

Severely blighted property located between 8th and 9th Street in North Philadelphia. Nearly all of the properties on this block were demolished.



Rebuilding No. Philadelphia, Block By Block Takes Time Is this Urban Renewal 2.0?

By Cherri Gregg Mincey

Each day, thousands of people drive up and down Broad Street in North Philadelphia. As they sit in traffic, the aftermath of white flight to the suburbs and the city's economic decline punctuates each side of the major thoroughfare.

At Broad Street and Fairmont Avenue, the Divine Lorraine Hotel, which once housed some of Philadelphia's wealthiest visitors, sits empty, deteriorating with broken and boarded windows and graffiti. Several blocks up, at the intersection of Broad Street, Germantown and Erie Avenues, the 14-story Beury Building looms large, crumbling and dilapidated as traffic congestion sits just feet away. These are just two of the numerous abandoned, run-down and decaying structures scattered along this main street.

Go east or west of North Broad Street and the blight multiplies. Broken televisions, toilets and drug paraphernalia sit on vacant properties just feet away from where young children jump rope and ride bikes. Here, whole blocks of unoccupied, collapsing row homes, and vacant, overgrown property, line sections of neighborhoods largely occupied by low-income African-American and Hispanic families.

According to a study published by the Housing Alliance of Pennsylvania, as of 2001, there were a total of 60,000 vacant properties in Philadelphia. At the time, roughly 10 percent of Philadelphia's housing, or one in every 50 homes, was abandoned. In a country where the average city with a population of more than 100,000 has only an estimated two vacant properties per every 1,000 residents, Philadelphia has one of the highest numbers of vacant lots per capita.

Although these abandoned properties are sprinkled throughout the entire city, the largest concentration of blight is located in North Philadelphia and is, at least in part, the result of faulty government policy.

When the city began to decline in the 1950s and 60s, the government devised a plan to help revitalize Philadelphia. This plan, referred to as "urban renewal," was supposedly designed to help rebuild the aging city by eliminating blight and attracting new businesses.

"Both the government and the private sector essentially made a decision to not invest in North Philadelphia," says District 5 City Councilman Darrell Clarke. District 5 is located in the central portion of North Philadelphia.

"No mortgage money was put there, so you couldn't privately invest in the community," he says. "The city didn't invest any money in the community. The theory was to let it die on the vine; everybody would leave and then [developers would] come in, knock it down and rebuild."

Unfortunately, the plan backfired.

"Urban renewal was not really a good tactic," says Rose Gray, Vice President of Community and Economic Development for Asociacion Puertorriquenos en March, a state-funded social services agency created to serve low-income North Philadelphia residents.

"In North Philadelphia, between 1970 and 80, the city used urban renewal to displace people; but it left vacant lots—I mean, acres and acres [of them]," she says. "And none of this helped grow the city."

Decades later, Philadelphia—financially strapped and working to combat a slow decline in population and jobs—is still trying to rebuild the northern portion of the city.

According to the most recent Philadelphia City Planning Commission Report on vacant land, the presence of vacant property has a direct impact on the

city's fiscal health. The most direct result is the erosion of the city's tax base.

The assessed value of vacant property is almost always less than that of improved land. A growing inventory of vacant land therefore produces less property tax revenue. In addition, a large proportion of vacant land inventory is tax delinquent, which means it produces virtually no tax revenue. The lack of tax revenue, in turn, significantly diminishes the city's ability to pay for neighborhood services.

Vacant land can also impact the value of adjacent property and the attractiveness of an entire neighborhood, says a report published by the National Vacant Properties Campaign. Homes within 150 feet of a vacant or abandoned property experience an average net loss of \$7,629 in value.

"Once you start getting homes with 1-2 vacant properties nearby, banks will not loan money for repairs," says Sherman Toppin. Toppin is founder of Sherman Toppin Real Estate, a Philadelphia-based law firm specializing in real estate development. Toppin has represented developers with projects throughout North Philadelphia.

"If you start getting vacant homes along a street, you are moving towards a reduction in value," he says.

Another problem with vacant property is its drain on city resources. City government must absorb the cost of demolishing unsafe structures and increased police presence due to the higher likelihood of crime near unoccupied properties. Also, because vacant properties are likely abandoned by the owner, the city is responsible for sealing derelict buildings and maintaining vacant lots to ensure that they are free of debris and safety hazards. These costs



Abandoned building near Maters and Broad Street. The building is directly across the street from a playground.



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Rose Gray,
APM Vice President of Community & Economic Development

The Divine Lorraine Hotel, located at the corner of North Broad Street and Fairmont is a looming example of the abandoned properties permeating this major roadway.

increase the tax burden on all other Philadelphia residents.

Given the tax burden caused by blight, it is surprising that the city has refused offers by individual developers to renovate and rebuild publicly-owned properties in North Philadelphia.

In an email response to written questions, Redevelopment Authority Executive Director Teresa Gillen said the City of Philadelphia owns more than 10,000 vacant lots throughout the city. Many of these properties are located in North Philadelphia.

One such property, located at 1221-25 N. 4th Street in the Kensington section of North Philadelphia, was the subject of a hotly contested bidding war.

The vacant property—a 115-year old firehouse that was decommissioned in the early 1970s—is located near the corner of N. 4th Street and Girard Avenue where nearly half of the properties on the block are vacant and deteriorating.

In late 2006, Kathleen Vissar, principal of Wells Vissar, Inc., and Owen Kimihira, owner of Bar Ferdinand, teamed up purchase the firehouse. Vissar is one of the few artists in the country skilled in the art of scagliola, a 300-year old method of creating faux stone and marble. Vissar, who rents a studio just a few doors down from the firehouse, outgrew her workspace. She and Kimihira want to purchase the firehouse property to expand Vissar's business and to turn the first floor of the building into a community art space. They submitted a bid to the Pennsylvania Industrial

Development Corporation, offering \$400,000 for the property.

"The community loved our proposal," says Vissar. "The support was unbelievable. It was unanimous. I mean, these people fight against each other on everything, but they agreed that this project was good for the neighborhood."

The PIDC accepted the bid, but could not sell the property without City Council approval, says Thomas Dalfo, PIDC Vice President of Real Estate Services.

"The city has a very clear process for how it can dispose of real estate," he says. "We are only involved in determining who gets property if there is a need for a competitive process. If there is a reasonable proposal, we will take it to the city for approval."

The acquisition process requires that the councilman in the district where the city-owned property resides support the proposed project and introduce it to the entire City Council for approval. If approved, the City Council will pass an ordinance authorizing the sale of the property to the proposed buyer.

Vissar and Kimihira went to Clarke, the councilman for the district where the firehouse is located, and asked for his blessing.

"Councilman Clarke came here," says Vissar. "He seemed supportive."

Before the deal was approved, however, Vissar and Kimihira learned that a large developer also had its eye on the firehouse. The developer wanted to turn the property into condominiums and



“The city has a fiscal responsibility. Revitalizing the neighborhoods is as important as balancing the budget. You must keep the neighborhood alive.”

**Owen Kimihira,
Owner of Bar Ferdinand**

Left and Right: The 1221-25 N. 4th Street Firehouse. Although city tax records indicates that the property is occupied by the Department of Recreation, little has been done to upkeep the property.



offered the city \$1.2 million, trumping Vissar and Kimihira’s bid. Ultimately, the city refused to accept either proposal.

According to the Clarke, the major problem with moving forward with the sale of the firehouse was the difference in price between the two bids. Vissar and Kimihira’s offer was \$800,000 less than the developer’s.

Vissar claims that her bid was comparable because the city would earn the \$800,000 difference in value through property taxes over a ten-year period--taxes she says the developer would avoid through the city’s tax abatement program.

“The people wanted Wells Vissar to have the property,” says Clarke.” “But the city could not justify giving the property to Wells Vissar for such a low bid. When [local residents] said they would block the zoning needed for the developer [to turn the property into condos], the whole deal kind of went by the wayside.”

That was more than three years ago. The firehouse still sits unoccupied and neglected, with boarded windows, a graffiti-stained exterior and no sign of life.

“It’s a crime for that building to be vacant,” says Lois DiDomenico, chairwoman of the Kensington South Neighborhood Advisory Council’s zoning committee. “It is a historical building—to let it deteriorate is just wrong.”

Both Vissar and Kimihira are disappointed that the building remains vacant.

“It’s really disturbing,” says Kimihira. “The city has a fiscal responsibility. Revitalizing the neighborhoods is as important as balancing the budget. You must keep the neighborhood alive.”

Despite significant community support, the reality is that Vissar and Kimihira operate small community-based businesses. They do not have the money or the political clout to get a development project—even a small one, like the firehouse—off the ground.

“The process of purchasing city property is very cumbersome,” says Toppin, who has significant experience navigating those muddy waters.

“You can’t just buy a vacant lot, you have to have a team. You have to have a plan. You have to have a lawyer. You have to have a builder. You have to have access to financing. You need familiar faces on your team-- faces that are known to the councilman to have a track record for completion.”

The process of purchasing city-owned property also involves politics, especially when there are competing bids. Indeed, the firehouse is just one of the many properties in North Philadelphia, and specifically in the 5th District, where competing bids for a particular property has slowed progress. Many of these properties have remained vacant for years, despite developer and community interest.

“When there are competing bids, it can create a situation where both are denied,” says Toppin. “[City] Council doesn’t want to drive a developer out of the city by choosing someone with no track record or experience over a more experienced developer. This can create paralysis, especially when it comes to some of these key lots.”

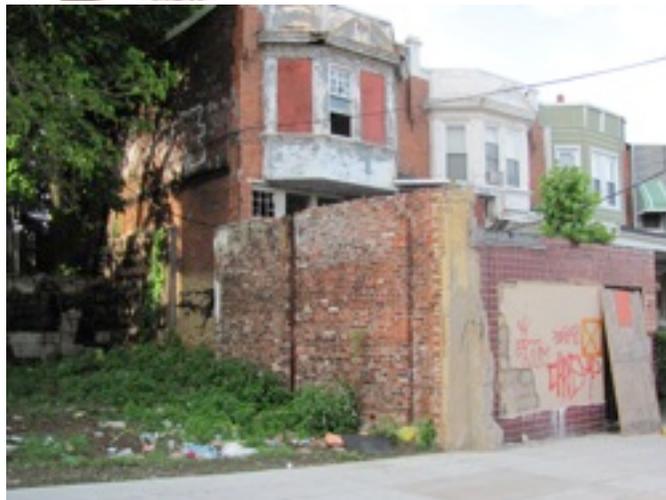
There are numerous other reasons why development is slow. The city has a 50-year plan. If a proposed project does

not fit in this plan, City Council will not approve. If the developer doesn’t offer enough money or does not demonstrate community support, City Council will not approve. If the developer doesn’t have financing or clear evidence indicating that the project will be completed in a reasonable time, City Council will not approve. And there are many, many other variables involved that could cause a project and proposed development to stall.

In January of this year, the Philadelphia City Planning Commission published its most recent plan outlining the goals for developing Philadelphia. A huge part of the development plan includes building affordable and mixed income housing in North Philadelphia and throughout the city.

Many cities, including Philadelphia, use state, local and federal funds to construct affordable housing to help stabilize weak, deteriorating neighborhoods. The argument is that once these neighborhoods are viewed as safe, people will move in and the private sector will begin to invest in the neighborhood.

Asociacion Puertorriquenos en March has seen remarkable improvement in the central portion of North Philadelphia where they built hundreds of affordable housing units. Although APM is a social services organization that helps community residents with issues such as drug and alcohol addiction, HIV prevention and mental health services, the organization’s leadership realized that it was sending its client to devastated neighborhoods. APM knew it had to do more to help build the community.



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Darrell Clarke,
City Councilman, District 5

Top Left and Right: Vacant property located just a few blocks east of North Broad Street. The property has scattered trash and debris all around the perimeter. **Bottom:** Vacant residential property in a neighborhood along Germantown Avenue.

“APM was one of the first community organizations to provide a strategic [community development] plan,” says Gray. “In 1990, the question was why don’t we just build a gated community and just sell it for market rent? But, that is gentrification. The directive I was given and the direction that APM went in was to take the slow route and to incrementally rebuild the community for the residents that live there.”

For the past 20 years, APM has worked to slowly rebuild North Philadelphia, block by block. APM is staunchly opposed to gentrification; it wants to build community wealth by rebuilding low-income neighborhoods and educating residents.

“We knew that if, incrementally, the city, the state and federal government and some funders believe in the mission of APM and supported us over a number of years, we knew we would be able to accomplish a wealth building strategy,” says Gray. “They bought into it and we have been able to build several housing developments and were able to provide 210 units of affordable housing on lots

that were once devastated by urban renewal.”

In addition to affordable rental units, APM has generated 58-homeowner-occupied units for low to moderate-income families, with an additional 53 units in the final planning stages. The organization also manages hundreds of low-income rental properties and has been instrumental in the development of several quality of life projects, such as the building of a supermarket, daycare and financial center near 5th and Berks Streets.

APM works hard to avoid the mistakes made during urban renewal. Its goal is not to displace low-income residents, but to give them the opportunity to live in a better neighborhood.

“Most of our properties were [built on] vacant land,” says Gray. “Over our 20 year history, we probably relocated 40-50 families. We allowed renters to move anywhere in the city or in New Jersey and use their [rental] voucher. Homeowners could get a [new] house. No one was unhappy.”

Although APM’s progress is commendable, the process of creating affordable housing is long, slow and extremely expensive. The organization has spent the last 20 years, as well as tens of millions of dollars, to build only 300 rental and homeowner units when there are thousands of additional vacant properties in need of revitalization and tens of thousands of residents in need of low-income housing.

The problem with building affordable housing is that, many times, the cost of constructing the units is significantly more than the value of the finished product.

For example, due to prevailing wage and union issues in Philadelphia, it may cost \$170,000 to build a house in North Philadelphia. To make this same house affordable, construction costs must be subsidized by the city or state government so that low to moderate-income residents can purchase the property for an affordable price.

Affordable housing units sell for anywhere between \$40,000 to \$120,000, depending on the buyer’s income. The



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Sherman Toppin, Esq.

Top: APM Housing Community;
Bottom: APM quality of life project, includes a grocery store, laundry mat and other amenities to support the new affordable housing community.

difference between the construction cost and the sale price, or the “gap,” is what government tax benefits, grants, subsidies and financing pay.

“The local, state or federal government will never be in a position to fully rebuild North Philadelphia or areas similar to that because the cost associated to that is prohibitive,” says Clarke.

Instead, the goal is to get the private sector to start developing in the area. Thus, it is surprising that the city is so willing to deny requests by smaller developers, like Vissar and Kimihira that intend to build businesses and create jobs.

“No development is [viewed as] better than development that is short sighted,” opines Toppin. “Based on my experience, the city would rather let

vacant land sit there and do nothing [so that] they can land bank and amass an entire city block and sell it for development. This is why the city won’t move on some individual requests for property—they have a loftier goal. The only problem is, it will take a decade to get there.”

With nearly half of the block vacant and abandoned, residents on N. 4th Street near the firehouse may soon have no choice but to move out of the neighborhood.

“People in the neighborhood wanted us here,” says Vissar. “They don’t want us to leave. They don’t want me to leave...but I am going to have to, eventually.”

This process of rebuilding neighborhoods slowly, to avoid gentrification is supposedly designed to

avoid resident displacement. Yet, the process is not perfect. Inevitably, some residents will be displaced, either because they cannot wait the many years it will take to rebuild, or because the rebuilding itself forces them out.

City politicians are mindful of this dynamic because their jobs depend on it, but they make the hard decisions they believe are best for the residents.

“I went through a whole lot,” says Clarke. “I got criticized, I got demonstrated on because the strategy to build new housing always requires displacement. I felt comfortable with the strategy because I knew that the residents would be able to come back and live there.”