied housing and median gross rent. As the people-based summary scores suggested, Housing Demand was strongest in Center City and northwestern Philadelphia in both 1990 and 2000. In 2000, the Far and Near Northeast were also strong (although to a lesser degree), Olney/Oak Lane and the Bridesburg/Kensington/Richmond area were more moderate, South and West Philadelphia weaker, and Upper and Lower North Philadelphia weakest of all.
Figure 6-8: Housing Demand Clusters in Philadelphia, 1990 and 2000
This hierarchy was nearly identical to that laid out in the city's 1956 Central Urban Renewal Area (CURA) Study, in the Philadelphia City Planning Commission's 1960 Comprehensive Plan, and again in 2001 as the city prepared to implement Mayor John Street's Neighborhood Transformation Initiative.

Over the course of the 1990s, Housing Demand declined to the greatest degree (relative to the city as a whole) in much of West, Southwest and Near Northeast Philadelphia, upper Far Northeast Philadelphia, Germantown/Chestnut Hill, and in sections of Olney/Oak Lane and Bridesburg/

Kensington/Richmond. Housing Demand improved to the greatest degree in southeastern sections of the Far Northeast and, notably, in parts of Upper and Lower North Philadelphia and upper West Philadelphia, all areas that received significant subsidized investment.
PHILADELPHIA’S INVESTMENT CLUSTERS

The city’s CDBG eligible Census tracts (in which a majority of residents are of low or moderate income) are largely concentrated in Upper and Lower North Philadelphia, West and South Philadelphia, and are also present in parts of Olney/Oak Lane, Bridesburg/Kensington/Richmond, Southwest Philadelphia, and isolated sections of Germantown/Chestnut Hill and Near and Far Northeast Philadelphia.

Figure 6-11: Qualified Census Tracts in Philadelphia

Due to both programmatic eligibility requirements and the nature of the city’s housing and community development initiatives, city officials largely concentrated subsidized investments (active between 1990 and 1997) throughout Lower and Upper North Philadelphia and West Philadelphia (where subsidized units accounted for 5% or more of all housing units in several tracts), in some areas of South and Southwest Philadelphia, and Olney/Oak Lane, Germantown/Chestnut Hill, and Bridesburg/Kensington/Richmond. Units for owner-occupancy were most common in Lower North Philadelphia – the site of...
the City's Homeownership Zone — while most subsidized units targeted low-income renters in Upper North, West, and South Philadelphia.

**Figure 6-12: Subsidized Investment Clusters in Philadelphia, 1990 to 1997**

*Sources: City of Philadelphia Consolidated Plan, Pennsylvania Housing Finance Agency, Philadelphia Housing Authority*
In contrast, borrowers receiving PHFA single-family loans between 1990 and 1997 were most likely to invest in housing in Census tracts in Near Northeast Philadelphia, southeastern Olney/Oak Lane, northern Bridesburg/Kensington/Richmond, and, to a lesser extent, in Far Northeast Philadelphia. Few borrowers chose to use low-cost loans to purchase homes in Lower North Philadelphia (where tracts typically received no loans or, at most, fewer than ten loans), in West Philadelphia, or in northern South Philadelphia.

Figure 6-13: Low-Cost Loan Clusters in Philadelphia, 1990 to 1997
Where borrowers with PHFA single-family loans were more plentiful, borrower incomes tended to trail area medians; where borrowers with PHFA single-family lending were less plentiful, borrower incomes tended to exceed area medians.

**INTERACTIONS BETWEEN CONDITIONS, INVESTMENTS AND TRENDS**

To determine the impact of various neighborhood characteristics and investment strategies on subsequent neighborhood conditions and trends, this analysis relied on several statistical tests involving existing neighborhood people- and place-based conditions, neighborhood trends, and local subsidized investment or low-cost lending.
Regression Results

Before analyzing interactions between summary statistics (Census tracts' various cluster scores), this study ran several regressions using individual people-, place-, and program-based indicators. These regressions yielded numerous statistically significant results that provide new knowledge about Philadelphia’s neighborhoods and real estate markets. These results also support the findings of research projects conducted elsewhere, principally the fact that neighborhoods’ initial status — in terms of general socioeconomic distress, poverty rates, and housing values — “shows the strongest and most consistent influence on later change” (Taylor 2001, 162; See also Ding and Knaap 2003, 721; Leven 1976, 17; Rohe and Stewart 1996, 68).

Looking first at population trends, this study found that starting conditions, simultaneous trends, and subsidized investments explain roughly one-third of the variation in Census tracts’ population gains or losses between 1990 and 2000. A tract’s Social Disadvantage Score and Housing Demand Score in 1990, and its scale of subsidized investing (subsidized investments as a percent of all units) and low-cost lending (number of loans as a percent of all units), were all positively associated with population trends. The homeownership rate among households moving into their current unit in the 1990s was negatively associated with population trends (a reflection of the fact that Philadelphia’s high renter-occupancy neighborhoods in Center City were the most successful at attracting new residents in the 1990s). Notably, tracts’ Social Disadvantage and Prestige Scores were also negatively associated with population trends: tracts with improving people-based composite scores (such as in Lower North Philadelphia) tended to see population declines while tracts with worsening people-based conditions (such as in Bridesburg/Kensington/Richmond) tended to see population increases.
Table 6-5a: Significant Influences on Population Change from 1990 to 2000

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Social Disadvantage 1990</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Change in Median Household Income</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Scale of Subsidized Investments</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Number of Low-Cost Loans</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Housing Demand Score 1990</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Homeownership Rate for 1990s Migrants</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Scale of Low-Cost Lending</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Number of Low-Cost Loans</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Change in Median Household Income</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Change in Social Disadvantage/Prestige 1990-2000</td>
<td></td>
</tr>
</tbody>
</table>

Method used was Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

Table 6-5b: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>.594</td>
<td>.353</td>
<td>.341</td>
<td>430.069</td>
</tr>
</tbody>
</table>

Table 6-5c: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Regression</td>
<td>6</td>
<td>5728969.887</td>
<td>30.974</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>341</td>
<td>184959.277</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>97444932.747</td>
<td>347</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Predictors: (Constant), Social Disadvantage 1990, Scale of Subsidized Investments, Housing Demand Score 1990, Homeownership Rate for 1990s Migrants, Scale of Low-Cost Lending, Change in Social Disadvantage/Prestige 1990-2000

Table 6-5d: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-111.397</td>
<td>65.728</td>
<td>-1.695</td>
<td>.091</td>
</tr>
<tr>
<td>Social Disadvantage 1990</td>
<td>203.314</td>
<td>54.975</td>
<td>3.698</td>
<td>.000</td>
</tr>
<tr>
<td>Scale of Subsidized Investments</td>
<td>2166.205</td>
<td>661.757</td>
<td>.162</td>
<td>3.273</td>
</tr>
<tr>
<td>Housing Demand Score 1990</td>
<td>197.939</td>
<td>49.301</td>
<td>.289</td>
<td>4.015</td>
</tr>
<tr>
<td>Homeownership Rate for 1990s Migrants</td>
<td>-622.518</td>
<td>162.131</td>
<td>-.223</td>
<td>-3.840</td>
</tr>
<tr>
<td>Scale of Low-Cost Lending</td>
<td>14000.767</td>
<td>2642.669</td>
<td>.310</td>
<td>5.298</td>
</tr>
<tr>
<td>Change in Social Disadvantage/Prestige 1990-2000</td>
<td>-229.192</td>
<td>95.757</td>
<td>-.111</td>
<td>-2.393</td>
</tr>
</tbody>
</table>
Changes in median household incomes between 1990 and 2000 were significantly influenced by starting neighborhood conditions – both people- and place-based – as well as ongoing trends – both people- and place-based. Lower levels of initial social distress and declines in distress were positively associated with income trends. While higher starting levels of housing demand were negatively associated with income increases, housing demand gains (relative to the city as a whole) between 1990 and 2000 were positively associated with income increases. This supports others' conclusion that values and incomes typically rise together (Ding and Knaap 2003; Rohe and Stewart 1996). Average incomes among all households moving in the 1990s related strongly and positively to income changes (although the average income among moving owners had a weaker and negative impact, likely due to the fact that rising incomes were most prevalent in higher renter-occupancy areas). Lastly, the scale of subsidized units had a weak and negative relationship with income changes, possibly since many subsidized units explicitly targeted lower-income households.

Table 6-6a: Significant Influences on Change in Median Household Income, 1990-2000

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average Income of 1990s Migrants</td>
<td>.</td>
</tr>
<tr>
<td>2</td>
<td>Change in Housing Demand 1990-2000</td>
<td>.</td>
</tr>
<tr>
<td>3</td>
<td>Homeownership Rate for 1990s Migrants</td>
<td>.</td>
</tr>
<tr>
<td>4</td>
<td>Change in Social Disadvantage 1990-2000</td>
<td>.</td>
</tr>
<tr>
<td>5</td>
<td>Social Disadvantage 1990</td>
<td>.</td>
</tr>
<tr>
<td>6</td>
<td>Housing Demand 1990</td>
<td>.</td>
</tr>
<tr>
<td>7</td>
<td>Average Owner Income of 1990s Migrants</td>
<td>.</td>
</tr>
<tr>
<td>8</td>
<td>.</td>
<td>Homeownership Rate for 1990s Migrants</td>
</tr>
<tr>
<td>9</td>
<td>Scale of Subsidized Investments</td>
<td>.</td>
</tr>
</tbody>
</table>

Method used was Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
Table 6-6b: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>.777</td>
<td>.604</td>
<td>.596</td>
<td>5465.578</td>
</tr>
</tbody>
</table>

Table 6-6c: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>15491020581.735</td>
<td>7</td>
<td>2213002940.248</td>
<td>74.082</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1015662768.918</td>
<td>340</td>
<td>29872537.556</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2564768350.653</td>
<td>347</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table 6-6d: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1469.012</td>
<td>909.941</td>
<td>1.614</td>
<td>.107</td>
</tr>
<tr>
<td>Average Income of 1990s Migrants</td>
<td>.261</td>
<td>.026</td>
<td>.777</td>
<td>.932</td>
</tr>
<tr>
<td>Change in Housing Demand 1990-2000</td>
<td>4642.201</td>
<td>1138.054</td>
<td>4.079</td>
<td>.000</td>
</tr>
<tr>
<td>Change in Social Disadvantage 1990-2000</td>
<td>8851.259</td>
<td>1080.950</td>
<td>8.188</td>
<td>.000</td>
</tr>
<tr>
<td>Social Disadvantage 1990</td>
<td>5529.513</td>
<td>702.285</td>
<td>.500</td>
<td>.787</td>
</tr>
<tr>
<td>Housing Demand 1990</td>
<td>-5667.123</td>
<td>955.415</td>
<td>-5.932</td>
<td>.000</td>
</tr>
<tr>
<td>Average Owner Income of 1990s Migrants</td>
<td>-.070</td>
<td>.018</td>
<td>-2.79</td>
<td>.006</td>
</tr>
<tr>
<td>Scale of Subsidized Investments</td>
<td>21340.955</td>
<td>8390.983</td>
<td>-2.543</td>
<td>.011</td>
</tr>
</tbody>
</table>

One telling indicator this study computed for all city Census tracts was the average income of all households, of owners, and of renters, who reported moving into their current unit between 1990 and March 2000 (according to the 2000 U.S. Census). Regression results predicting which neighborhoods attracted the higher-income owners in the 1990s clearly illustrated how neighborhoods can experience "virtuous cycles," or how positive trends can snowball just as negative trends do. Together, a Census tract's initial Prestige Score, trends in Prestige and Social Disadvantage and median values between 1990 and 2000, and
homeownership rate among households moving into a unit in the tract in the 1990s, explained over two-thirds of tracts' variation in new owners' average income. In other words, Census tracts with initially strong socioeconomic profiles, declining social distress, and appreciating property values, were more likely to attract homeowners in general (becoming increasingly stable) and higher income homeowners in particular (becoming even stronger from a people-based point of view). In this way, initial neighborhood strength fueled ongoing and increasing neighborhood strength.

Table 6-7a: Significant Influences on Average Income of Owners Moving in the 1990s

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prestige 1990</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Change in Prestige 1990-2000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Change in Median Value 1990-2000</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Homeownership Rate for 1990s Migrants</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Change in Social Disadvantage 1990-2000</td>
<td></td>
</tr>
</tbody>
</table>

Method used was Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

Table 6-7b: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>.837</td>
<td>.701</td>
<td>.697</td>
<td>18965.1895</td>
</tr>
</tbody>
</table>

Table 6-7c: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Regression</td>
<td>28872233812.486</td>
<td>5</td>
<td>5774446762.498</td>
<td>160.545</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>123010017190.400</td>
<td>342</td>
<td>359678412.837</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>411732351002.885</td>
<td>347</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6-7d: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>50120.052</td>
<td>2532.162</td>
<td>19.793</td>
<td>.000</td>
</tr>
<tr>
<td>Prestige 1990</td>
<td>34516.175</td>
<td>1328.952</td>
<td>.853</td>
<td>.000</td>
</tr>
<tr>
<td>Change in Prestige 1990-2000</td>
<td>22980.685</td>
<td>3690.366</td>
<td>.201</td>
<td>.000</td>
</tr>
<tr>
<td>Change in Median Value 1990-2000</td>
<td>.151</td>
<td>.042</td>
<td>.121</td>
<td>.000</td>
</tr>
<tr>
<td>Homeownership Rate for 1990s Migrants</td>
<td>15052.233</td>
<td>5531.289</td>
<td>.083</td>
<td>.007</td>
</tr>
<tr>
<td>Change in Social Disadvantage 1990-2000</td>
<td>8212.340</td>
<td>3462.427</td>
<td>.073</td>
<td>.018</td>
</tr>
</tbody>
</table>

Lastly, changes in tracts’ median value were most pronounced in initially weak-market (or low-demand) neighborhoods where values had the most room to grow. Income trends – the dollar change in median household income between 1990 and 2000 as well as the average income among owners moving in the 1990s – were positively associated with value trends. Because value increases tended to be greatest in weaker markets, Census tract’s initial Prestige Score and, to a lesser extent, improving Social Disadvantage, were both negatively associated with value increases.

Table 6-8a: Significant Influences on Change in Median Value, 1990 to 2000

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Housing Demand 1990</td>
<td>.</td>
</tr>
<tr>
<td>2</td>
<td>Change in Median Household Income 1990-2000</td>
<td>.</td>
</tr>
<tr>
<td>3</td>
<td>Prestige 1990</td>
<td>.</td>
</tr>
<tr>
<td>4</td>
<td>Average Owner Income of 1990s Migrants</td>
<td>.</td>
</tr>
<tr>
<td>5</td>
<td>Change in Social Disadvantage 1990-2000</td>
<td>.</td>
</tr>
</tbody>
</table>

Method used was Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

Table 6-8b: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>.627</td>
<td>.393</td>
<td>.384</td>
<td>20803.234</td>
</tr>
</tbody>
</table>

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Table 6-8c: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>95295338267.82</td>
<td>5</td>
<td>19059067653.56</td>
<td>44.039</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>147143349065.7</td>
<td>340</td>
<td>432774556.0757</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>242438687333.6</td>
<td>345</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table 6-8d: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-27394.721</td>
<td>3167.438</td>
<td>-8.649</td>
<td>.000</td>
</tr>
<tr>
<td>Housing Demand 1990</td>
<td>-15367.088</td>
<td>2532.331</td>
<td>-6.068</td>
<td>.000</td>
</tr>
<tr>
<td>Change in Median Household Income 1990-2000</td>
<td>0.984</td>
<td>0.146</td>
<td>6.724</td>
<td>.000</td>
</tr>
<tr>
<td>Prestige 1990</td>
<td>-11278.805</td>
<td>2696.935</td>
<td>-4.182</td>
<td>.000</td>
</tr>
<tr>
<td>Average Owner Income of 1990s Migrants</td>
<td>0.232</td>
<td>0.057</td>
<td>4.094</td>
<td>.000</td>
</tr>
<tr>
<td>Change in Social Disadvantage 1990-2000</td>
<td>-8850.493</td>
<td>3856.298</td>
<td>-2.295</td>
<td>.022</td>
</tr>
</tbody>
</table>

Interaction between Neighborhood and Investment Clusters

By law, most subsidized investments (CDBG- and LIHTC-sponsored developments and PHA-led rehabilitation or revitalization projects) must target Census tracts with greater socioeconomic distress. Many local governments additionally prioritize weaker real estate markets for intervention (as Philadelphia did with its “Home in North Philadelphia” policy, initiated in 1993). In Philadelphia, nearly all (86%) subsidized units active between 1990 and 1997 were in places with greater-than-average social distress in 1990. A similar portion (87%) were in places with weaker-than-average market demand, while one-in-four (26%) were in the city’s weakest markets. In contrast, the vast majority of low-cost loans (79%) were in tracts with just below-average social distress (a Social Disadvantage Score of 4) and nearly two-thirds (61%) were in tracts with just above-average market strength (a Housing Demand Score of 4) in 1990.
Table 6-9: Distribution of Housing Units and Program Investment by Social Disadvantage Cluster in 1990

<table>
<thead>
<tr>
<th>Social Disadvantage (1990)</th>
<th>All Housing Units</th>
<th>Subsidized Units</th>
<th>PHFA SF Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>% (Cum.)</td>
</tr>
<tr>
<td>1 or 2</td>
<td>66,626</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>217,509</td>
<td>33%</td>
<td>43%</td>
</tr>
<tr>
<td>4</td>
<td>363,446</td>
<td>55%</td>
<td>98%</td>
</tr>
<tr>
<td>5</td>
<td>15,559</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>663,140</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6-10: Distribution of Housing Units and Program Investment by Housing Demand Cluster in 1990

<table>
<thead>
<tr>
<th>Housing Demand (1990)</th>
<th>All Housing Units</th>
<th>Subsidized Units</th>
<th>PHFA SF Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>% (Cum.)</td>
</tr>
<tr>
<td>1 or 2</td>
<td>39,989</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>3</td>
<td>306,795</td>
<td>46%</td>
<td>52%</td>
</tr>
<tr>
<td>4</td>
<td>272,053</td>
<td>41%</td>
<td>93%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>44,303</td>
<td>7%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>663,140</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This study then pursued three methods for testing the impact of subsidized investments and low-cost loans on neighborhood conditions: 1) comparing average outcomes in Census tracts with and without investment, for the entire sample and controlling for start-year conditions; 2) comparing expected and actual market values in Census tracts with and without investment, for the entire sample and controlling for start-year condition and the scale and nature of investment; and 3) comparing median value increases in Census tracts with or without investment, for the entire sample and controlling for start-year condition and the scale and nature of investment.

First, this study compared the average change in Social Disadvantage and Housing Demand, and the average appreciation rate, for Census tracts receiving or not receiving subsidized investments or low-cost loans. These comparisons revealed that both subsidized
investments and low-cost loans were associated with Housing Demand gains and increases in median value. Tracts receiving subsidized investments or low-cost loans both gained ground relative to the city as a whole in terms of Housing Demand. The typical tract with subsidized investment also saw median values increase by nearly 15% between 1990 and 2000, while the typical tract without subsidized investment experienced no increase (adjusting for inflation). The typical tract with low-cost loans saw median values rise by 6.5%, while the typical tract without low-cost loans actually experienced a decline in value (adjusting for inflation).

Table 6-11: Average Change in Social Disadvantage and Housing Indicators, 1990 to 2000, by Program Presence

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th>Average Change in Social Disadvantage Score</th>
<th>Average Change in Housing Demand Score</th>
<th>Average % Change in Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>-0.0029</td>
<td>-0.0824</td>
<td>0.0%</td>
</tr>
<tr>
<td>Yes</td>
<td>0.0235</td>
<td>0.0441</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low-Cost Loans</th>
<th>Average Change in Social Disadvantage Score</th>
<th>Average Change in Housing Demand Score</th>
<th>Average % Change in Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>0.0197</td>
<td>-0.3031</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Yes</td>
<td>-0.0005</td>
<td>0.0124</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Programs' impacts, however, appeared to differ based on Census tracts’ starting people- or place-based conditions. The most socially distressed Census tracts in 1990 (with a Social Disadvantage Score of 1 or 2) that received subsidized investments saw median values increase (on average) at more than eight times the rate of unserved tracts (25% vs. 3%). Moderately socially distressed tracts (with a Social Disadvantage Score of 3 in 1990) receiving subsidized investments averaged median value increases nearly double those of unserved tracts (14% vs. 8%). Highly socially distressed tracts also gained ground relative to the city as a whole in terms of housing market strength: on average, Housing Demand improved relative to the city as a whole in weak tracts receiving investment while demand slipped in
weak tracts not receiving investment. This typical gain in highly socially distressed tracts was slightly greater than that in moderately socially distressed tracts receiving investments and well above that in moderately socially distressed tracts with no subsidized investment.

Table 6-12: Average Change in Social Disadvantage and Housing Indicators, 1990 to 2000, by Initial Social Disadvantage Cluster Score and Presence of Subsidized Investment

<table>
<thead>
<tr>
<th>Social Disadvantage Score (1990)</th>
<th>Subsidized Investment</th>
<th>Average Change in Social Disadvantage</th>
<th>Average Change in Housing Demand</th>
<th>Average % Change in Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>No</td>
<td>0.541</td>
<td>-0.838</td>
<td>3.1%</td>
</tr>
<tr>
<td>1 or 2</td>
<td>Yes</td>
<td>0.284</td>
<td>0.079</td>
<td>25.2%</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
<td>0.086</td>
<td>0.047</td>
<td>7.6%</td>
</tr>
<tr>
<td>3</td>
<td>Yes</td>
<td>-0.039</td>
<td>0.072</td>
<td>14.4%</td>
</tr>
<tr>
<td>4 or 5</td>
<td>No</td>
<td>-0.040</td>
<td>-0.085</td>
<td>-1.8%</td>
</tr>
<tr>
<td>4 or 5</td>
<td>Yes</td>
<td>-0.152</td>
<td>0.070</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

This analysis yielded sharply different results for low-cost lending. Highly distressed tracts (with Social Disadvantage Scores of 1 or 2) with low-cost loans did see Housing Demand improve relative to the city as a whole, while unserved tracts lost ground. However, low-cost lending was not associated with significantly higher median value increases; in fact, tracts where borrowers used low-cost loans to purchase property averaged lower rates of appreciation than tracts without loans, except in the case of those starting with minimal levels of social distress in 1990 (with a Social Disadvantage Score of 4 or 5). In addition, the presence of low-cost lending in highly distressed and moderately distressed tracts was associated with slightly worse people-based outcomes (smaller Social Disadvantage Score increases).
Table 6-13: Average Change in Social Disadvantage and Housing Indicators, 1990 to 2000, by Initial Social Disadvantage Cluster Score and Presence of Low-Cost Loans

<table>
<thead>
<tr>
<th>Social Disadvantage Score (1990)</th>
<th>PHFA SF Loan</th>
<th>Average Change in Social Disadvantage</th>
<th>Average Change in Housing Demand</th>
<th>Average % Change in Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>No</td>
<td>0.500</td>
<td>-0.343</td>
<td>24.6%</td>
</tr>
<tr>
<td>1 or 2</td>
<td>Yes</td>
<td>0.216</td>
<td>0.124</td>
<td>21.6%</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
<td>0.013</td>
<td>0.084</td>
<td>13.8%</td>
</tr>
<tr>
<td>3</td>
<td>Yes</td>
<td>0.003</td>
<td>0.062</td>
<td>11.9%</td>
</tr>
<tr>
<td>4 or 5</td>
<td>No</td>
<td>-0.187</td>
<td>-0.389</td>
<td>-16.6%</td>
</tr>
<tr>
<td>4 or 5</td>
<td>Yes</td>
<td>-0.036</td>
<td>-0.034</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Comparing means based on initial Census tract Housing Demand adds another element: only the weakest markets (with a Housing Demand Score of 1 or 2 in 1990) benefited (on average) from subsidized investments – seeing median values appreciate and social distress improve to a greater extent than unserved tracts.

Table 6-14: Average Change in Social Disadvantage and Housing Indicators, 1990 to 2000, by Initial Housing Demand Cluster Score and Presence of Subsidized Investment

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>Subsidized Investment</th>
<th>Average Change in Social Disadvantage</th>
<th>Average Change in Housing Demand</th>
<th>Average % Change in Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>No</td>
<td>-0.001</td>
<td>0.446</td>
<td>33.3%</td>
</tr>
<tr>
<td>1 or 2</td>
<td>Yes</td>
<td>0.273</td>
<td>0.266</td>
<td>42.8%</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
<td>0.033</td>
<td>0.193</td>
<td>29.8%</td>
</tr>
<tr>
<td>3</td>
<td>Yes</td>
<td>-0.010</td>
<td>0.054</td>
<td>14.2%</td>
</tr>
<tr>
<td>4</td>
<td>No</td>
<td>-0.047</td>
<td>-0.265</td>
<td>-13.9%</td>
</tr>
<tr>
<td>4</td>
<td>Yes</td>
<td>-0.096</td>
<td>-0.225</td>
<td>-13.1%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>No</td>
<td>0.112</td>
<td>0.023</td>
<td>-15.0%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>Yes</td>
<td>-0.271</td>
<td>-0.508</td>
<td>-32.0%</td>
</tr>
</tbody>
</table>

The same was true of low-cost loans, which (on average) produced place-based benefits only in tracts with a Housing Demand Score of 1 through 3 in 1990. In contrast, stronger markets with low-cost loans actually performed worse in terms of median value appreciation and
overall housing demand trends between 1990 and 2000. Weaker markets with low-cost loans, though, performed worse than unserved tracts in terms of people-based characteristics, averaging lower declines in social distress (or smaller increases in Social Disadvantage Score) during the 1990s than the city as a whole.

Table 6-15: Average Change in Social Disadvantage and Housing Indicators, 1990 to 2000, by Initial Housing Demand Cluster Score and Presence of Low-Cost Loans

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>PHFA SF Loan</th>
<th>Average Change in Social Disadvantage</th>
<th>Average Change in Housing Demand</th>
<th>Average % Change in Median Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>No</td>
<td>0.419</td>
<td>0.041</td>
<td>34.2%</td>
</tr>
<tr>
<td>1 or 2</td>
<td>Yes</td>
<td>0.131</td>
<td>0.444</td>
<td>46.6%</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
<td>0.183</td>
<td>-0.291</td>
<td>-8.6%</td>
</tr>
<tr>
<td>3</td>
<td>Yes</td>
<td>-0.006</td>
<td>0.143</td>
<td>22.7%</td>
</tr>
<tr>
<td>4</td>
<td>No</td>
<td>-0.212</td>
<td>-0.793</td>
<td>-5.8%</td>
</tr>
<tr>
<td>4</td>
<td>Yes</td>
<td>-0.030</td>
<td>-0.179</td>
<td>-14.7%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>No</td>
<td>-0.014</td>
<td>0.194</td>
<td>-13.3%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>Yes</td>
<td>0.118</td>
<td>-0.143</td>
<td>-18.4%</td>
</tr>
</tbody>
</table>

The scale of subsidized investments or low-cost loans also appeared to affect neighborhood outcomes but, again, in opposite ways. As the scale of subsidized investments within a Census tract increased, so did the people- and place-based benefits. Tracts where subsidized units accounted for at least 5% of all units saw social distress decline and Housing Demand substantially improve relative to the city as a whole. This was especially true in the city’s weaker markets (those tracts with a 1990 Housing Demand Score of 1, 2, or 3), where (on average) social distress dramatically improved in tracts receiving significant investment and Housing Demand increased relative to the city as a whole (and to a greater degree than in tracts receiving smaller concentrations of support).
Table 6-16: Average Change in Social Disadvantage and Housing Demand, 1990 to 2000, by Scale of Subsidized Investment (All Tracts)

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th># of Tracts</th>
<th>Average Change in Social Disadvantage Score</th>
<th>Average Change in Housing Demand Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Subsidized Units</td>
<td>225</td>
<td>-0.003</td>
<td>-0.082</td>
</tr>
<tr>
<td>Subsidized Units &lt;1.5% of All Units</td>
<td>64</td>
<td>-0.044</td>
<td>0.027</td>
</tr>
<tr>
<td>Subsidized Units 1.5% to &lt;5% of All Units</td>
<td>38</td>
<td>-0.002</td>
<td>0.016</td>
</tr>
<tr>
<td>Subsidized Units 5%+ of All Units</td>
<td>38</td>
<td>0.114</td>
<td>0.130</td>
</tr>
</tbody>
</table>

Table 6-17: Average Change in Social Disadvantage and Housing Demand, 1990 to 2000, by Scale of Subsidized Investment (Tracts with a 1990 Housing Demand Score of 1, 2, or 3)

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th># of Tracts</th>
<th>Average Change in Social Disadvantage Score</th>
<th>Average Change in Housing Demand Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Subsidized Units</td>
<td>71</td>
<td>0.031</td>
<td>0.204</td>
</tr>
<tr>
<td>Subsidized Units &lt;1.5% of All Units</td>
<td>55</td>
<td>-0.036</td>
<td>0.074</td>
</tr>
<tr>
<td>Subsidized Units 1.5% to &lt;5% of All Units</td>
<td>30</td>
<td>0.019</td>
<td>0.095</td>
</tr>
<tr>
<td>Subsidized Units 5%+ of All Units</td>
<td>34</td>
<td>0.160</td>
<td>0.174</td>
</tr>
</tbody>
</table>

The opposite appeared to be the case with low-cost lending (although tracts with loans tended to outperform tracts without any loans). On average, tracts attracting 1 to 9 households borrowing low-cost loans had the largest declines in social distress and the largest gains in Housing Demand between 1990 and 2000. In both weak and strong markets, the increased concentration of low-cost loans was associated with worsening social distress. However, in weaker markets (with a 1990 Housing Demand Score of 1, 2, or 3), tracts with more loans averaged greater Housing Demand gains relative to the city as a whole.
Table 6-18: Average Change in Social Disadvantage and Housing Demand, 1990 to 2000, by Scale of Low-Cost Lending
(All Tracts)

<table>
<thead>
<tr>
<th>Low-Cost Loans</th>
<th># of Tracts</th>
<th>Average Change in Social Disadvantage Score</th>
<th>Average Change in Housing Demand Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Low-Cost Loans</td>
<td>50</td>
<td>0.020</td>
<td>-0.303</td>
</tr>
<tr>
<td>1 to 9 Loans</td>
<td>132</td>
<td>0.102</td>
<td>0.045</td>
</tr>
<tr>
<td>10 to 24 Loans</td>
<td>83</td>
<td>-0.019</td>
<td>0.024</td>
</tr>
<tr>
<td>25 to 49 Loans</td>
<td>58</td>
<td>-0.099</td>
<td>-0.003</td>
</tr>
<tr>
<td>50+ Loans</td>
<td>42</td>
<td>-0.150</td>
<td>-0.092</td>
</tr>
</tbody>
</table>

Table 6-19: Average Change in Social Disadvantage and Housing Demand, 1990 to 2000, by Scale of Low-Cost Lending and 1990 Housing Demand Score

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>Low-Cost Loans</th>
<th># of Tracts</th>
<th>Average Change in Social Disadvantage Score</th>
<th>Average Change in Housing Demand Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, 2, or 3</td>
<td>No Low-Cost Loans</td>
<td>21</td>
<td>0.234</td>
<td>-0.097</td>
</tr>
<tr>
<td></td>
<td>1 to 9 Loans</td>
<td>85</td>
<td>0.120</td>
<td>0.158</td>
</tr>
<tr>
<td></td>
<td>10 to 24 Loans</td>
<td>52</td>
<td>-0.029</td>
<td>0.169</td>
</tr>
<tr>
<td></td>
<td>25 to 49 Loans</td>
<td>21</td>
<td>-0.228</td>
<td>0.227</td>
</tr>
<tr>
<td></td>
<td>50+ Loans</td>
<td>11</td>
<td>-0.236</td>
<td>0.214</td>
</tr>
<tr>
<td>4, 5, or 6</td>
<td>No Low-Cost Loans</td>
<td>29</td>
<td>-0.141</td>
<td>-0.453</td>
</tr>
<tr>
<td></td>
<td>1 to 9 Loans</td>
<td>47</td>
<td>0.070</td>
<td>-0.159</td>
</tr>
<tr>
<td></td>
<td>10 to 24 Loans</td>
<td>31</td>
<td>-0.003</td>
<td>-0.220</td>
</tr>
<tr>
<td></td>
<td>25 to 49 Loans</td>
<td>37</td>
<td>-0.026</td>
<td>-0.134</td>
</tr>
<tr>
<td></td>
<td>50+ Loans</td>
<td>31</td>
<td>-0.119</td>
<td>-0.201</td>
</tr>
</tbody>
</table>
Next, this study explored whether subsidized investments or low-cost loans helped increase tract median values beyond expectations, and whether they were more or less likely to do so in neighborhoods with different initial conditions. According to this analysis, actual median values exceeded expectations by the largest dollar amounts in sections of Far Northeast Philadelphia, Center City, South and Lower North Philadelphia. Actual median values trailed expectations throughout Near Northeast Philadelphia and in large portions of Bridesburg/Kensington/Richmond, Germantown/Chestnut Hill, and Roxborough/Manayunk.

Figure 6-14: Expected versus Actual Median Values, 2000
Near Northeast Philadelphia and Germantown/Chestnut Hill had the largest concentration of Census tracts performing significantly worse than expected (at least 0.50 standard deviations below the citywide average difference between expected and actual values). A group of Census tracts in Far Northeast Philadelphia and others sprinkled throughout the city (including, notably, in Lower North Philadelphia) performed significantly better than expected (at least 0.50 standard deviations above the citywide average difference between expected and actual values).

In general, tracts with worse initial conditions were more likely to exceed expectations (suggesting that the gap between Philadelphia's best and worst neighborhoods narrowed over the course of the 1990s). Fully one-third of 1990's most socially distressed tracts (with a Social Disadvantage Score of 1 or 2) had median values in 2000 significantly higher
than expected — twice the rate of all tracts and three times the rate of moderately distressed (Social Disadvantage Score 3) tracts. In contrast, nearly one-third (31%) of tracts with little social distress in 1990 performed significantly worse than expected in 2000.

Table 6-20: Expected versus Actual Median Values (2000) by Initial Social Disadvantage Cluster Score

<table>
<thead>
<tr>
<th>Social Disadvantage Score (1990)</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
</tr>
<tr>
<td>1 or 2</td>
<td>55</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>3</td>
<td>113</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>4 or 5</td>
<td>205</td>
<td>64</td>
<td>31%</td>
</tr>
<tr>
<td>All Tracts</td>
<td>373</td>
<td>71</td>
<td>19%</td>
</tr>
</tbody>
</table>

Similarly, nearly half (48%) of all tracts with the weakest demand in 1990 exceeded expectations; nearly half (47%) of all tracts with the strongest demand in 2000 performed significantly worse than expected.

Table 6-21: Expected versus Actual Median Values (2000) by Initial Housing Demand Cluster Score

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
</tr>
<tr>
<td>1 or 2</td>
<td>40</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>3</td>
<td>163</td>
<td>5</td>
<td>3%</td>
</tr>
<tr>
<td>4</td>
<td>140</td>
<td>52</td>
<td>37%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>30</td>
<td>14</td>
<td>47%</td>
</tr>
<tr>
<td>All Tracts</td>
<td>373</td>
<td>71</td>
<td>19%</td>
</tr>
</tbody>
</table>

What role did subsidized investments or low-cost lending play in a tract’s chances of meeting or exceeding expectations? Subsidized investments appear to have a significant, positive impact: just one-third (39%) of tracts receiving some kind of subsidized investment failed to meet expectations, compared to nearly two-thirds (60%) of unserved tracts. And the greater the concentration of subsidized investments, the more likely tracts became to
exceed expectations: 59% of tracts where subsidized units accounted for less than 5% of all housing units met or exceeded expectations compared to 64% of tracts where subsidized units accounted for 5% or more of all housing units.

Figure 6-15: Expected versus Actual Median Values (2000) with Program Investment (1990-1997)

Sources: U.S. Census, Neighborhood Change Database, City of Philadelphia Consolidated Plan, Pennsylvania Housing Finance Agency, Philadelphia Housing Authority
In contrast, the majority (53%) of tracts attracting low-cost loan borrowers trailed expectations, compared to just 42% of those without loans. And the more borrowers, the less likely a tract became to meet or exceed expectations: 56% of tracts with 1 to 24 loans meet or exceeded expectations versus just 36% of tracts with 25 to 49 loans and only 12% of tracts with at least 50 loans.

Table 6-22: Expected vs. Actual Values by Program Investment

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th>% of Tracts Trailing Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>60%</td>
</tr>
<tr>
<td>Yes</td>
<td>39%</td>
</tr>
<tr>
<td>Subsidized Units &lt;5% of All Units</td>
<td>41%</td>
</tr>
<tr>
<td>Subsidized Units 5%+ of All Units</td>
<td>36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low-Cost Loans</th>
<th>% of Tracts Trailing Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>42%</td>
</tr>
<tr>
<td>Yes</td>
<td>53%</td>
</tr>
<tr>
<td>1 to 24 Loans</td>
<td>44%</td>
</tr>
<tr>
<td>25 to 49 Loans</td>
<td>64%</td>
</tr>
<tr>
<td>50+ Loans</td>
<td>88%</td>
</tr>
</tbody>
</table>

Census tracts receiving some form of subsidized investments were also more likely to significantly exceed expectations than to significantly trail them. In all, just 6% of tracts receiving subsidized investment performed significantly worse than expected while 11% performed significantly better.

Table 6-23: Expected versus Actual Median Values (2000) by the Presence of Subsidized Investment

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
<td># of Tracts</td>
</tr>
<tr>
<td>No Subsidy</td>
<td>219</td>
<td>61</td>
<td>28%</td>
</tr>
<tr>
<td>Subsidy</td>
<td>154</td>
<td>10</td>
<td>6%</td>
</tr>
<tr>
<td>N</td>
<td>373</td>
<td>71</td>
<td>19%</td>
</tr>
</tbody>
</table>
And the larger the share of subsidized units, the less likely tracts became to significantly underperform and the more likely tracts became to significantly overperform: Just 3% of tracts with subsidized investments that accounted for 5% or more of all housing units performed significantly worse than expected compared to the 13% that performed significantly better than expected – a rate almost double that of tracts with fewer subsidized units. This confirms prior findings linking the efficacy of housing subsidies to projects' spatial concentration (Higgins 2001; Galster, et al. 2004).

Table 6-24: Expected versus Actual Median Values (2000) by the Scale of Subsidized Investment

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
</tr>
<tr>
<td>No Subsidy</td>
<td>219</td>
<td>61</td>
<td>28%</td>
</tr>
<tr>
<td>&lt;5% of All Units</td>
<td>103</td>
<td>9</td>
<td>9%</td>
</tr>
<tr>
<td>5% or more of All Units</td>
<td>39</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>N</td>
<td>361</td>
<td>71</td>
<td>19%</td>
</tr>
</tbody>
</table>

The type of subsidized investment also appeared associated with tracts' performance. Tracts where subsidies supported the development of only owner-occupied housing were most likely to significantly exceed expectations (22% performed significantly better than expected while none performed significantly worse). Not to discount the positive impacts of rental developments, 17% of tracts receiving support for the rehabilitation or development of rental housing also exceeded expectations (while just 8% significantly trailed expectations).
Table 6-25: Expected versus Actual Median Values (2000) by the Type of Subsidized Investment

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
<td># of Tracts</td>
</tr>
<tr>
<td>No Subsidy</td>
<td>219</td>
<td>61</td>
<td>28%</td>
</tr>
<tr>
<td>100% Owner Units</td>
<td>9</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Mixture of Owner and Rental Units</td>
<td>16</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>100% Rental Units (Afford., Elderly)</td>
<td>129</td>
<td>10</td>
<td>8%</td>
</tr>
<tr>
<td>N</td>
<td>373</td>
<td>71</td>
<td>19%</td>
</tr>
</tbody>
</table>

The results were markedly different for low-cost loans. Census tracts attracting borrowers of low-cost loans were more likely to significantly underperform than significantly overperform: 19% had median values in 2000 significantly below expectations while just 12% had median values significantly above expectations.

Table 6-26: Expected versus Actual Median Values (2000) by the Presence of Low-Cost Loans

<table>
<thead>
<tr>
<th>Low-Cost Loans</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
<td># of Tracts</td>
</tr>
<tr>
<td>No</td>
<td>58</td>
<td>11</td>
<td>19%</td>
</tr>
<tr>
<td>Yes</td>
<td>315</td>
<td>60</td>
<td>19%</td>
</tr>
<tr>
<td>N</td>
<td>373</td>
<td>71</td>
<td>19%</td>
</tr>
</tbody>
</table>

And the more loans, the worse the outcome: nearly one-third (31%) of tracts with at least 25 low-cost loans significantly trailed expectations (while just 11% significantly exceeded expectations) compared to 13% of tracts with fewer than 25 loans. Fully 41% of tracts without low-cost loans significantly exceeded expectations — a rate three-and-a-half times that of all tracts with low-cost loans.

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Table 6-27: Expected versus Actual Median Values (2000) by the Scale of Low-Cost Loans

<table>
<thead>
<tr>
<th>Low-Cost Loans</th>
<th>All Tracts</th>
<th>Significantly Worse than Expected</th>
<th>Significantly Better than Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
<td># of Tracts</td>
</tr>
<tr>
<td>No Loan</td>
<td>58</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>1 to 24 Loans</td>
<td>215</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>25+ Loans</td>
<td>100</td>
<td>31</td>
<td>11</td>
</tr>
<tr>
<td>N</td>
<td>373</td>
<td>71</td>
<td>61</td>
</tr>
</tbody>
</table>

Looking at performance by starting neighborhood conditions reveals that receiving subsidized investment increased weaker market tracts’ (with a Housing Demand Score of 1 through 3 in 1990) chances of meeting or exceeding expectations: 67% of weak-demand Census tracts receiving subsidized investment met or exceeded expectations, compared to 60% of unserved weak-demand tracts. The reverse was true in stronger housing markets (although this sample included only 21 tracts). This same pattern held for low-cost loans: weak-market tracts attracting borrowers of low-cost loans were more likely to meet or exceed expectations (65% did so compared to 59% of unserved tracts) while strong-market tracts attracting borrowers of low-cost loans were one-and-a-half times as likely to trail expectations (75% did so compared to 54% of unserved tracts).

Table 6-28: Expected vs. Actual Values by Subsidized Investment and Housing Demand

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>Subsidized Investment</th>
<th>Trailed Expectations</th>
<th>Met or Exceeded Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>#</td>
</tr>
<tr>
<td>1, 2, or 3</td>
<td>No</td>
<td>28</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>40</td>
<td>33%</td>
</tr>
<tr>
<td>4, 5, or 6</td>
<td>No</td>
<td>106</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>16</td>
<td>76%</td>
</tr>
</tbody>
</table>
Table 6-29: Expected vs. Actual Values by Low-Cost Lending and Housing Demand

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>Low-Cost Loans</th>
<th>Trailed Expectations</th>
<th>Met or Exceeded Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>#</td>
<td>%</td>
</tr>
<tr>
<td>1, 2, or 3</td>
<td>No</td>
<td>9</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>59</td>
<td>35%</td>
</tr>
<tr>
<td>4, 5, or 6</td>
<td>No</td>
<td>13</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>109</td>
<td>75%</td>
</tr>
</tbody>
</table>

Weaker market tracts (with a Housing Demand Score of 1 through 3 in 1990) were also less likely to significantly underperform with subsidies. Just 1% of subsidized, initially weak-market tracts performed significantly worse than expected compared to 6% of unserved tracts. Still, subsidized tracts were less likely to significantly exceed expectations than unserved tracts.

Table 6-30: Expected versus Actual Median Values (2000) by Initial Housing Demand Cluster Score and the Presence of Subsidized Investment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
</tr>
<tr>
<td>1, 2, or 3</td>
<td>Significantly Worse</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>As Expected</td>
<td>107</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Significantly Better</td>
<td>25</td>
<td>19%</td>
</tr>
<tr>
<td>4, 5, or 6</td>
<td>Significantly Worse</td>
<td>9</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>As Expected</td>
<td>12</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>Significantly Better</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

Initially weaker market tracts were also less likely to perform significantly worse than expected after attracting borrowers of low-cost loans: just 1% did so compared to 9% of those without low-cost loans. Yet over half of unserved weak-market tracts exceeded expectations compared to just 17% of those with loans. In stronger markets (tracts with Housing Demand Scores of 4 through 6 in 1990), the outcomes were even more sobering: fully 40% of higher demand tracts with low-cost loans had median values in 2000 well below...
expected values, compared to just one-third (33%) of unserved, stronger market tracts.

Healthier tracts without low-cost lending were five times more likely than served tracts to substantially outperform expectations (25% did so compared to just 5% of higher demand tracts with low-cost lending).

Table 6-31: Expected versus Actual Median Values (2000) by Initial Housing Demand Cluster Score and the Presence of Low-Cost Loans

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>Expected vs. Actual</th>
<th>PHFA SF Loan</th>
<th>No PHFA SF Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Tracts</td>
<td>% of Tracts</td>
</tr>
<tr>
<td>1, 2, or 3</td>
<td>Significantly Worse</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>As Expected</td>
<td>138</td>
<td>82%</td>
</tr>
<tr>
<td></td>
<td>Significantly Better</td>
<td>29</td>
<td>17%</td>
</tr>
<tr>
<td>4, 5, or 6</td>
<td>Significantly Worse</td>
<td>58</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>As Expected</td>
<td>80</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>Significantly Better</td>
<td>8</td>
<td>5%</td>
</tr>
</tbody>
</table>

Lastly, this study calculated “tract differentials” for all Census tracts in Philadelphia to measure each tract’s performance (defined as percent change in median value between 1990 and 2000) relative to the city as a whole. In general, tract differentials were highest (or rates of appreciation furthest above the city’s rate) in parts of Lower and Upper North Philadelphia, and South, Southwest, and West Philadelphia. Tract differentials were lowest in much of Near Northeast Philadelphia, Bridesburg/Kensington/Richmond, Germantown/Chestnut Hill, and Roxborough/Manayunk.
Tracts receiving subsidized investments averaged higher “tract differentials” than those without subsidy.

Table 6-32: Typical Tract Differential by the Presence of Subsidized Investment

<table>
<thead>
<tr>
<th>Subsidized Investment</th>
<th># of Tracts</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Subsidized Units</td>
<td>225</td>
<td>0.084</td>
</tr>
<tr>
<td>Subsidized Units</td>
<td>142</td>
<td>0.279</td>
</tr>
</tbody>
</table>

The typical tract differential increased as a tract’s percentage of subsidized units increased.

Table 6-33: Typical Tract Differential by the Scale of Subsidized Investment

<table>
<thead>
<tr>
<th>Scale of Subsidized Investment</th>
<th># of Tracts</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Subsidized Units</td>
<td>225</td>
<td>0.084</td>
</tr>
<tr>
<td>Subsidized Units &lt;5% of All Units</td>
<td>103</td>
<td>0.255</td>
</tr>
<tr>
<td>Subsidized Units 5%+ of All Units</td>
<td>39</td>
<td>0.344</td>
</tr>
</tbody>
</table>
And tracts with only owner-occupied subsidized development averaged tract differentials fully double those of other subsidized tracts (receiving either a mix of rental and owner-occupied subsidized housing or entirely rental subsidized units) and over six times that of unserved tracts.

Table 6-34: Typical Tract Differential by the Type of Subsidized Investment

<table>
<thead>
<tr>
<th>Type of Subsidized Investment</th>
<th># of Tracts</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Subsidized Investment</td>
<td>225</td>
<td>0.084</td>
</tr>
<tr>
<td>100% Owner Units</td>
<td>9</td>
<td>0.560</td>
</tr>
<tr>
<td>Mixture of Owner and Rental Units</td>
<td>16</td>
<td>0.248</td>
</tr>
<tr>
<td>100% Rental Units (Affordable and/or Elderly)</td>
<td>117</td>
<td>0.262</td>
</tr>
</tbody>
</table>

Yet only in Census tracts with the weakest levels of Housing Demand in 1990 were tract differentials substantially higher in subsidized versus non-subsidized tracts. At all other levels, subsidized tracts had similar or lower tract differentials.

Table 6-35: Typical Tract Differential by Initial Housing Demand Cluster Score and the Presence of Subsidized Investment

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>With Subsidy</th>
<th>Without Subsidy</th>
<th>Tract Differential</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Tracts</td>
<td># of Tracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 or 2</td>
<td>25</td>
<td>3</td>
<td>0.648</td>
<td>0.522</td>
</tr>
<tr>
<td>3</td>
<td>96</td>
<td>68</td>
<td>0.271</td>
<td>0.477</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
<td>127</td>
<td>-0.089</td>
<td>-0.099</td>
</tr>
<tr>
<td>5 or 6</td>
<td>3</td>
<td>27</td>
<td>-0.338</td>
<td>-0.113</td>
</tr>
</tbody>
</table>

The presence of low-cost loans was also associated with higher tract differential scores. Tracts with at least one low-cost loan averaged a tract differential roughly one-and-a-half times the average in tracts without loans.
Table 6-36: Typical Tract Differential by the Presence of Low-Cost Loans

<table>
<thead>
<tr>
<th>Low-Cost Loans</th>
<th># of Tracts</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Low-Cost Loans</td>
<td>52</td>
<td>0.103</td>
</tr>
<tr>
<td>Low-Cost Loans</td>
<td>315</td>
<td>0.169</td>
</tr>
</tbody>
</table>

However, the benefit of these loans appears to disappear when they become concentrated in a particular area. While the average tract differential initially rises as the number of low-cost loans increases (from 0.1 with no loans, to 0.18 with 1 to 9 loans, to 0.27 with 10 to 24 loans), this trend reverses (declining to 0.17 in tracts with 25 to 49 loans and slipping to -0.06 in tracts with at least 50 loans).

Table 6-37: Typical Tract Differential by the Scale of Low-Cost Loans

<table>
<thead>
<tr>
<th>Scale of PHFA SF Loans</th>
<th># of Tracts</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>No PHFA SF Loans</td>
<td>52</td>
<td>0.103</td>
</tr>
<tr>
<td>1 to 9 Loans</td>
<td>132</td>
<td>0.181</td>
</tr>
<tr>
<td>10 to 24 Loans</td>
<td>83</td>
<td>0.268</td>
</tr>
<tr>
<td>25 to 49 Loans</td>
<td>58</td>
<td>0.166</td>
</tr>
<tr>
<td>50 or more Loans</td>
<td>42</td>
<td>-0.058</td>
</tr>
</tbody>
</table>

A second reversal occurs as initial housing market strength improves. Initially weak-market tracts (those with the lowest Housing Demand Scores in 1990) with low-cost loans averaged higher tract differentials than those without loans (0.70 vs. 0.54 for tracts with Housing Demand Scores of 1 or 2 in 1990; 0.38 vs. -0.03 for tracts with Housing Demand Scores of 3 in 1990). The opposite was true of tracts with above-average Housing Demand in 1990. Tracts with initial Housing Demand Scores of 4 and attracting low-cost loan borrowers averaged tract differentials of -0.11 compared to 0.01 for unserved tracts; those with Housing Demand Scores of 5 or 6 and attracting low-cost loan borrowers averaged tract differentials of -0.16, compared to -0.10 for unserved tracts.

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Table 6-38: Typical Tract Differential by Initial Housing Demand Cluster Score and the Presence of Low-Cost Loans

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>With PHFA SF Loans</th>
<th>Without PHFA SF Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of Tracts</td>
<td>Tract Differential</td>
</tr>
<tr>
<td>1 or 2</td>
<td>17</td>
<td>0.698</td>
</tr>
<tr>
<td>3</td>
<td>152</td>
<td>0.384</td>
</tr>
<tr>
<td>4</td>
<td>126</td>
<td>-0.109</td>
</tr>
<tr>
<td>5 or 6</td>
<td>20</td>
<td>-0.158</td>
</tr>
</tbody>
</table>

How borrower incomes compared to tract median incomes may have played a part in this second reversal. Borrowers using low-cost loans to purchase property in weaker Census tracts typically had incomes above those of long-time residents, while those moving into stronger Census tracts typically had lower incomes: In 65% of weak-market tracts with loans, borrowers’ average income was greater than the Census tract median; this was true in just 5% of Census tracts with the strongest markets in 1990.

Table 6-39: Percent of Tracts with Loans where Borrower Incomes Exceeded Tract Median Incomes, by Housing Demand Score in 1990

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>% of Tracts with Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>65%</td>
</tr>
<tr>
<td>3</td>
<td>22%</td>
</tr>
<tr>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>5%</td>
</tr>
</tbody>
</table>

Low-cost loans appeared most successful at stimulating property value appreciation when borrower incomes exceeded area medians. Tracts attracting low-cost loan borrowers whose incomes (on average) were above the tract median income averaged tract differentials of 0.27, well above those for unserved tracts (0.18) and nearly double those for tracts attracting low-cost loan borrowers whose incomes (on average) were below the tract median.
Table 6-40: Typical Tract Differential by Low-Cost Loan Borrower Income Relative to Tract Median

<table>
<thead>
<tr>
<th>Low-Cost Loan Borrower Profile</th>
<th># of Tracts</th>
<th>Tract Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>No PHFA SF Loan</td>
<td>56</td>
<td>0.183</td>
</tr>
<tr>
<td>Average Borrower Income &lt; Tract Median</td>
<td>256</td>
<td>0.146</td>
</tr>
<tr>
<td>Average Borrower Income &gt; Tract Median</td>
<td>59</td>
<td>0.270</td>
</tr>
</tbody>
</table>

Of note, too, were simultaneous people-based trends in Census tracts attracting high concentrations of low-cost loan borrowers, particularly borrowers with incomes below tract medians. These neighborhoods, primarily in Near Northeast Philadelphia and portions of Olney/Oak Lane and Bridesburg/Kensington/Richmond, also experienced significant racial turnover (gaining African-American and Hispanic residents and losing non-Hispanic white residents), rising social distress (more single-parent families and residents living below the poverty line), increasing crime, and falling homeownership rates and property values (adjusting for inflation). New owners in these tracts, whether receiving low-cost loans or not, typically had incomes below those of long-time residents. Determining how low-cost lending patterns factored into these broader trends requires additional analysis and qualitative feedback from area residents and organizations.
Conclusions and Policy Recommendations

Across the city, various people- and place-based indicators illustrate clear patterns of social distress and housing market weakness: strength in Center City and in the suburban-style fringes in northwestern and Far Northeast Philadelphia; moderate conditions in the Near Northeast, and weaker conditions in Lower North, South, and West Philadelphia. These patterns are not new. In fact, this same hierarchy was identified by the Philadelphia City Planning Commission and Redevelopment Authority in the early 1950s as part of an urban renewal blight certification process and later (in 1956) the Central Urban Renewal Area (CURA) Study. The existing housing stock (namely, the prevalence of older and smaller single-family attached housing throughout the city's one-time factory-oriented neighborhoods) tends to keep these patterns in place, as does the interplay between existing conditions and future trends.

One interesting change in the 1990s, however, was that the gap between the city's best and worst neighborhoods appeared to shrink. On average, Census tracts starting the decade with the worst conditions — the highest levels of social and physical distress and the lowest levels of housing market demand — tended to perform best (in relative terms). These tracts (on average) had the largest percentage increase in median values over the course of the 1990s, and were more likely to exceed expectations, or to end the decade with median values higher than conditions at the beginning of the decade predicted.

Yet this is not to say that strong markets did not also get stronger. As many other studies have found elsewhere, resident income levels and housing values are closely correlated in Philadelphia, where high-income areas are also typically high-value areas. At the same time, Housing Demand gains (increases in median rents and values, and decreases in abandonment rates) were positively associated with income gains between 1990 and 2000,
and evident Prestige (large percentages of adults with at least a Bachelor’s degree or employed in professional occupations, and high median household incomes) or lack of Social Disadvantage (small shares of single-parent families, under-educated adults and unemployed workers, and little poverty or reliance on public assistance) enabled tracts to attract additional higher-income residents.

Subsidized investments (CDBG- and LIHTC-sponsored developments and PHA-led rehabilitation or revitalization projects) added an important element to this mix. Not surprisingly, most subsidies were directed into Census tracts with greater socioeconomic distress and weaker real estate markets in 1990. Overall, tracts receiving subsidized investments of this kind (on average) saw values appreciate faster than the city as a whole. And this was true to a greater degree as subsidized investments increased as a share of all Census tract housing units. Plus, the larger the share of subsidized units (relative to all housing units), the less likely tracts were to have median values in 2000 fall below expected levels and the more likely they were to exceed expectations, underscoring the benefit to neighborhoods of concentrated investment.

Not only the scale but the type of investment appeared to affect subsidies’ impact on neighborhood outcomes. While Census tracts with subsidies going to rehabilitated or newly constructed rental developments were nearly as likely as Census tracts with subsidies for owner-occupied housing to out-perform expectations in terms of market value appreciation over the course of the 1990s, tracts with only owner-occupied subsidized development averaged appreciation rates fully double those of other subsidized tracts (receiving either a mix of rental and owner-occupied subsidized housing or entirely rental subsidized units) and over six times that of unserved tracts.
Subsidized investments, though, did not seem to affect all types of neighborhoods equally. Only the weakest markets averaged significantly better property appreciation rates and social distress declines in tracts served by subsidized investments compared to those not served. Initially weak markets were also more likely to at least meet — if not exceed — expected property value levels with subsidies than without.

Low-cost loans to homeowners, allocated across neighborhoods based on consumers' demand rather than policymakers' priorities, had profoundly different implications for Philadelphia neighborhoods. Unlike CDBG-, LIHTC- or PHA-sponsored projects, most low-cost loan borrowers went not to the weakest markets but to those with just below-average social distress and just above-average housing market strength. Unlike subsidized investments, low-cost loans were negatively (rather than positively) associated with neighborhood health as they became increasingly concentrated. While average appreciation rates improved (relative to the city as a whole) as the number of loans within a given Census tract increased from 0 to 24, this trend reversed to such an extent that tracts with 50 or more loans averaged the worst relative appreciation rate of any subset. At the same time, nearly one-third (31%) of tracts with at least 25 loans had market values in 2000 that significantly trailed expectations based on conditions in 1990.

Census tracts with low-cost loans typically underperformed unserved tracts, especially tracts with stronger housing markets in 1990. Fully 40% of tracts with above-average Housing Demand in 1990 that attracted low-cost loan borrowers experienced less-than-expected increases in median values, compared to just 33% of unserved tracts; healthier tracts without low-cost loans were five times more likely than tracts attracting borrowers to substantially outperform expectations.
However, initially weak-market tracts with low-cost loans did average higher rates of appreciation (relative to the city as a whole) than those without loans. In these areas, the typical low-cost loan borrower was also more likely to have a household income exceeding the Census tract median. Low-cost lending was associated with property value increases when this was the case.

These findings suggest ways that public and nonprofit agencies can use subsidized investments and low-cost lending to homeowners to bolster declining neighborhoods, reinvigorate distressed neighborhoods, and provide affordable housing options in healthier neighborhoods. To do so, though, requires that officials tailor the amount, nature and design of program spending to existing market conditions. Since different neighborhoods inherently require different kinds of support, policy-makers must gauge existing market strength and physical conditions, social dynamics, and popular perceptions about future quality and value, before deciding how (and how much) to invest (Ahlbrandt and Brophy 1975, 1, 158; Brophy 1982a, 58-59; Goetze 1976, 30).

For example, researchers and officials argue that neighborhood preservation strategies – market-based approaches intended to stimulate ongoing private investment by building on existing neighborhood assets (both physical and social) – are best for “neighborhoods that are still in the early stages of decline or that are already showing some signs of improvement” (Kadduri and Rodda 2004, 19). While such “neighborhoods in the middle” are seriously threatened by disinvestment – they have their share of distressed properties and rental conversions, sluggish demand and property sales, and values too low to encourage maintenance and upgrading – they are not yet “fatally distressed” (Boehlke 2001, 1-2). Many suggest that such strategies would prove ineffective “in communities that are
outside the market,” those devastated by decades of disinvestment, suburbanization or
deindustrialization (Halpern 1995, 12; Briggs 1997, 746).

However, “unless urban policies call for the planned obsolescence and abandonment
of neighborhoods,” something must be done for a city’s most physically and socially
distressed areas (Bohl 2000, 778). *This study found that subsidized investments (development projects
funded with CDBG, HOME monies, or LIHTCs) did improve conditions, especially in Philadelphia’s
weakest markets.* Among the city’s most socially distressed Census tracts in 1990, those
receiving subsidized investments averaged a property appreciation rate more than eight times
that averaged by unserved tracts. Moderately distressed Census tracts with subsidized
investments appreciated (on average) twice as fast as those without subsidized investments,
although their typical appreciation rate (14%) significantly trailed that for more socially
distressed tracts with development projects (25%). In fact, only in the cities weakest-
demand tracts did median values increase and social distress decrease significantly more in
served tracts than unserved tracts.

Redeveloping highly distressed neighborhoods, though, “is a huge
undertaking…[that] requires a comprehensive strategy” and a “critical mass of resources”
(Kadduri and Rodda 2004, 20). But, when officials make such a commitment, the
investment pays off. In Philadelphia, the larger tracts’ share of subsidized units, the more
likely they were to have median values in 2000 above what conditions in 1990 predicted and
the more their rate of appreciation exceeded the city’s overall rate.

This further suggests that concentrating investments can help maximize subsidies’
neighborhood impact and confirms earlier findings that the more spatially concentrated the
projects, the more likely subsidized developments become to prompt neighborhood
improvement (Higgins 2001; Galster, et al. 2004). Policy-makers must ensure, however,
that the concentration of subsidized investments does not exacerbate problematic patterns of economic and racial segregation. Therefore, in designing intervention strategies for distressed markets, officials must consider both the scale and the nature of the resources. Project components must address people- as well as place-based needs, and must be designed to reduce existing concentrations of poverty by serving households at a wide range of income levels (or partnering with others who will).

These findings affirm efforts like Philadelphia’s “Home in North Philadelphia” policy, launched in 1993 and designed to “rebuild and repopulate the core of North Philadelphia,” one of the city’s most distressed neighborhoods. City officials made the initiative an annual budget priority and leveraged additional resources ($5.52 million in Economic Development Initiative grant funding, $18 million in Section 108 loans, a $50 million HOPE VI Revitalization Grant) to support the construction of nearly 300 housing units — for renters and owners, low-income households and those earning up to 120% of the area median income (“Analysis of Impediments” 2002). By the time half of the new units were built, area properties had already quadrupled in value (Kromer 2006). The city’s large, HOPE VI-sponsored redevelopment projects (started between 1997 and 2004, after the time period covered by this study) achieved similar results: the median sale price in areas around Philadelphia Housing Authority (PHA) redeveloped sites increased three times as fast as the citywide median (142% vs. 55%) between 1999 and 2004 (Greene 2005, 10).

Limited resources, though, restrict cities’ ability to undertake such ambitious neighborhood revitalization strategies and therefore challenge cities to find new funding sources for community development, and to maximize program impact by strategically allocating dollars (among programs and neighborhoods). This study highlights a potentially powerful neighborhood revitalization tool that is currently drastically underutilized. The
Pennsylvania Housing Finance Agency’s (PHFA) single-family loan program represents a massive investment—nearly $400,000,000 between 1990 and 1997 alone—in Philadelphia’s neighborhoods. Yet the program is largely reactive, supporting whoever applies and qualifies to put towards housing wherever (for the most part) they choose.

In Philadelphia in the 1990s, this resulted in a distribution of resources that was associated with worsening conditions and the destabilization of some of the city’s “neighborhoods in the middle.” This study found that Census tracts attracting low-cost loan borrowers typically had lower rates of appreciation than tracts without loans. Most served tracts (53%) had median values in 2000 that trailed expectations based on local conditions in 1990; the more loans a tract received, the more likely it became to trail expectations.

However, this study also identified key ways that such low-cost loans, if used proactively, could benefit both borrowers and neighborhoods. First, subsidized loans could be effective at stimulating demand in, and attracting higher-income households to, weaker markets. In Philadelphia, low-cost loans were associated with place-based improvements in Census tracts with lower property values or rents and higher abandonment rates in 1990. Weak-market tracts attracting low-cost loan borrowers were more likely than unserved tracts to have property values in 2000 that met or exceeded expectations based on conditions in 1990, and averaged higher appreciation rates. On average, Census tracts where borrowers’ incomes were greater than the tract median income saw properties appreciate at a rate one-and-a-half times as high as tracts where borrowers’ incomes were less than the tract median.

Driven by consumer demand rather than a PHFA-coordinated allocation strategy, low-cost loans are rarely used in this way: Just 55 (or less than 1%) of the nearly 7,500 loans awarded to homeowners purchasing properties in Philadelphia between 1990 and 1997 went towards homes in the city’s weakest markets. Instead the majority (61%) of borrowers put
their loans towards housing in Census tracts with just-above-average housing market strength. In all, these tracts received nearly one-and-a-half times their share of loans, while very weak and very strong tracts received just a fraction of their shares.

Table 7-1: Distribution of Low-Cost Lending

<table>
<thead>
<tr>
<th>Housing Demand Score (1990)</th>
<th>Occupied Housing Units</th>
<th>Low-Cost Loans</th>
<th>Share of Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 or 2</td>
<td>29,086</td>
<td>55</td>
<td>0.7%</td>
</tr>
<tr>
<td>3</td>
<td>265,980</td>
<td>2,754</td>
<td>0.7%</td>
</tr>
<tr>
<td>4</td>
<td>253,638</td>
<td>4,557</td>
<td>1.4%</td>
</tr>
<tr>
<td>5 or 6</td>
<td>41,328</td>
<td>122</td>
<td>1.6%</td>
</tr>
<tr>
<td>Total</td>
<td>590,032</td>
<td>7,488</td>
<td></td>
</tr>
</tbody>
</table>

Lending in these stronger markets and making homeownership in high-quality neighborhoods affordable to moderate-income households represents a second way that low-cost loans can be a valuable resource. Yet short-term affordability gains can quickly be offset if loans undermine receiving neighborhoods. In Philadelphia, stronger markets attracting borrowers with low-cost loans typically had worse social distress trends and lower rates of appreciation than tracts without loans. And the more loans in a given Census tract, the lower its appreciation rate tended to be.

Ultimately, low-cost loans are most beneficial to neighborhoods if officials proactively allocate resources (by targeting particular areas for loans) and link lending programs to other neighborhood revitalization or neighborhood preservation strategies. In this way, loans can reach weaker markets and improve them with the help of complementary initiatives, such as community organizing efforts or beautification projects. At the same time, by providing ample resources for home renovations and repairs, loans can be a stabilizing (rather than destabilizing) force in “neighborhoods in the middle,” even if they are concentrated within a given area or lent to borrowers with incomes that trail local medians.
These conclusions hold not just in theory but in practice as well. For example, the Healthy Neighborhoods Initiative (HNI), originated by David Boehlke and implemented in cities across the country, successfully uses low-cost loans to increase housing demand and property values and to improve local housing conditions in “neighborhoods in the middle.” In Baltimore, HNI provides low-interest loans to residents at all income levels for home improvements (particularly exterior repairs, which the program holds to high standards) and to in-migrants for home purchase in target neighborhoods. (Home purchase loans typically exceed the sales price in order to simultaneously support renovations.) Notably, these loans are only one piece of a larger strategy: the program also funds community-wide projects (including streetscape or park improvements) and efforts to increase citizen participation and the effectiveness of local organizations (“Mayor’s Healthy Neighborhoods Initiative” 2000).

The City of Richmond’s “Neighborhoods in Bloom” (NiB) program is a similar effort but focused on more distressed communities. NiB-designated areas have low homeownership rates (just 26%) and a high proportion of vacant lots (25% of neighborhood properties) and vacant buildings (21%) (“Best Practices Profile” 2001, 2). Like HNI, the program provides home purchase and repair loans, community marketing, credit and homeownership counseling, down-payment assistance, and mortgage insurance assistance.

Programs like these – that use low-cost lending to increase homeownership and encourage property improvements, and that leverage private resources for neighborhood revitalization – can be pivotal in restoring confidence in a neighborhood and its future. Strategic low-cost loan programs can also attract higher-income households into weaker markets and make stronger markets affordable to lower-income households. Bolstered by other efforts, the resulting income mixes are sustainable (and do not simply tip the neighborhood in one direction or another).
Appendix

Established Neighborhood “Health” Indicators

Housing Attributes

Neighborhood “housing attributes” generally fall into two categories. “The first includes the structural characteristics of the dwelling” (emphasis added) (Can 1990, 255; see also Taub, Taylor and Dunham 1984, 28-35; Downs 1981, 25; Galster 2001, 2112). Key indicators in this group include housing unit “vintage” (or age), scale, design, type of exterior materials, and state of repair (Ahlbrandt and Brophy 1975, 53; Can 1990, 262; Galster 1987, 78; Galster 2001, 2112). Researchers document the presence of certain external or internal amenities, like historically significant features, fireplaces, central air conditioning, central heating, two-car garages, and basements or utility rooms (Can 1990, 263; Galster 1987, 78; Galster 2001, 2112). Units are also distinguished by their overall square footage, total number of rooms, and number of bedrooms and bathrooms (Can 1990, 262; Case 1972, 24; Galster 1987, 7). Just as important (if not more so) than the number of rooms is the number of rooms, bedrooms, and bathrooms per person in each household (Galster 1987, 78). Lastly, researchers look outside each unit, measuring lot sizes and noting the presence and size of front yards and back yards, and the quality of landscaping (Can 1990, 262; Galster 1987, 78; Galster 2001, 2112).

The second category “relates to neighborhood characteristics associated with the dwelling” and includes variables that describe the physical and social character of a unit’s surroundings (emphasis added) (Can 1990, 255; Galster 1987, 80). (As described in Chapter 3, these characteristics are as much a part of the “housing package” as individual unit characteristics.) These variables, rather than describing whether or not individual units have
particular features, reflect totals and percentage breakdowns for geographies like blocks, Census tracts, zip codes, and municipalities.

At the neighborhood level, researchers count the number of housing units and characterize how those units are configured (the number of units per structure) and how densely they are built (the number of units per acre) (Ahlbrandt and Brophy 1975, 65-66; Beauregard 1990, 862; Case 1972, 24; Downs 1981, 25; Galster 1987, 80; Walker, et al. 2002, 21). Researchers document whether units are occupied (using vacancy and abandonment rates), how units are occupied (using homeownership rates and overcrowding rates (the portion of units with more than one person per room)), and the extent to which occupancy changes over time (Ahlbrandt and Brophy 1975, 53-56, 58-59, 65-66; Beauregard 1990, 862; Black and Hersh 2003, 31; Downs 1981, 25; Gale 1984, 73; Galster 1987, 81; Galster 2001, 2112; Goetze 1976, 34; Goetze 1979, 50; Jargowsky 1997, 92-93; Kennedy and Leonard 2001, 8; Koontz and Ramos 2003, 26-28; Kromer 1997, 74; Scafidi, et al. 1998, 299; Taub, Taylor and Dunham 1984, 28-35; Temkin and Rohe 1998, 77; Van Ryzin and Genn 1999, 811; Walker, et al. 2002, 21; Wyly and Hammel 1998, 313-316).

Researchers summarize the age of a neighborhood's housing stock (the median age of housing, the portion of units at least thirty, fifty, or sixty years old, the portion of units built in the last ten years) and note the presence of a local historic district designation (Ahlbrandt and Brophy 1975, 65-66; Beauregard 1990, 862; Galster 2001, 2112; Jargowsky 1997, 92-93; Nelson 1988, 80; Walker, et al. 2002, 21; Varady 1986a, 496-497). And researchers summarize the typical condition of housing in a given area (Ahlbrandt and Brophy 1975, 53; Case 1972, 24; Downs 1981, 25; Galster 2001, 2112; Newman and Schnare 1997, 710; Van Ryzin and Genn 1999, 810). Some studies have quantified housing conditions using the portion of units lacking some or all plumbing facilities (reported by the
U.S. Census) (Ahlbrandt and Brophy 1975, 65-66). (This measurement is less helpful today as just 1% of all units and 0.6% of all occupied units in the United States lack plumbing facilities. In Philadelphia, just 17,484 (or 2.6%) of the city’s 661,958 units, and only 4,877 (or 0.8%) of the city’s 590,071 occupied units, lacked plumbing in 2000.) Another measure of substandard property conditions is the portion of area units with code violations or maintenance deficiencies (such as broken or boarded-up windows, badly peeling paint, broken steps, railings, or siding, a sagging roof, many missing roof shingles, or cracked foundations) (Galster 1987, 80; Koontz and Ramos 2003, 26-28; Kromer 1997, 74; Van Ryzin and Genn 1999, 811).

More than Housing

Housing and neighborhood conditions have traditionally been expressed in physical terms using indicators like those described. “Although these are adequate measures of the physical composition of the housing stock, they fall short of gauging the overall neighborhood conditions that comprise the larger housing environment” (Ahlbrandt and Brophy 1975, 53). This “larger housing environment” is substantially defined by the people who occupy it and who pass through it (the profile of current residents, and how long-time residents, in-movers, and out-movers compare to one another); by the transactions between buyers and sellers; and by how the neighborhood functions (the local quality of life, sense of neighborhood, social cohesion, and the nature and strength of neighborhood norms) (Grigsby 1963, 56; Lyons 1996, 40; Simmons and Lang 2001, 7).

People-based Indicators

The most basic people-based indicators are population totals (the number of residents, the number of households) and how such totals change over time (Ahlbrandt and

Residents’ socioeconomic characteristics range from physical health to financial health. Scholars document residents’ incidence of mental and physical illness, and local fertility rates and infant mortality rates (Ahlbrandt and Brophy 1975, 57-58; Walker, et al. 2002, 6). Researchers determine residents’ financial health using a number of indicators based on households’ income (Galster 2001, 2112; Kennedy and Leonard 2001, 8; Walker, et al. 2002, 21). These include the breakdown of income levels among local households, the
average or median household income, and how the average or median household income changes over time and compares to citywide or national figures (Ahlbrandt and Brophy 1975, 54-56; Beauregard 1989; Gale 1984, 67; Galster 1987, 75-77, 81; Goetze 1979, 50; Heilbrun and McGuire 1987; Nelson 1988, 80; Newman and Schnare 1997, 710; Van Ryzin and Genn 1999, 811; Wyly and Hammel 1998, 312-316). In addition to household incomes, scholars measure family incomes — their breakdown and median levels — as well as residents' disposable income (Ahlbrandt and Brophy 1975, 65-66; Case 1972, 24; Galster 1987, 75-77; Goetze 1979, 50; Taub, Taylor and Dunham 1984, 28-35; Temkin and Rohe 1998, 77).


Digging even deeper, researchers quantify residents' educational levels (the high school drop-out rate, the portion of adults without a high school degree, the portion of adults with at least a Bachelor's degree) (Beauregard 1990; Gale 1984, 63; Galster 1987, 75-77; Galster 2001, 2112; Jargowsky 1997, 107-113; Taub, Taylor and Dunham 1984, 28-35; Walker, et al. 2002, 21; Wyly and Hammel 1998, 312-316). Local employment rates reinforce educational attainment (Lyons 1996, 40). Employment-related indicators include labor force participation, unemployment rates, and the portion of household heads without jobs (Ahlbrandt and Brophy 1975, 65-66; Goetze 1979, 50; Jargowsky 1997, 94-103; Newman and Schnare 1997, 710; Walker, et al. 2002, 21). Researchers also measure the nature of employment (what portion of adults are only employed part-time or part of the year, and

Migration and People-based Change

Researchers measure residential stability by looking at how long residents have lived in their current homes (owners' and renters' average length of tenure), the year residents moved into their current units, and the percentages of long-time residents and recent immigrants (Ahlbrandt and Brophy 1975, 65-66; Beauregard 1990, 862; Gale 1984, 78; Galster 1987, 77, 81; Goetze 1979, 50; Rohe, McCarthy and VanZandt 2000, 19; Rohe and Stewart 1996, 58; Taub, Taylor and Dunham 1984, 54-59). Scholars quantify not just the extent of in-migration but also the characteristics of in-migrants, profiling newer residents (their numbers, their demographic and socioeconomic status, their previous residence, and the purpose and occasion of their move) (Gale 1984, 78; Goetze 1979, 15; Grigsby 1963, 56, 61; Lyons 1996, 40; Walker, et al. 2002, 21). In similar fashion, scholars quantify both the extent of out-migration and the characteristics of out-migrants, profiling residents who leave (their numbers, their characteristics, and their reasons for moving) (Grigsby 1963, 61).

Housing Market Indicators

Researchers generally agree that the best way to understand neighborhood change is by monitoring the local housing market — "the interface between buyers and sellers" and "the trend in prices for residential and other property" (Goetze 1979, 33; Ahlbrandt and Brophy 1975, 54-56). To do so, scholars typically ascertain the strength of local housing demand and the local housing market from area property values and prices, and the pace at which for-sale housing is purchased. Researchers report the local range and breakdown of

Looking specifically at for-sale housing, researchers evaluate the total number of sales, the number of buyers compared to the number of sellers, the property characteristics of homes on the market (and whether certain characteristics impact how well properties fare when on the market), and how long (the typical number of days) units spend on the market (Beauregard 1990, 863; Black and Hersh 2003, 31; Brophy 1982a, 59-60; Ding and Knaap 2003, 708; Downs 1981, 25; Goetze 1979, 15, 33; Koontz and Ramos 2003, 5, 17, 26-28; Kromer 1997, 74; Miller-Adams 2002, 42; Pollock and Rutkowski 1998, 8). Scholars also document sale prices (Ahlbrandt and Brophy 1975, 53-56; Case 1972, 24; Ding and Knaap 2003, 708; Downs 1981, 25; Higgins 2001, 11; Walker, et al. 2002, 6). Price indicators include the portion of single-family homes sold each year for under $100,000, median and average sale prices, how medians and averages change over time, and how local prices compare to those in other city neighborhoods and to prices citywide (Beauregard 1990, 863; Brophy 1982a, 59; Higgins 2001, 12; Koontz and Ramos 2003, 17, 26-28; Miller-Adams 2002, 42; Smith 1996, 203).

The investment decisions of area banks and property developers also indicate the strength of the local housing market; lending patterns can additionally suggest the socioeconomic profile of households purchasing local properties. For these reasons, many studies rely heavily on neighborhood-based mortgage activity and mortgage trends over time.
(reported in data collected under the mandates of the Home Mortgage Disclosure Act (HMDA)) (Goetze 1976, 34; Kennedy and Leonard 2001, 8; Kromer 1997, 74). Researchers measure mortgage values and median loan amounts, as well as a neighborhood’s approval rate for home purchase loans (the number of home purchase loan originations against the number of home purchase loan applications) (Galster, et al. 2004, 930; Higgins 2001, 13-14; Walker, et al. 2002, 23). These indicators gauge both local housing prices and access to real estate financing. Other mortgage-related data — such as the average homebuyer income and the portion of homebuyers qualifying for conventional loans — gauge residents’ and in-movers’ access to real estate financing (Ahlbrandt and Brophy 1975, 54-56; Brophy 1982a, 59; Higgins 2001, 13-14; Koontz and Ramos 2003, 18).

Housing market activity includes not only home purchases, but new construction and rehabilitation as well. As a result, scholars document the portion of loans that finance home improvement projects and the presence and extent of development or repair activity (Walker, et al. 2002, 23). Development indicators include the number of building permits issued for a given neighborhood and the number of units produced through new construction or property conversions (Ahlbrandt and Brophy 1975, 54-56; Brophy 1982a, 59-60; Downs 1981, 25; Goetze 1979, 15; Van Ryzin and Genn 1999, 809; Walker, et al. 2002, 6). When quantifying rehabilitation activity, researchers document the dollars invested in maintenance, home repair, and more intensive rehabilitation efforts (Downs 1981, 25; Goetze 1979, 15; Koontz and Ramos 2003, 15). Researchers note the number of properties where at least $5,000 of rehabilitation took place as well as the number of units receiving moderate or gut rehabilitation (Koontz and Ramos 2003, 26-28; Van Ryzin and Genn 1999, 809).
Properties' and residents' fiscal stability reflect another side of the housing market. Extreme housing distress and disinvestment (such as high levels of tax delinquency and property abandonment) indicate especially weak market conditions (Ahlbrandt and Brophy 1975, 54-56; Black and Hersh 2003, 31; Brophy 1982a, 59-60; Downs 1981, 25). Excessive housing costs (high rents for renters or high mortgage and real estate tax payments for homeowners) and excessive housing cost burdens (a large portion of households (particularly lower-income households) paying more than thirty percent of income on housing) represent other neighborhood vulnerabilities (Ahlbrandt and Brophy 1975, 65-66; Downs 1981, 25; Galster 2001, 2112; Van Ryzin and Genn 1999, 810-811; Varady 1986a, 496-497).

**Quality of Life Indicators**

Several non-housing elements – like local public services and area amenities and nuisances – also substantially influence a neighborhood's overall quality of life. To measure neighborhood quality of life, researchers quantify the condition of a neighborhood's infrastructure (roads, sidewalks and utilities), the attractiveness of a neighborhood's streetscapes, and the quality of the local public transportation (Downs 1981, 25; Galster 2001, 2112). Researchers additionally determine the state of, and residents' satisfaction with, a range of public services (Taub, Taylor and Dunham 1984, 72). (Resident satisfaction is one of many qualitative indicators of neighborhood strength. Other qualitative indicators are discussed at length in the next section.) Relevant public services include street and sidewalk maintenance and trash collection, and especially police and fire protection and the public schools (Ahlbrandt and Brophy 1975, 57-58; Downs 1981, 25; Galster 2001, 2112).

To varying degrees, neighborhoods can also have environmental amenities. Scholars document these features by highlighting the presence of scenic views, the amount and nature
of open space, the local mixture of land uses (and the incidence of commercial uses or parks and recreational uses), and neighborhood access to nearby employment, entertainment, or shopping destinations (Downs 1981, 25; Galster 1987, 80; Galster 2001, 2112; Kennedy and Leonard 2001, 8; Walker, et al. 2002, 6).

On the negative side, neighborhoods can include a range of problems and nuisances. Researchers note the presence and extent of issues like car traffic, air and noise pollution, problematic animals, garbage and litter, loiterers, harassers, drug users and drug sellers, and distressed or vacant buildings and land (Downs 1981, 25; Galster 2001, 2112; Taub, Taylor and Dunham 1984, 63). Like property abandonment, criminal activity is an especially serious neighborhood nuisance (Ahlbrandt and Brophy 1975, 57-58; Downs 1981, 25; Taub, Taylor and Dunham 1984, 63; Walker, et al. 2002, 6). For this reason, researchers document violent and property crime rates, track these rates over time, and consider how these rates compare to citywide rates (Higgins 2001, 21).

**Qualitative Indicators**

In reality, residents' and outsiders' conceptions of neighborhood conditions as "good" or "bad" and of neighborhood trends as "positive" or "negative" are highly subjective (Kasarda 1999, 780). Residents’ and outsiders’ opinions about neighborhood characteristics and local housing market strength (as opposed to the objective characteristics and housing market conditions themselves) are so important because these perceptions effectively determine the future. Residents’ and outsiders’ behavior is based on whether they think crime is prevalent, public services are poor, or conditions are declining, actual circumstances notwithstanding (Ahlbrandt and Brophy 1975, 58). Therefore, researchers use subjective observations, gathered through resident surveys, informational interviews, and focus groups (as opposed to data sources like the U.S. Census and HMDA) “to gauge
market dynamics” and neighborhood health (Goetze 1976, 30). Such qualitative indicators estimate the strength of a neighborhood’s social fabric and its level of social cohesion, residents’ and outsiders’ perceptions of local conditions and safety, residents’ satisfaction with the neighborhood, and their and others’ confidence in the neighborhood’s future.

Prior studies have asked residents for feedback on their relationship with their neighbors – whether they have good friends or relatives living in the neighborhood, whether they socialize with neighbors or can count on neighbors for occasional favors (Galster 2001, 2112; Taub, Taylor and Dunham 1984, 54-59). Surveyors have also asked residents how much they feel they have in common with their neighbors, how strongly they identify with their neighborhood (whether they consider their neighborhood a “real home,” or whether they plan to stay in the neighborhood for at least the next year), and how active they are with locally-based voluntary associations (Galster 2001, 2112; Grigsby 1963, 58-59; Taub, Taylor and Dunham 1984, 54-59).

Surveys provide further insight into residents’ perceptions of and satisfaction with current property and neighborhood conditions. Scholars have asked residents to rate neighborhood-based properties as good, fair or poor, and have asked residents whether they think that various issues – such as garbage and litter, property upkeep, and noise pollution – are a problem (Galster 2001, 2112; Taub, Taylor and Dunham 1984, 63, 65; Van Ryzin and Genn 1999, 811). In a similar way, scholars use feedback from residents concerning their perceptions about neighborhood safety (whether they feel there is “a lot” of crime, whether they expect to be the victim of a crime, or whether they expect criminal activity to increase) to supplement objective crime data (Downs 1981, 25; Taub, Taylor and Dunham 1984, 63).

Researchers do not only solicit residents’ satisfaction with current neighborhood conditions; they also probe their confidence in future neighborhood trends (Koontz and
Ramos 2003, 26-28). Through surveys, scholars determine what portion of residents feels that their neighborhoods have trended better or worse in the past few years and what portion feels that their neighborhoods are likely to get better or worse in the next few years (Taub, Taylor and Dunham 1984, 72). Some surveyors go even further, asking residents to specify whether they expect their neighborhoods' demographic or socioeconomic profiles to change, their neighborhoods' physical conditions to change, their neighborhoods' quality of public services (particularly schools) to change, or their neighborhoods' overall desirability to change (Downs 1981, 25). Still others ask how residents, realtors, lenders, and others expect property values to change and whether insiders and outsiders expect the neighborhood to be a "good investment" in the future (Brophy 1982a, 59-60; Downs 1981, 25; Goetze 1976, 30; Taub, Taylor and Dunham 1984, 72).

**Program Spending**

Researchers quantify program spending in various ways. Some studies have classified investments into a "program typology" according to whether investments were made and, if so, how dollars were spent (for example, on housing, economic development, social services, public facilities and improvements, or property acquisition and disposition) (Wong 2004, 1-2; see also Galster, et al. 2004, 912; Mayer 1984, 55-56; Walker, et al. 2002, 19). Others measure the dollar amount of program investment directly, the amount in terms of the local population (level of program funding per resident), or the amount in terms of the local poor population (level of program funding per poor resident) (Galster, et al. 2004, 909; Walker, et al. 2002, iv).
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