

Financial Impact of Blight in the Tri-COG Communities

October 21, 2013

**Tri-COG Collaborative/Delta Development
APA PA Conferences**



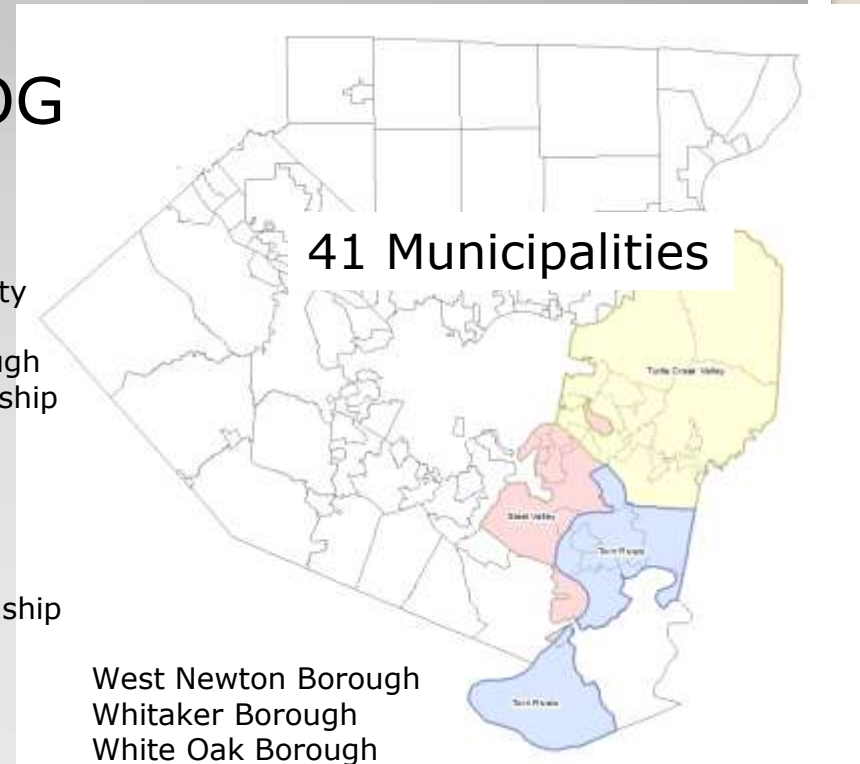
Collaborative Projects & Background

The Collaborative

- ❑ Steel Valley COG
- ❑ Turtle Creek Valley COG
- ❑ Twin Rivers COG

Braddock Borough
Braddock Hills Borough
Chalfant Borough
Churchill Borough
Clairton City
Dravosburg Borough
Duquesne City
East McKeesport Borough
East Pittsburgh Borough
Edgewood Borough
Elizabeth Borough
Forest Hills Borough
Forward Township
Glassport Borough
Homestead Borough
Liberty Borough
Lincoln Borough
McKeesport City

Monroeville Municipality
Munhall Borough
North Braddock Borough
North Versailles Township
Penn Hills Township
Pitcairn Borough
Plum Borough
Port Vue Borough
Rankin Borough
South Versailles Township
Swissvale Borough
Turtle Creek Borough
Versailles Borough
Wall Borough
West Elizabeth Borough
West Homestead Borough
West Mifflin Borough



West Newton Borough
Whitaker Borough
White Oak Borough
Wilkins Township
Wilkinsburg Borough
Wilmerding Borough

Current Initiatives

- ❑ Conflict Resolution
- ❑ East Suburban 911 Advisory Committee
- ❑ EPA Brownfield Grant - \$600,000

- ❑ Blight Project



EPA Brownfield Project

- ❑ EPA definition of Brownfields: “Real property; the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.”
- ❑ Tri-COG awarded \$600,000 grant for Phase I and Phase II Environmental Assessments



EPA Brownfield Project: Traditional Brownfield Sites

- ❑ Industrial Facilities
- ❑ Utility Sites
- ❑ Dry Cleaning Facilities
- ❑ Mining Operations
- ❑ Railroad Yards or Other Railroad Facilities
- ❑ Landfill Sites
- ❑ Auto Salvage Yards
- ❑ Gasoline Stations
- ❑ Abandoned Urban Buildings
- ❑ Commercial Sites



"Blight Busters"

- ❑ Distribute Information
 - ❑ New Laws
 - ❑ Act 90
 - ❑ Conservatorship
 - ❑ Pennsylvania Land Bank Act
 - ❑ Educational Opportunities
 - ❑ LGA Training Series on Blight
- ❑ Share Strategies
 - ❑ Code Enforcement Techniques
 - ❑ Working with the District Magistrates
- ❑ Identify Places for Collaboration
 - ❑ *Joint Code Enforcement*
 - ❑ *Tri-COG Land Bank*
- ❑ Build a Coalition
 - ❑ School Districts (15)
 - ❑ Community Groups



Purpose of Financial Impact Study



- Understand the financial implications of blight
 - Assess the cost burden for COG communities
 - Understand the magnitude of the blight problem
 - Recognize the benefit of repurposing and new development
 - Build consensus among stakeholders

Study Area

- ❑ The 41 COG Community Members:
 - ❑ Steel Valley Council of Governments
 - ❑ Turtle Creek Council of Governments
 - ❑ Twin Rivers Council of Governments
- ❑ 40 communities are in Allegheny County
- ❑ 1 community is in Westmoreland County
- ❑ There are 15 School Districts that serve the COG Communities that are impacted
- ❑ Impacts also affect Allegheny County and Commonwealth of PA

Implications of Blighted and Vacant Parcels

- Blight and vacancy have a devastating impact on neighborhoods and community resources
- Vacancy results in blighted blocks, high maintenance costs, and uncollected taxes
- Cycle of disinvestment – ultimate cost to taxpayers is that it discourages new private investment in area

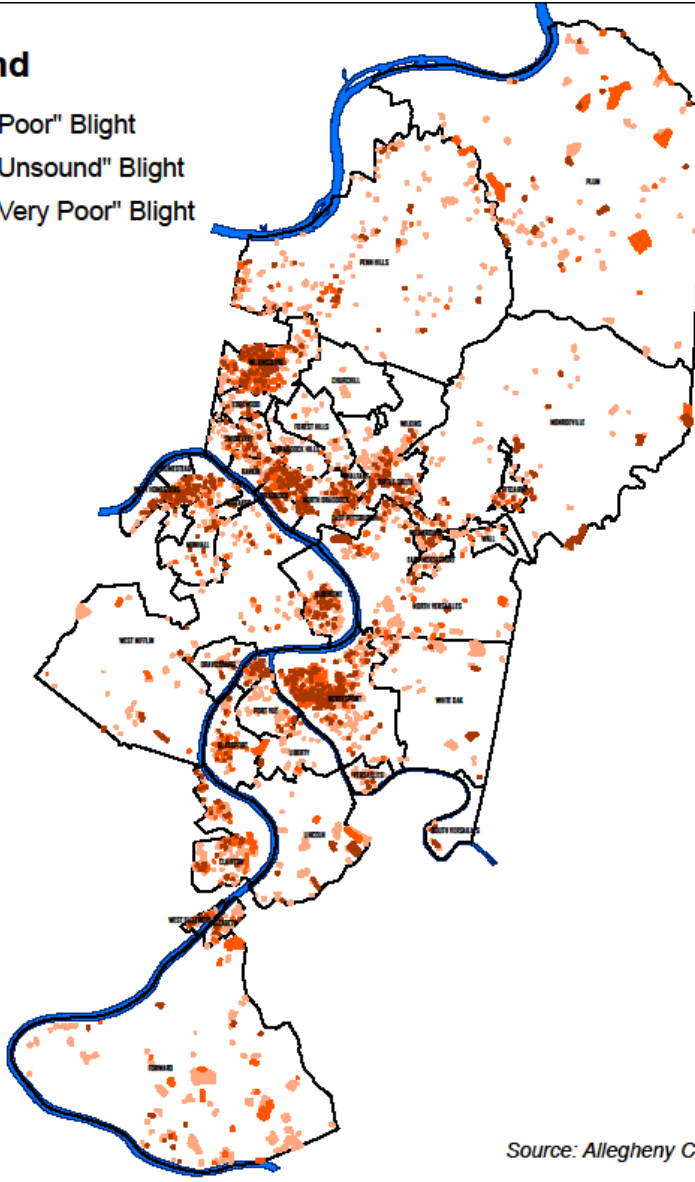




Financial Impact of Blight Study

Legend

- "Poor" Blight
- "Unsound" Blight
- "Very Poor" Blight



Source: Allegheny County

Allegheny County Blight

City of Pittsburgh 31%
Tri-COG Region 42%

60% of all blight in
Allegheny County
outside of the City of
Pittsburgh

Process

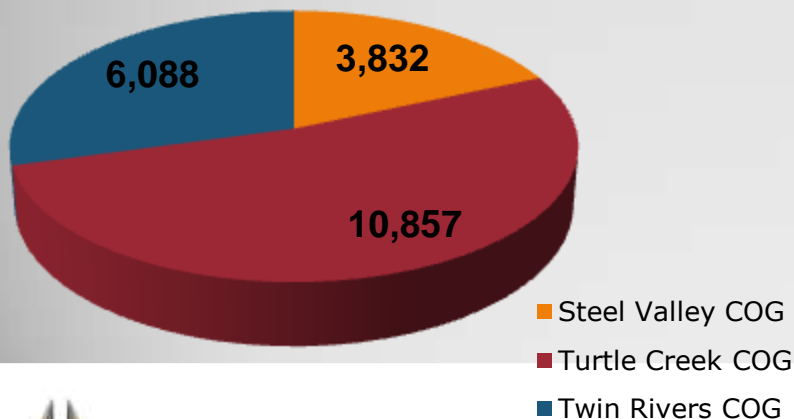


- ❑ **Direct Costs:** code enforcement, police and fire, public works, demolition
- ❑ **Direct Costs:** Loss of tax revenues
- ❑ **Indirect Costs:** Decreased property values
- ❑ **Future Economic Impacts:** Repurpose vacant residential and commercial sites

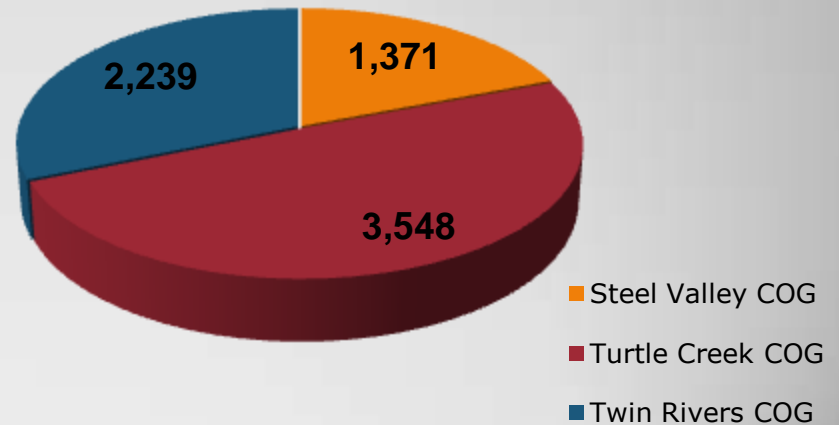
Magnitude of Vacant and Blighted Parcels

- 20,777 vacant parcels located in the 41 COG communities
- 2,330 parcels with blighted structures (rated unsound or very poor)
- Another 4,828 parcels with structures that are rated poor and are at risk

Vacant Parcels by COG



Blighted Parcels by COG



Magnitude of Vacant and Blighted Parcels

Total Vacant Parcels (No Structures)	
Steel Valley COG	3,832
Turtle Creek COG	10,857
Twin Rivers COG	6,088
Total COG's	20,777
Blighted Parcels Rated Poor, Very Poor, and Unsound (With Structures)	
Steel Valley COG	1,371
Turtle Creek COG	3,548
Twin Rivers COG	2,239
Total COG's	7,158

There are over 27,000 parcels that are either blighted, at risk, or vacant which is 20% of all parcels in the COG Communities

On average 50% of vacant lots are tax delinquent in many communities the percentage is much higher.



Direct Costs – Code Enforcement

- Code Enforcement Includes
 - Field inspections
 - Complaints
 - Rodents and vermin
 - High grass and weeds
 - Junk cars
 - Unsafe Structures
- Costs are based on survey of local governments about annual code enforcement hours and an hourly wage of \$15 per hour
- Annual hours are estimated to be 79,380, with 50% of those hours related to blighted parcels for an estimated cost of **\$595,350** annually for the 41 COG Communities



Direct Costs – Public Safety

- **Public Safety:** Blighted properties can also have an impact on **police and fire calls** leading to a greater number of incidents and raising the overall cost for police and fire protection
- **Baltimore Study** - the cost of police and fire services per block increased \$1,472 for each vacant and unsafe property on that block



Direct Costs – Public Safety

- ▣ **Methodology** – 911 calls from 2012 were analyzed by the number of calls to blighted properties and to properties in close proximity
- ▣ There were **29,631 police calls** in 2012 associated with blighted properties in the COG Communities at an estimated cost of **\$6,400,296**
- ▣ There were **2,119 fire calls** in 2012 associated with blighted properties in the COG Communities at an estimated cost of **\$2,378,525**



Direct Costs – Public Works

❑ Public Works:

Maintenance of Vacant and Blighted Nuisance Properties

❑ Based on a survey of local municipalities – about 70% maintain some portion of private vacant lots for health and safety reasons

❑ Estimated cost per visit is \$70 and 5 visits are made annually to each property

❑ Annual cost estimated at **\$727,195** for the 41 COG Communities



Direct Costs – Municipal Services

- ❑ Demolition of blighted structures is regularly undertaken by the COG Communities
- ❑ 36 communities have undertaken demolitions in the past 5 years totaling **\$2,908,782**
- ❑ Annual **demolition costs** for the COG Communities are estimated to be **\$618,936 per year.**



Direct Costs – Real Estate Tax Revenue Loss Due to Delinquencies

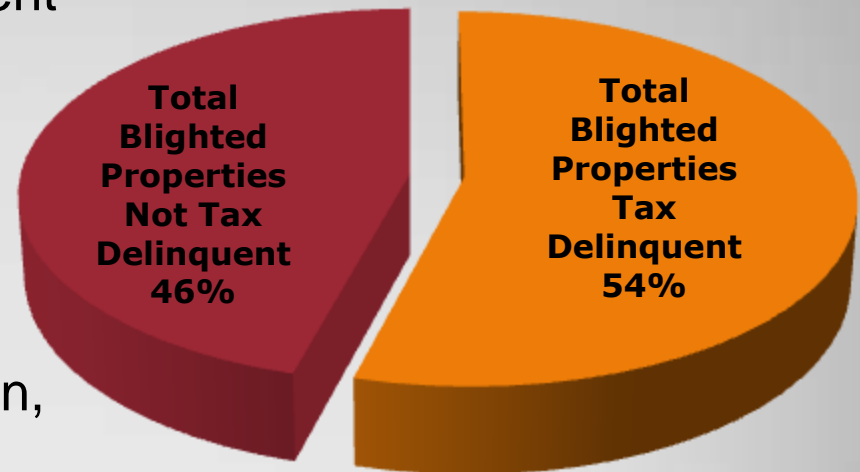
- ❑ Total **Delinquent Real Estate Taxes** for the COG Communities in 2011 (local, county, and school districts) are estimated to be:
 - ❑ Municipal \$ 5.66 million
 - ❑ County \$ 4.13 million
 - ❑ School District \$17.63 million
 - TOTAL \$27.42 million**
- ❑ There were over 15,000 parcels in 2011 that owed \$50 or more in delinquent real estate tax
- ❑ Delinquent taxes are the **first indicator of a property at risk** and have a huge impact on municipal revenues



Direct Costs – Real Estate Tax Revenue Loss Due to Blighted Properties

- ❑ Loss of **Real Estate Taxes**
- ❑ There were **3,191 parcels** in 38 communities in 2011 that were both blighted and tax delinquent
- ❑ Delinquent taxes associated with blighted parcels totaled **\$2.26 million**
- ❑ Highest delinquencies associated with blighted property: Wilkinsburg, Clairton, McKeesport, North Braddock
- ❑ Delinquent taxes often remain chronically delinquent

Tax Delinquency



Direct Costs – EIT Tax Revenue Loss Due to Demolished Structures



- ❑ Loss of **Earned Income Tax**
- ❑ The total amount of earned income taxes lost annually due to demolished structures over the past 5 years is **about \$820,323 annually**
- ❑ The total amount of earned income taxes that are lost from **vacant housing units** is **\$2.55 million annually**

Direct Costs – EIT Tax Revenue Loss Due to Demolished Units

- ❑ Earned Income Tax lost from demolitions is based on the number of structures demolished in the past 5 years x the median household income x the 1% EIT rate

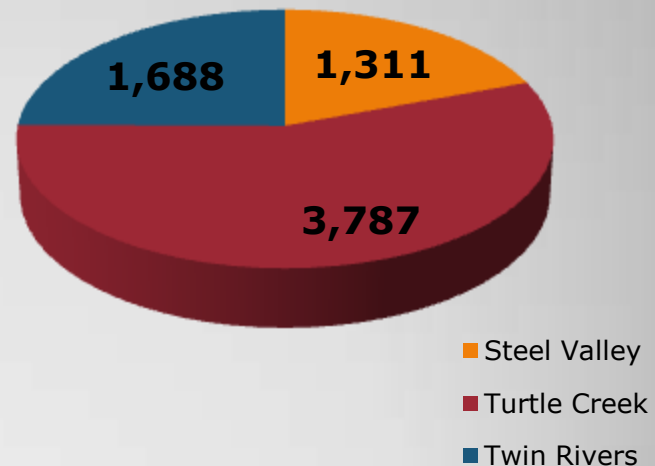
COG	# Structures Demolished	2011 Median HH Income	Total Lost Income	Total Lost EIT
TCVCOG	414	\$ 34,138	\$ 16,306,218	\$ 163,062
TRCOG	1,121	\$ 37,368	\$ 38,268,698	\$ 382,687
SVCOG	735	\$ 39,387	\$ 27,465,480	\$ 274,574
TOTAL	2,270		\$ 82,032,330	\$ 820,323



Direct Costs – Tax Revenue Loss Due to Vacant Units

- ❑ **Earned Income Tax** associated with Vacant Housing Units
- ❑ 15,308 Total Vacant Housing Units
- ❑ 6,786 Housing Units adjusted for Typical Transition
- ❑ Total Loss estimated at **\$2.55 million** annually for the COG Communities

Vacant Housing Units



Direct Costs – EIT Tax Revenue Loss Due to Vacant Units

COG Communities	All Vacant Units	Census Adjusted Vacant Units (For Sale, Rent, Seasonal)	10% Reduction for Natural Transition	Median HH Income 2011	Estimated Total Lost Income	Estimated Lost Municipal Earned Income Tax	Estimated Lost School District Earned Income Tax	Total Estimated Lost Earned Income Tax
TCVCOG	8,835	4,208	3,787	\$39,725	\$146,711,841	\$733,559	\$737,550	\$1,471,109
TRCOG	3,644	1,876	1,688	\$40,387	\$56,394,166	\$281,971	\$281,971	\$563,942
SVCOG	2,829	1,457	1,311	\$39,028	\$41,063,623	\$205,318	\$312,104	\$517,424
	15,308	7,541	6,787		\$244,169,630	\$1,220,848	\$1,331,625	\$2,552,475

SOURCE: 2011 CENSUS DATA, DELTA ANALYSIS

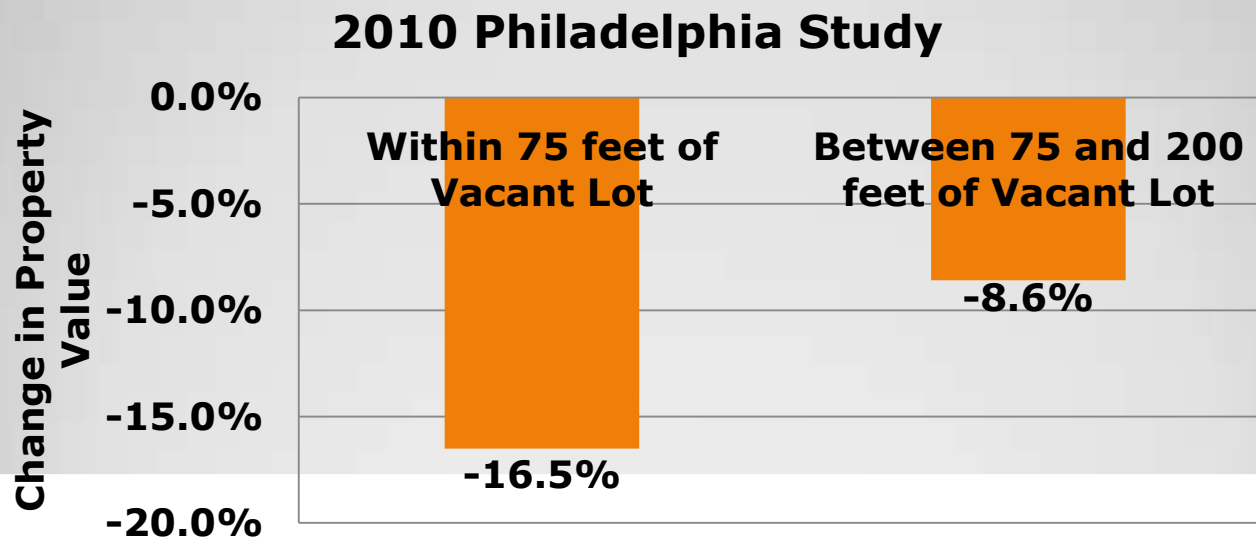


Direct Costs – Costs Associated with Collection of Delinquent Real Estate Taxes

COG	2011 Estimated Delinquent Real Estate Taxes - Municipal	Delinquent Collection Cost 5.5% - Municipal	2011 Estimated Delinquent Real Estate Taxes - School District	Delinquent Collection Cost 5.5% - School District	Total Cost of Delinquent Collections
TCVCOG	\$390,015	\$21,451	\$1,090,062	\$59,953	\$81,404
TRCOG	\$173,758	\$9,557	\$370,769	\$20,392	\$29,949
SVCOG	\$141,398	\$7,777	\$391,698	\$21,543	\$29,320
Total	\$705,171	\$38,784	\$1,852,529	\$101,889	\$140,674
Assume 50% Collection Rate					\$70,337
Assume at Least 3 Years Collection Activity					\$250,718
SOURCE: ALLEGHENY COUNTY TAX DATA, TRI-COG ANALYSIS, DELTA ANALYSIS					

Indirect Costs – Blighting Effect on Nearby Parcels

- There appears to be a link between proximity to a blighted property and a decrease in property value
- 2008 Federal Reserve Bank of Cleveland Study - a foreclosed home within a neighborhood can decrease home prices from 0.9% to 8.7%



Indirect Costs - Blighting Effect on Nearby Parcels

- ❑ Used the **Philadelphia model** for calculating property value loss
- ❑ A **decrease** in value of between 15% and 17% to homes within 150 feet of a parcel with a blighted structure
- ❑ Based on an average home sales value in the COG communities of \$90,382, this is an average property value reduction of **\$21,638**



Indirect Costs - Blighting Effect on Nearby Parcels

- ❑ In order to determine the impact, the total market value of properties within 150' of a parcel with a blighted structure was calculated at **\$1.4 billion**
- ❑ It was assumed that the impact would **be between 15% and 17% reduction**
- ❑ The total loss in property value attributable to blighted properties is estimated to be between **\$218 million and \$247 million**
- ❑ The total loss in real estate taxes to the municipalities, county, and school districts is estimated to be between **\$8.5 and \$9.7 million EVERY YEAR**





Reinvestment Effects

A Renewed Approach – Moving Forward

Repurposed
Sites

- **New Development – Vacant Residential Land**
- **Encourage New Rounds of Spending**

Methodology

- **New home construction is most likely to occur in those areas where existing home values exceed the cost of new home construction**

Results

- **The only communities currently where existing home values exceed the cost of new home construction are Churchill, Edgewood, Monroeville, and Plum**



Economic Impact – Residential Construction

- Assuming 70 new housing starts per year for 10 years
- 112 annual construction jobs over 10 years
- **\$3.9 million** in total sales tax revenues
- State Earned Income Tax – **\$1.3 million**
- Local resident income tax of 1.0% adds an additional **\$424,885**



New Cycles of Spending

- Total real estate tax revenues of approximately **\$3.5 million** for local, school district, and county at build out
- Positive property value impact on surrounding properties
- Annual realty transfer tax revenues attributable to new housing development is estimated at about **\$534,900** after first year



A Renewed Approach – Moving Forward

Repurposed Sites

- **New Development – Vacant Commercial Land**
- **Encourage New Rounds of Spending**

Methodology

- **New demand for office space based on the total number of new service jobs projected**
- **Focus is on larger scale office space constructed to meet projected employment forecasts and also potentially constructed on vacant land designated for commercial use**

Results

- **A total of about 880,650 square feet of new commercial space is projected among the fifteen communities with notable projected employment growth**



Economic Impact – Commercial Construction

- A total of **1,201 total one-time construction** jobs are forecast
- In turn, this will generate **\$1.4 million** in state income tax revenues and **\$456,437** in local resident income tax revenues annually
- Total of **\$4.26 million** in sales tax revenues from the purchase of construction materials
- At build-out, the new office space will generate about **\$4.7 million** in new real estate tax revenues – **EVERY YEAR**



Total Annual Impacts

❑ Direct Costs

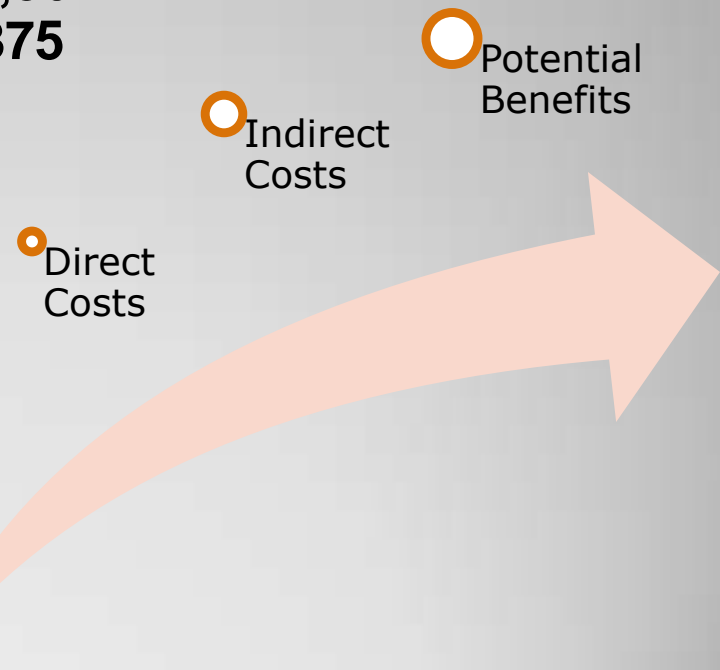
- Cost to Municipal Services **\$10,720,302**
- Cost in Lost Tax Revenue **\$ 8,637,875**

❑ Indirect Costs

- Loss in Property Values Between **\$218 and \$247 million**
- Loss in RE Tax Between **\$8.5 - \$9.7 million annually**

❑ New Development - Economic Benefits

- \$11.8 million - one time
- \$ 8.2 million in New Tax Revenue annually



Direct Costs Annually- \$19,358,177

DIRECT COSTS

Impact on Municipal Services:

Code Enforcement	\$595,350
Police	\$6,400,296
Fire	\$2,378,525
Public Works	\$727,195
Demolition	\$618,936
Total Municipal Services	\$10,720,302

Loss Of Tax Revenue:

RE Taxes - Due to Blight	\$2,758,137
RE Taxes - Due to Vacant Lots	\$2,256,222
EIT- Due to Vacant Structures	\$2,552,475
EIT - Due to Vacant Lots	\$820,323
Tax Collection	\$250,718
Total Loss of Tax Revenues	\$8,637,875

TOTAL ANNUAL DIRECT COSTS	\$19,358,177
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Indirect Costs Annually- Impact on Property Values \$8,574,719 (minimum)

INDIRECT COSTS

Impact on Property Values:

	Loss of Property Value (annual)	Between \$218M and \$247M
	Estimated Loss of Real Estate Tax (annual)	Between \$8,574,719 and \$9,718,019

Indirect Costs Annually- Loss of Economic Benefit \$8,284,294

Loss of Economic Benefit		
	Construction EIT (one-time)	\$3,586,978
	Construction Sales Tax (one-time)	\$8,225,666
	Construction Jobs (one-time)	2,319
	TOTAL Dollars (one-time)	\$11,812,644
	New Resident EIT (annual – build-out)	\$166,692
	Real Estate Tax (annual – build-out)	\$8,117,602
	TOTAL Dollars (annual)	\$8,284,294



Final Comments

- ❑ The cost of blight is over **\$254 million annually** for the Tri-Cog communities, school districts, and county
- ❑ Over a 4 year period, this is over \$1 billion of lost revenue and lost opportunity for the communities
- ❑ Blighted and vacant properties:
 - ❑ Destroy the fabric of the communities
 - ❑ Erode the local tax base
 - ❑ Devalue privately owned real estate
 - ❑ Burden municipal services



Final Comments:

- ❑ Blight costs every person in the Tri-COG communities \$2,267 per household per year.
- ❑ Most importantly, BLIGHT prevents reinvestment because it undermines the value of real estate - making redevelopment improbable, expensive, and unlikely to occur.





Next Steps in the TCC Blight Program

Fight Blight Strategy Program

- 3 Phase, 5 Year

ACTIVITY	PROPOSED SCHEDULE FOR THE PROJECT				
	YEAR 1 2013	YEAR 2 2014	YEAR 3 2015	YEAR 4 2016	YEAR 5 2017
Phase I - Project Identification	X				
Task 1.1 Assess Financial Impact	X				
Task 1.2 Identify and Script Project	X				
Task 1.3 Develop Inventory and Mapping	X	X			
Task 1.4 Identify Capacity Needs	X	X			
Task 1.5 Identify Resources	X	X			
Task 1. 6 Public Engagement	X	X	X	X	X
Phase II - Project Capacity Building					
Task 2.1 Build Organizational Capacity		X	X	X	X
Task 2.2 Research and Adopt Best Practices		X	X		
Task 2.3 Establish Process		X	X		
Task 2. 4 Develop On-Line Tools		X			
Task 2.5 Identify Implementation Tools/Resources		X	X	X	X
Task 2.6 Develop a Legislative Strategy		X	X	X	
Phase III - Project Development/Execution					
Task 3.1 Establish Land Bank			X	X	X
Task 3.2 Assess the Market for Development			X	X	X
Task 3.3 Identify & Prioritize Development Sites				X	X
Task 3.4 Market Sites for Redevelopment				X	X



Could a Land Bank be a Solution?

☐ Land Bank Act of Pennsylvania (2012)

☐ Acquires Property

- ☐ May hold (bank) property

☐ Remediates Blight

- ☐ Must maintain according to code

☐ Disposes Property

- ☐ Must maintain a publicly available inventory
- ☐ May set disposition priorities

☐ We are all already suffering the losses

☐ We have much to gain

☐ We can unlock the economic opportunity of the land



Land Banking Feasibility Study

☐ Legal Structure

- ☐ Partnership with Housing Alliance of Pennsylvania (Irene McLaughlin)
- ☐ Solicitor's Working Group
- ☐ Intergovernmental Cooperation Agreements

☐ Financial Structure

- ☐ Identify Revenue Streams
- ☐ Project land bank volume going forward

☐ Governance

- ☐ Determine Board Structure
- ☐ Develop Policies/Advisory Committees
 - ☐ Board Selection
 - ☐ Property Priorities
 - ☐ Redevelopment Strategies
 - ☐ Community Input

☐ Business Plan Developed in 2014

- ☐ A Tri-COG Land Bank would be the first multi-municipal land bank in the nation.
- ☐ This model can be replicated across Allegheny County and other areas.



Education and Strategy Development through Cooperation and Partnerships

- ❑ Schedule meetings with municipal councils and school boards
- ❑ Continue to engage with other organizations
- ❑ Serve on state and regional panels
 - ❑ Institute of Politics
 - ❑ APA – Pennsylvania – October
 - ❑ Homes within Reach Conference
- ❑ Continue to grow Blight Buster's Program



Questions? Comments?

