



Effective, Efficient and Equitable Code Enforcement Strategies

June 15, 2021

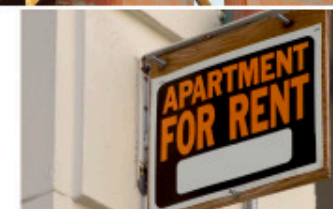
National Association of Realtors

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Presentation Outline

- I. Property Condition is Critical to Community and Housing Market Health
- II. Modern Code Enforcement - Equitable, Efficient and Effective
- III. Assisting Vulnerable Owners
- IV. Discussion



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Reactivate Vacant Properties



- Reduces crime, in particular gun-related violence



- Improves health of residents



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



- Increases tax revenue for city and school district

Repair Occupied Properties

Improve health

Preserve the city's
iconic housing
stock

Create
neighborhood
jobs

Allow seniors to
age in place

Become a more
resilient city

Revitalize
neighborhoods

Slow the decline of
home ownership

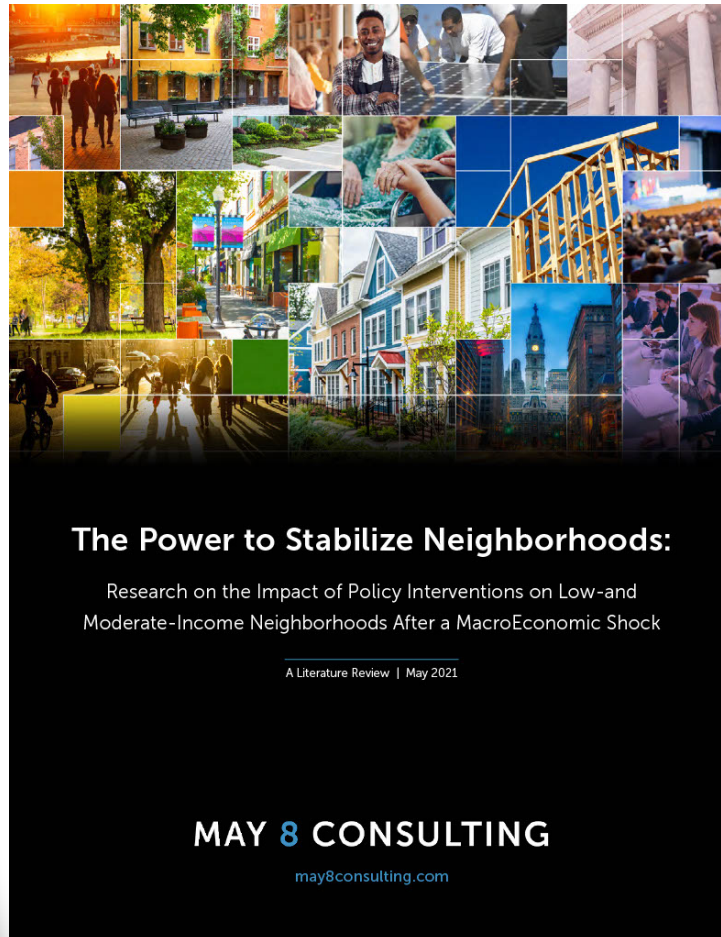
Stop
abandonment

Improve school
performance

Lower healthcare
costs

Prevent
displacement

More Studies at www.may8consulting.com



Code Enforcement

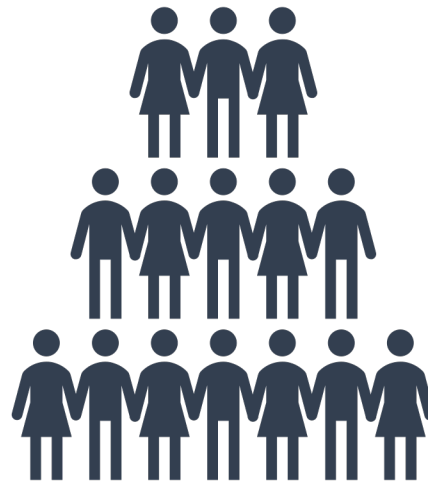
Studies show that proactive code enforcement with consistent inspections can improve the condition of the municipality's housing stock and reduce the number of unsafe or substandard rental properties. Some evidence supports the ability of minimum vacant building condition standards to trigger new investment, raise surrounding values, and reduce crime.

| Studies & Publications | Summary |
|---|--|
| Andrew Samuel, Jeremy Schwartz, and Kerry Tan, "Licensing and the Informal Sector in Rental Housing Markets: Theory and Evidence," Contemporary Economic Policy (2020). | Using a unique dataset from Baltimore City, the authors find that rental licensing increased the quality of housing while having only modest negative effects on affordability of rents and homelessness. Similarly increasing fines on underground rental units that are not licensed, increases housing quality while raising rent modestly. |
| Ann Carpenter, Emily Mitchell, and Shelley Price, "Blight Remediation in the Southeast: Local Approaches to Design and Implementation," Federal Reserve Bank of Atlanta Community and Economic Development Discussion Paper Series (November 2015). | The paper examined New Orleans, Louisiana, and Macon, Georgia, as case studies for cities attempting to remedy extensive blight. A lack of data collection and targeting made it difficult to determine whether New Orleans' BlightSTAT and Macon's code enforcement and property improvement campaigns had affected neighborhoods. |
| Michelle C. Kondo et al., "Correction: A Difference-in-Differences Study of the Effects of a New Abandoned Building | The study focused on Philadelphia's Doors and Windows program launched in October 2011 that required owners of vacant buildings on blocks with at least 80% occupancy to install windows and operative |

What is Code Enforcement

Housing and Building Code Enforcement is a system of law and policy that helps to establish and enforce minimum standards for healthy and safe neighborhoods for all.

Code Enforcement isn't just inspectors...



Goal of Code Enforcement



Goal for enforcement strategies is to cause owner to comply with least amount of intervention

from:

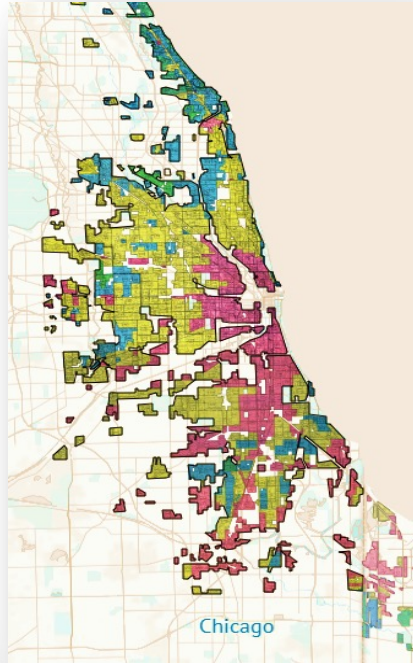
I'm going to ignore you

to:

How much time do I have to comply?

...but I could really use a little help!

An Approach that Centers Equity

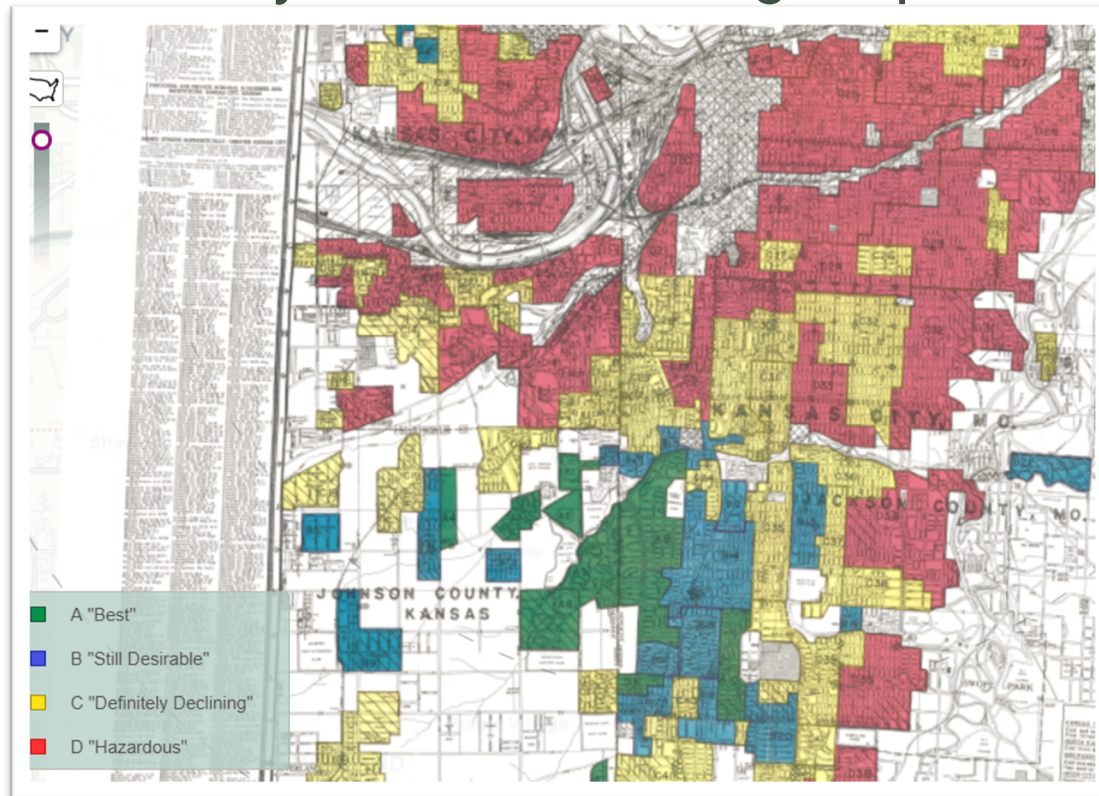


Neighborhood development and fighting “blight” has an inequitable history

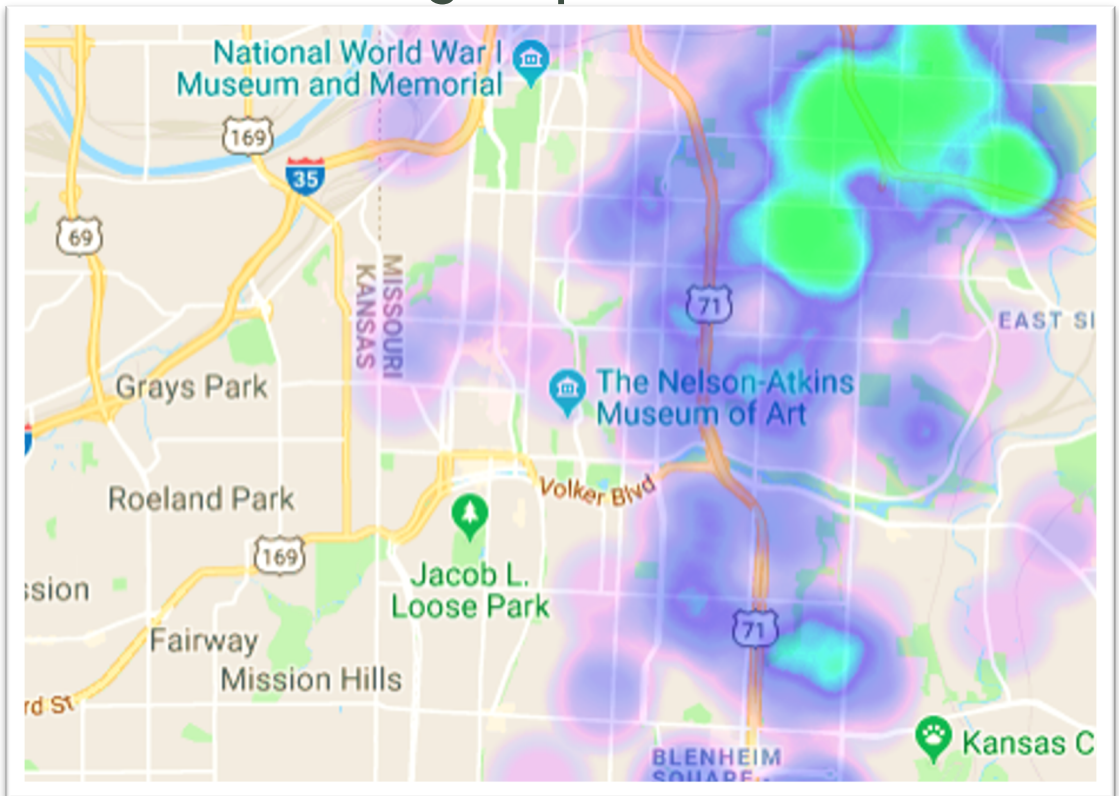
- “Redlining” - denied mortgages in “hazardous” neighborhoods – eliminating access to capital
- FHA race-based restrictive covenants - prohibited white homeowners from selling to black purchasers where mortgages insured by the federal government
- Urban renewal - disproportionately impacted black homeowners and business owners
- Exclusionary zoning ordinances adopted to institutionalize segregation
- Underappraisal of Black-owned homes & over assessment of homes in Black neighborhoods for tax purposes

Dangerous Buildings in Redlined Areas

Home Ownership Loan Corp Kansas
City 1930's Redlining Map



Heat Map of Kansas City Dangerous
Buildings OpenData KC



Code Enforcement is Equitable

Recognize different types of owners and properties

Advance strategies to address social and economic inequities rather than enforce status quo

Ensure no one must live in unhealthy, unsafe conditions

Meaningful community partnerships

Assist vulnerable owners who can not afford repairs

Prevent displacement

Focus on property and not owner - limit use of criminal fines or penalties

Code Enforcement is Effective

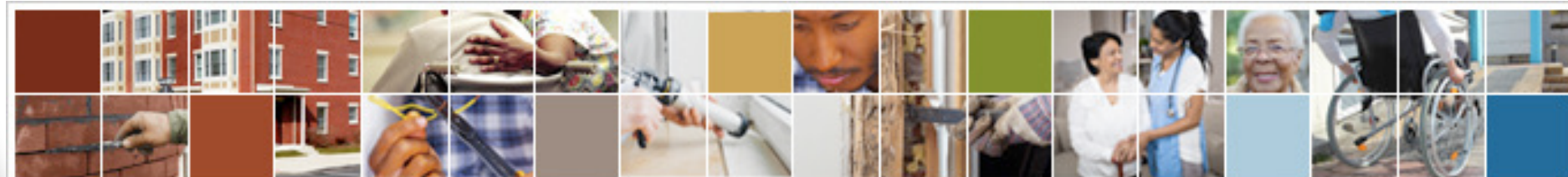
- Clear Goal

revitalize neighborhoods?

preserve privately owned
affordable housing?

allow seniors to age in place?

- Strategies tailored to achieve that goal



Effective Code Enforcement Allows Government to:



- Identify vacant, abandoned properties and rental properties
- Proactively enforce standards
- Communicate quickly with owners including lenders
- Use data to track and monitor outcomes
- Align partners and programs around top priorities

Efficient Code Enforcement – Achieve Compliance In Shortest Amount of Time

Inspect rentals proactively

Notify owners of standards to be met

Target willful neglect of properties

Focus on health and safety

Coordinate with police, fire & partners

Reward good landlords

Data & Technology

For Vacants: Fix it Up, Pay it Up, Give it Up

Innovations in Efficiency and Cost Effectiveness



- Fair annual registration fees and penalties support budget
- Inspection innovations to achieve big impact with fewer dollars
 - Proactive – multi-year cycle
 - Portfolio-wide
 - Third party inspector use
 - Limit to health and safety violations
 - Technology and support staff to increase inspector efficiency

Innovation Focus: Shift to Code Compliance

- Education – change culture
- User-friendly information - clear letters and violation notices
- Community partnerships based on shared goals
- Help tenants with social workers/tenant navigators



Minneapolis: All Together Now, Tiered Inspections and Tenant Navigators

All Together Now Program Evaluation

To foster a sense of community, build relationships with partners and proactively engage neighborhoods with higher instances of nuisance violations, All Together Now (ATN) was launched in 2013. ATN is an annual initiative that partners with community associations and Minneapolis businesses to help our neighborhoods maintain and improve their properties. ATN is part of a larger organizational shift from enforcement to engagement.

The neighborhoods that are part of ATN change on a yearly basis. In total, about 25% of neighborhoods in Minneapolis have in been ATN at least once.

The neighborhoods that were in the program in 2018 were:

- | | | |
|----------------|----------------|------------------|
| •Victory | •Webber-Camden | •McKinley |
| •Marcy-Holmes | •Como | •Holland |
| •East Phillips | •Central | •Powderhorn Park |
| •Howe | •Hiawatha | |

This dashboard:

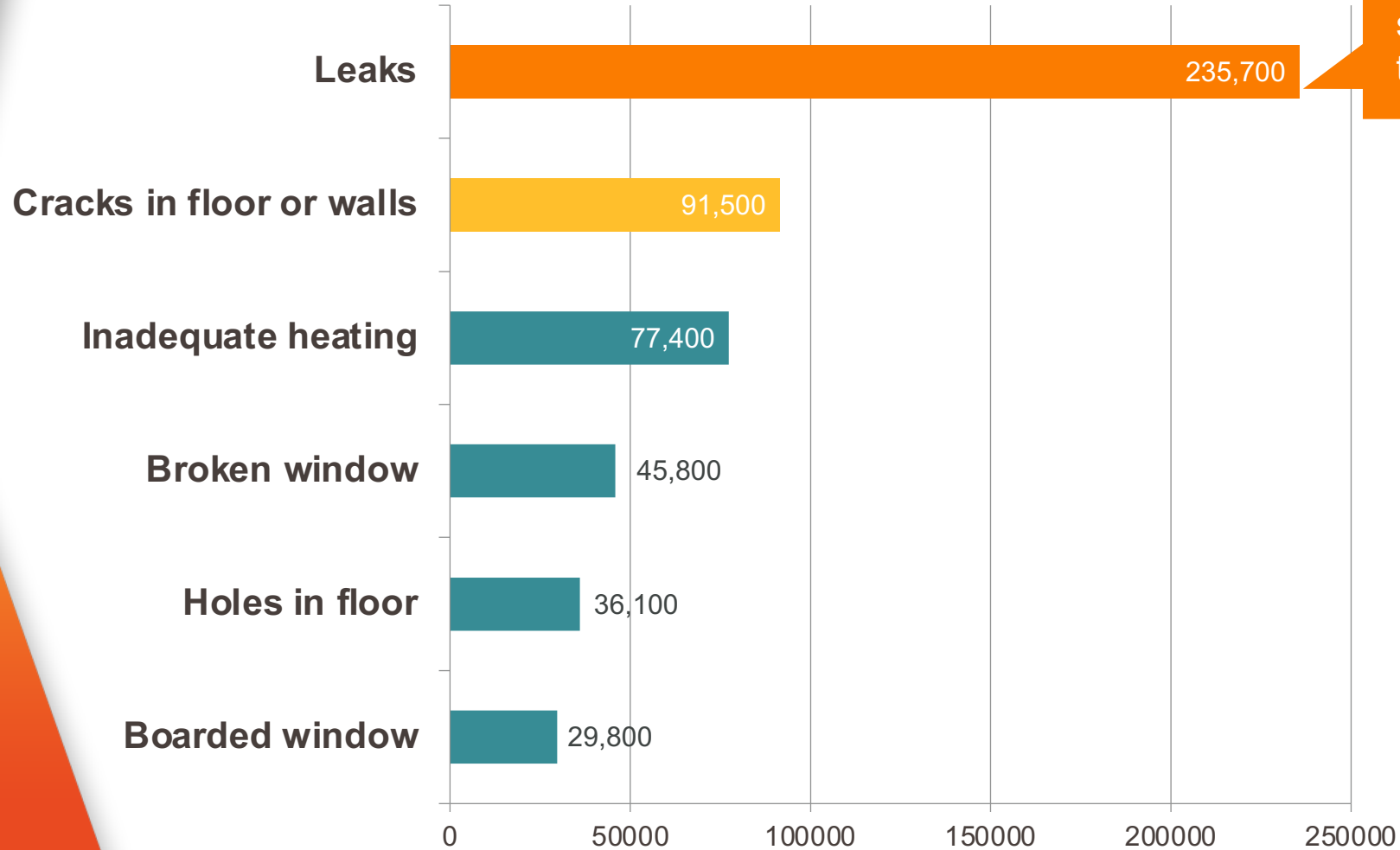
1. Demonstrates the impact ATN has had over the last seven years.
2. Highlights the success observed in the Willard-Hay, Central and Hiawatha neighborhoods.
3. Provides recommendations on how ATN adapt to stay relevant.



When Owners Are Unable to Finance Repairs



Leaks Most Common Repair Need in Philadelphia



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

Source: American Housing Survey, 2013



Philly Homeowners of All Incomes Need Health-Related Home Repairs

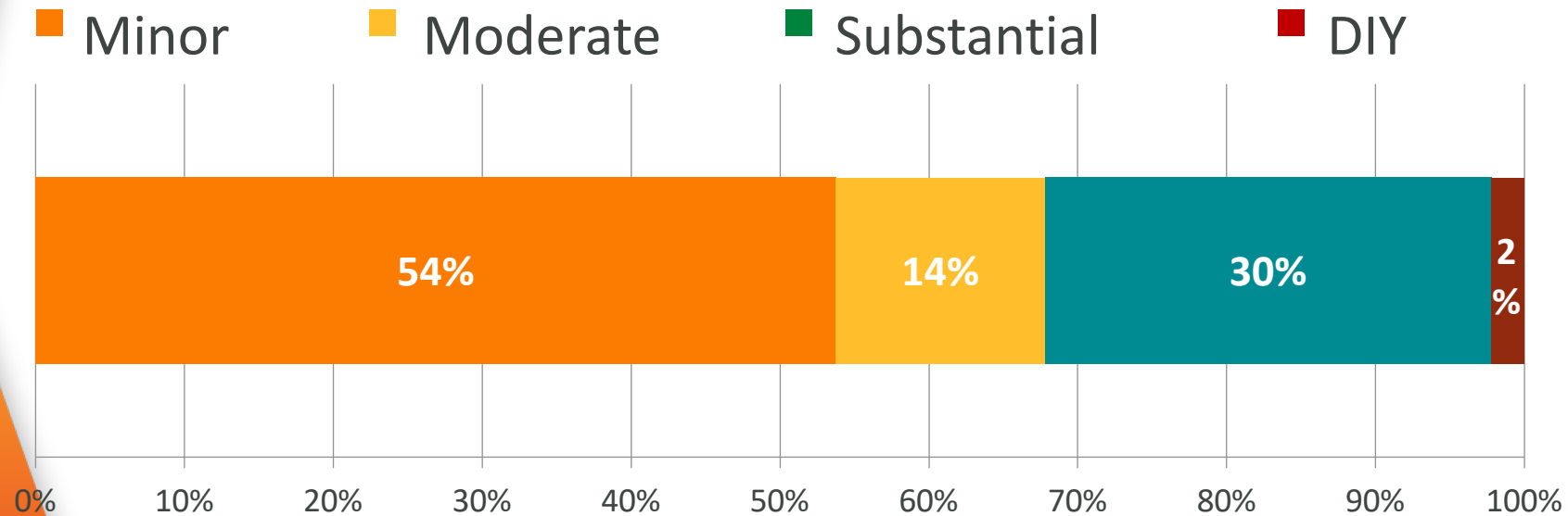
Homes with Health Repair Needs

| | | | |
|-----------------------------------|---------------------------------|--------------------------------------|-------------------------------|
| 39% | 13% | 31% | 17% |
| Very Low Income Under \$24,300 | Low Income \$24,300-\$36,450 | Moderate Income \$36,450-\$85,000 | High Income Above \$85,000 |

American Housing Survey, 2013



54% of Philly Rowhouses Needing Home Repairs Can be Addressed for ~\$10,000



NOTE: Excludes 29,700 households that did not disclose their tenure



Shortfalls in Private Capital Flowing to Older and Lower Value Homes

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

Philadelphia Federal Reserve Study



62% Home Repair Loan Denial (2012-2014)

| | Home Purchase | Housing Refinance | Home Repair |
|------------------------------|---------------|-------------------|-------------|
| Philadelphia Applications: | 55,300 | 100,000 | 24,197 |
| Philadelphia Denial Rate: | 11% | 24% | 62% |
| <i>National Denial Rate:</i> | <i>13%</i> | <i>17%</i> | <i>37%</i> |

Source: Home Mortgage Disclosure Act Filings, 2012 to 2014



Smaller Loans Denied Frequently

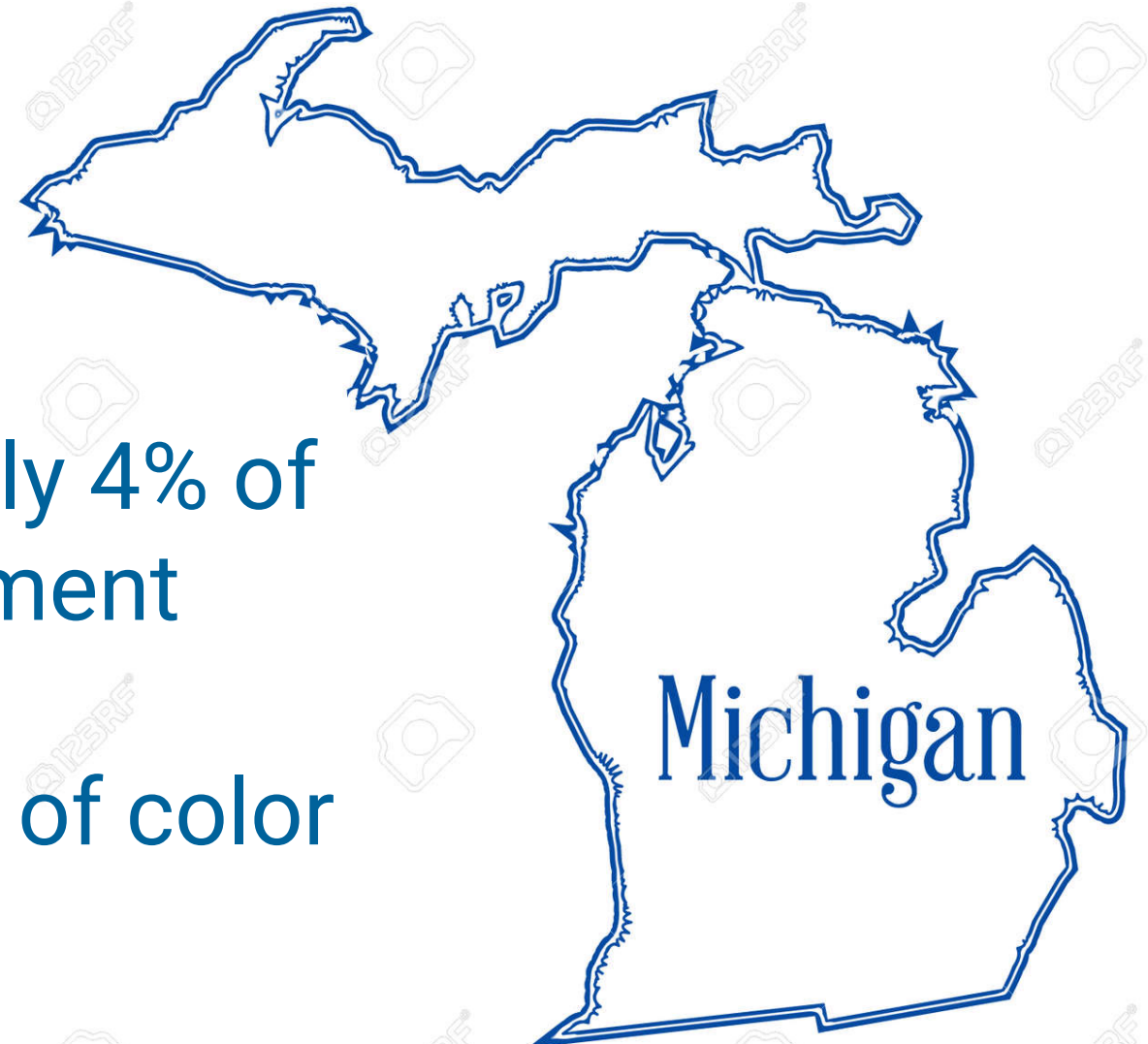
| | Home Improvement Loans | Less than \$25K | Less than 50K |
|-----------------|------------------------|-----------------|---------------|
| Applications | 1,914,864 | 172,290 | 396,674 |
| Originations | 1,143,665 | 76,255 | 196,751 |
| Denials | 450,246 | 75,186 | 151,771 |
| Percent Denials | 24% | 44% | 38% |

Few of 74,134 Neighborhoods Received Substantial Home Repair Capital (2010-16)

| Size of Loan | Census Tracts with 5-15 loans | Census Tracts with 16-25 loans | Census Tracts with More than 25 loans |
|------------------|-------------------------------|--------------------------------|---------------------------------------|
| All Repair Loans | 33,265 (45%) | 14,192 | 12,789 (17%) |
| Loans < \$25K | 3,501 (5%) | 89 (.1%) | 4 (<.1%) |
| Loans < \$50K | 12,713 (17%) | 1,004 (1.4%) | 176 (.2%) |

Neighborhoods of Color Receive only 15% of Home Improvement Loans Nationally

In Michigan, only 4% of home improvement loans go to neighborhoods of color



National HMDA Analysis 2010-2016

Home Repair for Vulnerable Homeowners

- Grants
- No or Low-Interest Loans
- Forgivable or Deferred Loans
- Weatherization/Energy Efficiency
- Nonprofit/Faith Based Program
- Hospital Funded Program

San Antonio's Owner Occupied Rehabilitation and Reconstruction Program - Deferred forgivable loans to homeowners with incomes less than 80% AMI whose homes after repairs have an appraised value under \$178,000.



Home Repair Programs for Mom & Pop Landlords

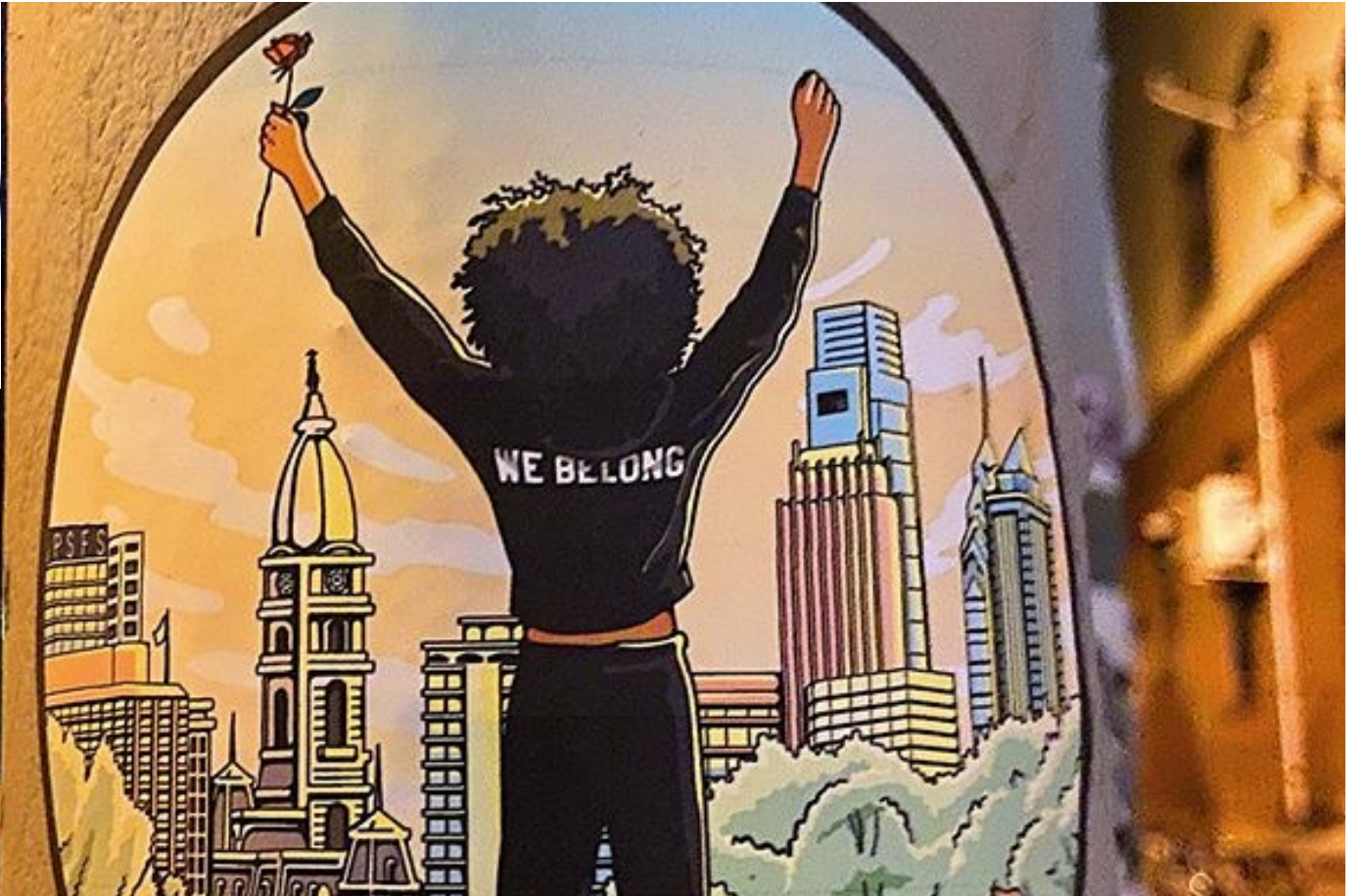
- Loans
- Loans with affordability conditions
- Hospital patient -based programs
- Energy Efficiency

Milwaukee Rental Rehabilitation Loans

Forgivable loan up to \$14,999 per unit where landlord agrees to rent 2-bedroom or larger to low-income households.



Goal is All Owners Contribute to a Healthy Community (with a little help where needed)



Art found on South Philly telephone pole, Artist unknown



DISCUSSION