

Private Real Estate Developer Attitudes
Towards Vacant Lot Reuse and Associated Policy Reform:
A Case Study of the Homewood Neighborhoods
in Pittsburgh, Pennsylvania

A thesis

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Abstract

The purpose of this thesis is to explore which types of vacant land reuse scenarios elicit the strongest interest from the private, for-profit sector. Vacant land and abandoned buildings contribute to the extreme blight in many neighborhoods throughout the country. Current policy related to vacant land reuse does not draw significant interest from the private sector, a sector with a high level of technical expertise and risk taking capability. Through this research I explore private, for-profit real estate developer attitudes related to hypothetical policy scenarios. I use the Homewood neighborhoods of Pittsburgh, Pennsylvania as a case study. Through interviews I capture developers' stated preferences for policies that support site assemblage of scale, including Land Banks and Scattered Lot Acquisition by Block. Interview results highlight developers' preferences to work on vacant land reuse projects in "transitional" neighborhoods as opposed to "very distressed" neighborhoods.

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Chapter 1: Introduction

Vacant lands and abandoned buildings are scattered across urban America. Beginning with deindustrialization in the 1950s, followed by population migration to inner suburbs, a mass of urban lands have been sitting vacant for decades. For those urban areas with strong markets, and renewed population growth, redevelopment of these vacancies is commonplace. But, for other urban centers, where population loss was never followed by significant growth, vacant land is abundant and is contributing to the rapid decay of those neighborhoods. To add to the already grim urban landscape in these areas, the recent mortgage crisis, marked by the burst of the housing bubble in 2007, resulted in record foreclosure rates causing a significant increase in abandoned properties and vacant lots. Vacancies surged between 2006 and 2008 reaching record highs in 2009 (JCHS 2010), and there is evidence that in some metropolitan areas vacancies are still rising (U.S. Census Bureau 2011). As communities experience an increasing number of foreclosures, the economic vitality of neighborhoods is continually depleted. Vacant and abandoned homes contribute to neighborhood blight, increased crime rates, decreased nearby properties values, and health risks due to hazardous dumping and fire hazards (Pagano and Bowman 2004, Hollander 2009).

Abandoned lots and vacant land undermine the effort to restore and revitalize neighborhoods (Lubove 1996). The broken window theory posits that physical signs of disinvestment in one area create the perception of disinvestment in the surrounding area (Wilson and Kelling 1982), which frequently contributes to a self-fulfilling prophecy of blight. Vacant property can easily become a downward spiral unless some entity steps in to stabilize the market. Paul Shigley (2009) sums up the situation well here:

When abandoned properties start to accumulate—even as few as two or three on one block—a neighborhood can start to slide downhill. The abandoned houses attract vandals and vagrants. Property values drop. Lenders become hesitant. Soon, other home owners find themselves owing more on mortgages than properties are worth and are unable to sell, leading to more foreclosures. (9)

Vacant lands not only impact the neighboring residents, but long standing vacant lots ultimately result in inadequate tax-revenue for the city to provide general city services to the remaining residents. This large-scale problem is a true threat to our communities.

For the purposes of this thesis, both abandoned buildings, and empty lots are relevant to the prospective solutions for transformative revitalization in distressed communities. Therefore, this document draws from one of Pagano and Bowman’s inclusionary definitions of vacant land: vacant land that is “composed of abandoned and dilapidated structures or parcels where buildings have been razed” (16). Here Pagano and Bowman define vacant lots “in terms of abandonment, whether residential, commercial or industrial” (ibid.).

Planners and policy makers have long tried to implement strategies to reduce blight, and enhance areas suffering from large numbers of vacant lots and abandoned buildings. The impetus for such planning efforts is “to make communities better than they would have been in the absence of planning” (Bunnell 2002, 16). The term “revitalization,” used throughout this thesis, refers to these planning efforts focused on positive community change, including an improved quality of life for existing and future residents. Such quality of life improvements may relate to an improved local economy, significant physical investment throughout the community, and an increased level of

safety. The concept of revitalization should not be confused with efforts to displace current residents, but rather to create a renewed sense of energy, pride and commitment to place among community members. Revitalization can be understood as a means to “remove empty building that are health and safety hazards, and utilize properties to create more connected neighborhoods” (Center for Community Progress 2011, 1).

When dealing with communities with such clear physical disinvestment, true and long-lasting revitalization can only come from catalytic change, or what the Pennsylvania Department of Community Economic Development’s Community Action Team calls “high impact investment” (n.d.). Throughout this document the term “transformative” refers to catalytic projects that have significant positive impacts for neighborhoods. Such transformation may be marked by projects that attract additional commercial development, new commercial tenants, and stimulate revitalization and community engagement that was not present prior to investment. Transformative revitalization, as described here, is understood as a major goal of the planning community. To that end, this thesis investigates the potential to create such transformative revitalization by maximizing the engagement of real estate developers in the private, for-profit sector.

Based on the current policy frameworks and incentives for stakeholders to invest in vacant lots, this thesis explores **what types of vacant land reuse scenarios elicit interest from real estate developers in the private, for-profit sector and why**. Exploring this topic requires an understanding of the following sub-questions:

- *How and through what means has the private, for-profit sector been involved in vacant lot reuse, specifically in transformative projects?*
- *What are examples of the private sector at work?*
- *What are the historic patterns of private, for-profit-sector re-use and how did policy and planning frameworks target this private sector development?*
- *What are the barriers to vacant lot reuse?*

It is increasingly important to understand the private sector's attitudes and motivations to invest in vacant lots that are often times found in distressed neighborhoods. In the summer of 2011, the Federal Housing and Finance Administration (FHFA), together with the U.S. Department of the Treasury and the U.S. Department of Housing and Urban Development (HUD), released a Request for Information (RFI) looking for respondents to "solicit ideas for sales, joint ventures, or other strategies to augment and enhance Real Estate-Owned (REO) asset disposition programs" for federally owned land (FHFA 2011, 1). In total, the federal government has an inventory of a quarter-million distressed Real Estate-Owned properties (Perkins 2011). Through this RFI these agencies were specifically looking for concepts that "maximize the economic value that may arise from pooling the single-family REO properties in specified geographic areas" (ibid.).

Ultimately, these agencies are invested in stabilizing neighborhoods from this most recent housing bubble, and at the same time increasing the supply of rental housing. This thesis research focuses on private, for-profit real estate developers' attitudes toward vacant lot reuse scenarios in one particular neighborhood cluster. A thorough understanding of the potential of the private sector as related to vacant lot redevelopment in this one area may shed light on theories relevant to private sector

reuse of vacant land in other areas, including vacant or underutilized federally-owned real estate.

The methods used in this research center on a case study of one particular neighborhood cluster in Northeast Pittsburgh, Pennsylvania. After performing a mapping analysis of this neighborhood sector, and interviewing staff from the Pittsburgh city planning department, the Urban Redevelopment Authority (URA), and directors of Pittsburgh Community Development Corporations (CDCs), I created reinvestment scenarios that I presented to private, for-profit developers during personal interviews. These interviews with the private developers uncovered development scenario preferences held by individuals in the private sector and ultimately provided a framework for ways to maximize the engagement of the private sector in the reactivation of vacant lots.

The following chapters include a comprehensive literature review, details on the research methodology, and information covering data analysis and results from a case study. The final two chapters provide a discussion of these results and conclusions, including suggestions for future research.

Chapter 2: Literature Review

The following literature review pulls from a number of electronic databases including Web of Science, Academic One Files, SAGE and the Journal of the American Planning Association. Reports from the Lincoln Institute of Land Policy, the Brookings Institute, the Center for Community Progress, and the Urban Land Institute are included as well. Searches in Google and Google Scholar were also conducted to identify other relevant reports or studies. While more time was spent with literature from 2000 and beyond, literature from the late 1980's through 2000 were included to capture the historical elements of private, for-profit sector engagement in neighborhood revitalization, including past federal programs that provided incentives for this sector. Search terms included: vacant lots, abandoned property, private development, reuse of vacant land, land banks, Pittsburgh, Baltimore, Cleveland, Detroit, Philadelphia, public-private partnerships, real estate developers, redevelopment, redevelopment incentives, and infill redevelopment. Local, state, and federal government websites provided information on current programs focusing on vacant lot redevelopment and incentives for revitalization projects. In order to capture the most recent updates on programs, proposed legislation, and public perception of the vacant lot issue, newspaper articles and municipal press releases in cities experiencing a high volume of vacant lots were also used as resources.

The first section of this literature review covers the current frameworks for vacant lot reinvestment as related to the private sector. The second section details the barriers to vacant lot reuse. The final section concludes with a summary of the current limitations

that stunt vacant lot reinvestment along with potential future solutions that involve maximizing the engagement of the private, for-profit sector in this issue.

Frameworks for Vacant Lot Reinvestment as Related to Private, For-Profit Real Estate Developers

A variety of models for vacant lot reuse encourage private, for-profit developers to acquire and redevelop land. A review of the literature reveals three themes that frame the means by which private, for-profit developers return vacant lands to productive uses: (1) Federal, State, and Local Incentives, (2) Local Government Planning Approaches, and (3) Local Non-Government Planning approaches. These three themes are explained in detail, below.

Theme 1: Incentives

The federal government has acknowledged the need to provide incentives to encourage development in low-income neighborhoods, that otherwise lack development interest. In order to spur productive land use, and stimulate development in these often times low-income neighborhoods, the government offers several programs that provide tax-credits, grants, and guaranteed loans. The private, for-profit sector has therefore been involved in vacant lot redevelopment by taking advantage of these federal, state, and local funding programs. The following brief overview provides a snapshot of the available federal incentives targeting areas experiencing disinvestment. Full descriptions of these programs are listed in Appendix A.

According to HUD's 2011 initiatives, ongoing tax credit programs include Low-Income Housing Tax Credits (LIHTC) and New Market Tax Credits (NMTC), two programs that offer credits to tax-paying entities that invest in either housing developments in low-

income areas, or Community Development Entities (CDEs) that are investing in low-income communities. Other tax-credit programs include the Empowerment Zone (EZ) program which offers tax credits to businesses locating in designated areas of high poverty and unemployment. HUD grant programs include the HOME Investment Partnership (HOME) and the Community Development Block Grant (CDBG) program, two programs that provide funding to local governments to be used to improve affordable housing opportunities or invest in neighborhood revitalization and economic development projects that benefit low and moderate income individuals. In addition to these programs, HUD offers a Section 108 guaranteed loan program that provides additional capital to be used for housing rehabilitation, or other economic or large-scale development projects. Still, other initiatives such as the Economic Development Initiative (EDI), provide further funding for development projects that are already supported through the CDBG program or the section 108 loan program, while the Brownfield Economic Development Initiative, provides funding for the development of vacant, abandoned, or underutilized areas with expected environmental contamination.

The history of past incentive programs for economic development is in many cases wrought with tension. Between the failure and distaste of the 1950's and 60's urban renewal efforts and the 1966 Model Cities program, the private development sector has endured a negative reputation in low-income areas by nature of the policy incentives that drove slum clearance and caused major displacement. After these programs fell short of their goals, and in many cases caused major displacement of low-income residents, federal policy evolved (Dreussi 2005, 121). The Urban Development Action Grants (UDAG), offered between 1977 and 1989, was an outgrowth of these programs,

and has been documented to have succeeded in stimulating significant private investment in distressed urban areas, and offered a model to attract private development (Barnekov 1993; Reed 1989).

Incentive programs for development and revitalization efforts in low-income areas have been evolving for decades, and the federal government appears to be trying their best to subsidize development in these areas just enough to attract investment that will then thrive and spur additional investment. The theory here is that a critical mass of investment would serve as a tipping point for development projects that would further enrich the neighborhood.

While the intention behind today's HUD programs is to enhance community development in low-income areas, the eligibility restrictions and the program requirements necessary to stack a development balance sheet with tax-credits from several programs is not an easy job. Project managers that are able to do this still fall short of balancing a budget for new development projects in less desirable neighborhoods. This was made clear in Paolo Rosato's 2009 research that focused on private developers' attitudes on redeveloping derelict and underused historic city areas in Venice, Italy. Results from his survey of private developers concluded that "economic incentives offered in the form of prices per unit of land and existing structures (or subsidies on them) are useless unless they are accompanied by other major regulation relief or changes in property regime" (259). Luckily, many municipalities in the most dire need of reinvestment in vacant lots are aware that the federal incentives alone are

not provoking investment from the private sector. As a result, these municipalities have started to pilot various revitalization planning approaches.

Theme 2: Local Government Planning Approaches

Local government bodies have recognized the growing number of vacant lots and abandoned buildings causing blight throughout the adjacent neighborhood blocks and have reacted in number of ways to reverse the vacancies. Models to revitalize these vacant lots include: traditional sheriff sales and large-scale demolitions, land banking programs, and innovative multi-pronged solutions.

Demolitions and Sheriff Sales

High volumes of vacant lots and abandoned properties are not only a maintenance burden, but also a liability. For city-owned land that falls into this category, municipalities are actually finding that demolishing abandoned structures is more cost effective than maintenance and rehabilitation. In the wake of an extraordinary number of foreclosures due to the 2007 economic recession, banks are similarly choosing to pay to demolish their abandoned houses rather than maintain them (Dennis 2011). While demolition has been happening to hundreds of abandoned structures in the last several years, cities like New Orleans have recently enacted a sheriff sale process in reaction to residents who have expressed interest in purchasing foreclosed, structurally sound residences, as an alternative to watching these homes get torn down (Peterson 2011). Similar to other cities, New Orleans is inundated with thousands of foreclosed properties and struggling with the lengthy legal procedures required to transfer each lot (Peterson 2011). Sheriff sales, also known as auctions, are one way to deal with this if there are interested bidders. Private, for-profit developers have the opportunity to

acquire land through these auctions just like any other bidder. However, vacant lots in distressed neighborhoods and abandoned lots with compromised structures may not elicit interested buyers.

While older land resale tactics like sheriff auctions are still a popular default method of putting foreclosed properties back to productive reuse, the time it takes for the foreclosure process has delayed redevelopment and prolonged the disintegration of blighted neighborhoods filled with vacant lots. Consequently, new local policy frameworks have emerged to accelerate the reuse of abandoned and vacant property.

Land Banking

As the market is failing to provide pathways for reinvestment in vacant and abandoned lots, specifically tax-delinquent properties with title issues, local governments are looking to use land banks as one tool to address the legal barriers that stifle upward progress for the market (Alexander 2005b). Frank Alexander, Emory University Law Professor and author of a comprehensive land bank authority guide, defines land banks as “public authorities created to efficiently acquire, hold, manage, and develop tax-foreclosed property” (2005a, Forward). Land banks allow for land use planning around vacancy. They serve as a “special-purpose public corporation” and generally require state enabling legislative authorization (ibid., 20). Land banks can be independent public legal entities as is the case in St. Louis, Louisville, Atlanta and Genesee, or can be a city program authorized by state statute, as is the case in Cleveland.

By acquiring the property, demolishing dilapidated buildings if necessary, and clearing title, land banks overcome major barriers to restoring tax-foreclosed properties to

productive use (Samsa 2008). By “extinguishing all delinquent taxes on properties” the land bank makes the land insurable and marketable (Alexander 2005a, 16). Without a clear title, the land could sit vacant and off the market indefinitely. Land banks can also facilitate a transfer of land without the need to own it for a long period of time, thereby diminishing any potential maintenance costs. Clearing title and transferring property immediately for a fair-market rate, or below, allows private reinvestment in the land and thereby stimulates neighborhood stabilization¹. Land banked land is therefore an entryway for private, for-profit developers to acquire reusable property without taking on the legal burdens themselves.

Several areas hard hit by foreclosures including; Maryland, Michigan, Ohio, Missouri, Georgia, Indiana, Texas, Kentucky, and Pennsylvania (Sage 2009; O’Brien 2005), have scoured for tools to address the problems of blight. Land banks are serving this need, and as evidenced by the large number of property transactions, including acquisitions up to 1,000 parcels per year for the Genesee Land Bank, the St. Louis Land Bank and the Louisville Land Bank (Alexander, 2005a), they are proving to be a very powerful planning and redevelopment tool. Baltimore has also taken note of the need to address abandoned and vacant properties to stabilize neighborhoods, and in the early 2000’s the city agreed to commit resources to address the issue (Sage 2009).

Though land banking strategies have immense potential as a planning and

¹ In the case of the Dudley Street Neighborhood Initiative (DSNI) in Boston, Massachusetts, the city granted eminent domain authority to the DSNI redevelopment entity, Dudley Neighbors, Inc., for the purpose of acquiring privately-held vacant property within a fairly small contiguous area (Dudley Street Neighborhood Initiative, Inc. n.d.). This land was to be used as part of a targeted neighborhood redevelopment effort. While eminent domain powers do allow for a transfer of property for redevelopment intended to stabilize the neighborhood, eminent domain is a controversial policy tool that generally has not been used in land banking.

redevelopment tool, it is important to set up clear goals and management plans for land bank operation. Christopher Allred warns of the major issues New York City had in keeping up with their land banked properties in the 1970s and 80s. At one point newspapers called the city the “biggest slumlord in the state,” when the city was in over its head trying to improve foreclosed properties and return them to the market (2000, 2). Though the success of land banks in today’s economic recovery effort have been significant, land banking operation is no small feat. This tool’s potential rests heavily on the management. Alexander emphasizes the value of land management during economic crisis by saying, “Land banking can fulfill the original vision of it as a new urban planning tool; it can specialize in managing the market distortions that create a sudden excess supply of properties and, it can serve true ‘bank’ functions by moderating real estate liquidity and capitalization” (Alexander 2008, 8). States seems to understand the value of this and many have recently passed legislation to authorize land banks to manage the current housing crisis.

City Leadership

On the local level, many municipalities have recognized the value of providing a framework for local residents and CDCs to acquire small vacant lots, oftentimes located on land adjacent to their own properties. “Adopt a Lot” programs allow community members to care for vacant lots for a minimal fee of a dollar, or in some cases free of charge (Calhoun County Land Bank Authority n.d.; Genesee County Land Bank 2004; City of Newark, New Jersey n.d.). “Sideyard programs” allow residents to expand their lots by acquiring adjacent vacancies at costs as low as \$200 (City of Pittsburgh and the City Source Associate n.d.; City of Decatur, Illinois n.d.). These programs have been popular in many areas including Philadelphia, Pittsburgh, and Detroit. Vacant Lot Stabilization

Programs popular in Albany, NY, and Philadelphia, PA, serve similar purposes, allowing residents and non-profits to apply for ownership of small vacant lots for the purpose of open space. Philadelphia's Community Land Care program, administered through the Pennsylvania Horticultural Society, offers funding opportunities ranging from \$35,000 to \$70,000 per year for community groups to manage larger vacant lots (Pennsylvania Horticultural Society n.d.). Many forums on vacant lot land issues have taken place in the last several years (Kerkstra 2010).

Other cities, like Baltimore, have created innovative, comprehensive programs aimed to spur creative reuse of vacant lots that offer true value to the residents in the area. Baltimore's "Vacants to Value" model aims to address over 16,000 vacant lots throughout the city by using six strategies to move lots into productive uses. These strategies include: (1) Streamline the disposition process, (2) Streamline code enforcement on municipal blocks, (3) Facilitate investments in emerging markets near areas of strength, (4) Offer targeted incentives, (5) Support large-scale development in distressed areas, and (6) Maintain, clear, hold and identify non-housing uses (Baltimore Housing 2011). These strategies acknowledge the difference between clusters of vacant lots and scattered vacant lots strewn across a transitional neighborhood. Cities, like Baltimore, are taking the time to use current data points on the locations of vacant lots to develop intricate intentional pathways to return those lots to productive, valuable uses.

This post-recession era is a pivotal time to see city leadership work to address the vacant lot abundance and make every effort to draw in investment and revitalization

efforts. While small innovative vacant lot management programs allow communities to reclaim their neighborhood land, lot by lot, the process is slow and the long-term volunteer commitment from the residents to continue to maintain that property is uncertain. Large-scale, transformative change does not follow inefficiency and uncertainty. Large-scale, transformative changes in any community often involve entities that not only offer efficiency, but also have lending capability, or risk-taking flexibility that translates into more long-term certainty. Though local governments generally do not specialize in efficiency, nor do they have deep pockets at the moment, they have the ability to partner with other stakeholders that do offer these important qualities.

Theme 3: Local Non-Government Planning Approaches

Private, For-Profit Sector Leadership

Select private developers, such as Artimus and K&R Realty in New York City, have invested heavily in previously blighted neighborhoods stocked with numerous vacant buildings with the intent to truly transform the community (www.artimusnyc.com/about.html). Artimus has contributed to transformative development projects in Harlem, specifically through their work along Fredrick Douglas Boulevard, a project that includes affordable multi-family housing along with office and retail (Abrams 2003). Through New York City's Cornerstone project, the Housing Preservation and Development department sold previously vacant land to private developers expecting to maximize the private sector's investment (Abrams 2003). Here, the for-profit sector can purchase city-owned land, and drive the neighborhood transformation.

In other cities it is not necessarily the drive of the private developers, but rather the weak initiative on behalf of city leadership, that allows the private developers to guide the future redevelopment of the vacant lots. For instance, Richmond, Virginia hosts a large stock of privately-owned vacant lots. The private-ownership of these lots translates to limited city liability for these properties. Consequently, the city has a “reactive” attitude, allowing private developers to take the lead in suggesting potential redevelopment projects (Hollander 2009). In this particular city, a strong metropolitan area is responsible for counter-balancing the weak-market specific to Richmond (Vey 2006), and therefore there is developer interest in redevelopment. In other areas where the city leadership on this issue is weak, private developers may not step up to take a leadership role due to widespread weak market conditions.

According to Robert Simon’s (2009) comparison of public and private real estate management, the private sector has a lot to offer. The private sector is a “centralized, profit-oriented real estate department that is well integrated into the overall corporate structure” (334). Simons contrasts that to the decentralized public sector real estate function. His study documents the high level of expertise found among the private real estate managers compared to public real estate managers, as related to each entity’s organization of the real estate function, information systems, formal plans and rules, and general activities (Simon 2009). Ultimately, he states that the “Results from this research quantify and reinforce the prevailing notion that private corporations are more sophisticated real estate managers than are government entities” (Simon 2009, 334).

While private developers have been able to transform neighborhoods by taking charge and investing in vacant lots, investment in these distressed areas by the for-profit sector is limited to only a few examples. Though the private, for-profit developers exhibit the real estate expertise, the technical capability, and the risk-taking ability necessary to make a transformative impact, they rarely do so with the current policy frameworks and incentive structures available to them.

Non-profit Leadership

In 1986,

Federal tax code changes discouraged private developers from participating in lower-income rental housing as well as in older or historic commercial property. CDC sponsorship of rental development helped compensate for the exodus of private developers. (Lubove 1996, 118)

Without the interest of the private developers, many CDCs in areas of declining population have moved to reclaim the vacant structures and restore them to productive uses (Lubove 1996). Well before this federal tax code change took effect, Community Development Corporations (CDCs) and Community-Based Organizations (CBOs) began spearheading neighborhood revitalizations efforts spanning from social justice advocacy to affordable housing and mixed-use development projects. According to a survey administered by the National Congress of Community Economic Development, CBOs were defined as, “private, nonprofit entities serving a low-income community or constituency (80 percent or less of the area median income) that had completed at least one development project in housing, industry, or business enterprise” (Keating 1991, 36). CDCs and CBOs have certainly made significant development contributions that have enhanced neighborhoods, specifically in distressed areas. According to Margaret

Dewar, “In the areas of cities where vacant, abandoned, and contaminated properties are most concentrated, community development corporations (CDCs) are the major developers along with other nonprofit developers such as Habitat for Humanity. The CDCs’ commitment to place keeps them there while for-profit developers seek higher returns on investment elsewhere” (Dewar 2009, 1).

While these non-profit CDCs and CBOs have certainly added to the affordable housing stock over the years, research concludes that overall there is a “limited development knowledge and expertise” among non-profits (Chung 2004, 2). Margaret Dewar’s research exhibits the varying capabilities non-profit developers possess in terms of advancing land reuse efforts. When compared side by side, Cleveland non-profit developers have been far more successful in returning vacant land to value than the non-profit developers in Detroit, Michigan (Dewar 2009). In Cleveland, 80% of non-profit developers reused 95% of the city-owned property they purchased prior to 2004, while only 30% of Detroit non-profit developers did so. Beyond that, while all of the Cleveland non-profit developers were using land acquired prior to 2004, 30% of the Detroit non-profit developers utilized no property acquired prior to 2004 (Dewar 2009). The intended projects of the Detroit non-profit developers were falling through. Dewar provides several contributing factors for this noting, “The differences in the experiences of reuse of property can reveal institutional, legal, political, and social factors that affect reuse because the market is not the explanation” (Abstract). Considering the expertise of the private, for-profit developer sector explained in the previous section, this gap in uniform ability across non-profit developers suggests that there is (1) need for progress within the institutional, legal, political and social frameworks for redeveloping vacant

land, (2) room for improvement within CDC leadership, and (3) potential for the expertise of the private, for-profit sector to positively contribute to returning vacant lots to productive uses.

Public-Private Partnerships (PPP) and Joint Ventures

Non-profit community development corporations (CDCs) have a history of working with private, for-profit developers to build affordable housing and mixed use development.

In these partnerships, the CDC is familiar with the needs of the community, the major stakeholders in the development process, and state and federal grant programs such as Community Development Block Grant (CDBG) funds. Additionally, Community Development Finance Institutions (CDFIs), certified by the Federal Treasury, are able to contribute to projects led by community development entities (CDFI Fund 2011).

Deborah Myerson notes that the for-profit entity comes to the table with the technical development experience, while the non-profit partner provides access to low-interest funds (2002). While this partnership appears to be quite ideal allowing expertise to meet capital opportunity, this joint venture takes inevitably longer to execute than a typical for-profit working independently (Myerson 2002).

In the City of Pittsburgh, CDCs, such as the Hill District CDC, have partnered with private, for-profit developers like McCormack Baron & Associates, Inc. (MBA), to develop projects such as the Crawford Square development, consisting of 426 units of mixed-income housing (Myerson 2002). Partnerships like this are evolving and show shared benefit to both CDCs and private, for-profit developers. However, this type of partnership often times supports joint venture project developments at a single location, and is extraordinarily time-consuming (ibid.). Though this type of partnership

is valuable, this development format does not address the large-scale issue of neighborhood blight due to *many* vacant lots. While investment in one singular lot adds value in these areas, more holistic large-scale investment that addresses several lots simultaneously might offer a more comprehensive solution.

The Barriers to Vacant Lot Reuse

With the vast number of vacant lots, it would seem that property value would decline, lowering the threshold for non-profit and for-profit developers to acquire land and begin moving that property back to a productive use. Unfortunately, a number of common barriers prevent interested parties from doing just this. These barriers include: (1) site assemblage, (2) lack of a streamlined process, (3) inaccurate vacancy databases, and (4) land speculators.

Site Assemblage

Site assemblage is difficult primarily due to the legal constraints of tax-delinquent property code violations, title problems and property disposition requirements (Alexander 2005a). Transferring privately-owned land to any entity requires tracking down owners of abandoned sites, who have left or passed away, or tracking down defunct companies (Kerkstra 2010). Acquiring title to these properties is no easy task, and the inefficiencies of tax-foreclosure law can lead to a five year stagnant period before land is transferred (Alexander 2005a). The legal issues of liens and back taxes prevent forward motion on these lots.

Additionally, zoning regulations relevant to the future use of the land contribute to disinterest in land acquisition (Carnegie Mellon University Research Team 2006), due to

the long and uncertain process to modify zoning code to allow for developers' intended use on that lot, be it urban agriculture, or commercial space in a residentially zone area. Beyond zoning restrictions, according to a 1998 survey administered by Pagano and Bowman to 70 cities with a population greater than 50,000, over half of the cities found that the size of the vacant land parcels were not adequate for development. Odd-shaped lots or lots in the "wrong" location were also cited as barriers to reuse (2004). Aggregating several small vacant parcels, or several odd-shaped lots, under the current legal framework adds a further barrier to investment.

Lack of Streamlined Process

At present, many areas suffering from the abundance of vacant lots do not have a streamlined land acquisition process. Policy guides, such as the Greening Vacant Lots for Pittsburgh's Sustainable Neighborhood Revitalization, report that, "The system surrounding vacant lands and their acquisition is both confusing and bureaucratic" (Carnegie Mellon University Research Team 2006, 5). Whether the intent is to turn the vacant lot into open space, or to develop a mixed-use project, interested parties need to be able to understand the acquisition process and see their efforts influence the progress of the land transfer. Not only do privately-owned vacant lots require a different acquisition process than city-owned lots, but city-owned vacant lots can be owned by multiple city departments that all have differing disposition processes from one another (Kerkstra 2010).

Inaccurate Databases

Cities, such as Philadelphia, have six separate and non-matching database tracking systems for vacant lots (Kerkstra 2010). This type of track keeping causes confusion,

and therefore frustration, for potential investors. It can also contribute to a lack of trust in the government and dissatisfaction with the local governments' insufficient effort to treat revitalization as a top priority. Inaccurate tracking of the vacancies blurs the transparency of the issue and suggests that the government may not be as aware of the vacant lot problem as they should be. Alexander cites lack of awareness as another common barrier to vacant lot reuse (2005a). A publically available, consolidated city database of vacant lot listings, providing accurate and frequently updated information would demonstrate strong governmental leadership and an effort to create a transparent system that could invite investment, specifically from those who have the capital to invest.

Land Speculators

Land speculators can be a barrier to the redevelopment of vacant and abandoned properties. Speculators may have an interest in acquiring property and paying taxes without any intention to maintain the property or restore the land to a productive use in the short-term. Requiring that developers restore the property to a productive use within a set time frame is one way to address this. Land banks have been used to combat this issue of speculators. In Atlanta, for instance, the Land Bank Authority requires affordable housing developers to create affordable housing within three years. If they do not comply, property title reverts to the land bank and delinquent taxes are re-established at previous amounts (Sage 2009). In general, land speculation is difficult to eliminate as foreclosure auctions are open to all bidders. The most efficient land bank legislation addresses this by authorizing land banks to acquire land before it goes to foreclosure auction (Fitzpatrick 2010). However, land banks are not always

authorized to obtain land before a foreclosure auction, an understood weakness of land bank legislation.

Solutions to the Barriers

Alexander argues that tax-foreclosure law must become more efficient in order to avoid a four to five year process, during which property is abandoned, before land is transferred to another entity (2005b). Margaret Dewar explains that positive methods that can directly facilitate efficient property reuse include a transparent disposition system that allows everyone to access information on how to acquire land and clear title on foreclosed properties, but also on properties within the existing housing stock. In her journal article she goes on to emphasize the value of, (1) keeping a complete and up-to-date list of available properties, (2) providing predictable and low prices, especially where the market is weak, and (3) allowing developers to “place a hold on property for a reasonable amount of time as they put projects together” (2006, 15). Kerkstra’s 2010 PlanPhilly article highlights the system wide inefficiencies, but also notes that, “City Hall has shown a renewed interest in making it easier for interested builders to get vacant land” (1). Philadelphia is not alone in this effort, as evidenced by the creative and innovative programs emerging in other cities. Some of the existing local planning approaches discussed previously include a concerted effort to provide a centralized straightforward system. These approaches would be enhanced by tax-foreclosure reform, and together could offer a more streamlined and straightforward legal and policy framework for addressing blight (Alexander 2005a). Lowering the barriers to vacant lot reuse is among the first steps needed, to engage the right stakeholders in investing in these distressed properties.

Summary of the Literature and Next Steps

The literature suggests that policy frameworks to address vacant lot revitalization not only exist, but are continuously evolving to lower the threshold for those parties interested in investing in distressed areas as a means to revitalize neighborhoods. Current federal incentive programs have been an outgrowth of poor prior planning programs (Reed 1989), and they have come a long way. However, these incentives alone are not enough. Local government planning efforts like land banking have taken off and evaluation reports, such as the Dennis Keating's 2011 Cuyahoga County Land Bank Evaluation, are starting to surface, highlighting major successes. Other comprehensive and innovative citywide initiatives, like Baltimore's Vacant to Value program, are beginning to emerge as well. In particular circumstances, private developers have taken the lead in transforming neighborhoods by investing block by block in vacant parcels. Non-profit leadership continues to play a key role in understanding the community needs, and continues to invest their limited capacity into redevelopment work, and when possible, attract funding from CDFIs and foundations for these types of projects. Together, the non-profit and private sectors have come together in positive public-private partnerships to redevelop vacant lots. Nonetheless, the numbers of vacant lots are a large-scale threat to the health of our neighborhoods. Increasing the level of engagement of the private, for-profit sector has the potential to positively contribute to reverse widespread blight. The private, for-profit sector has a great deal to offer in terms of their real estate expertise, their ability to take on risk, their knowledge of the market, and their level of efficiency (Myerson 2002). While the frameworks that currently exist provide a foundation for reinvestment, it is necessary to explore other possible scenarios that maximize the engagement of the private sector in

the solution. This thesis aims to formulate those alternative scenarios and measure the interest of private, for-profit developers in each.

Chapter 3: Methods

Case Study Selection Background

In order to explore the potential role of the private, for-profit developer in vacant lot transformation, I focus on the Homewood neighborhoods in Pittsburgh, Pennsylvania. Pennsylvania is among many states that have recently suffered from severe population loss and are currently grappling with blight, in part due to the vacant lots associated with population decline. The city is well-aware of this issue and has invested significant amounts of time and money into creating a comprehensive mapping module that captures elements related to population loss, vacancy rates, and poverty rates, among many other factors. In an effort to put forth new options for addressing the vacant lot issues, in June 2011, Pennsylvania State Representative, John Taylor, introduced land banking legislation in House Bill 1682 for consideration in the House Urban Affairs Committee (Fraser 2011). The bill was endorsed by Pittsburgh Mayor, Luke Ravenstahl, and a number of community groups (Pittsburgh Press Release June 22, 2011). In February 2012, the bill was passed by the House and as of April, 2012, the bill is awaiting a vote by the Senate (Housing Alliance of Pennsylvania 2012).

Census maps of the City of Pittsburgh from 2010 indicate that the northeastern neighborhoods of Homewood West, Homewood North, and Homewood South, are suffering from major challenges. According to Pittsburgh's comprehensive mapping module called PGHSNAP, these neighborhoods, classified as part of 'sector 11', are highlighted as primarily residential areas with high foreclosure risk, high poverty rates, and poor building conditions (City of Pittsburgh, PGHSNAP v2.0 2011).

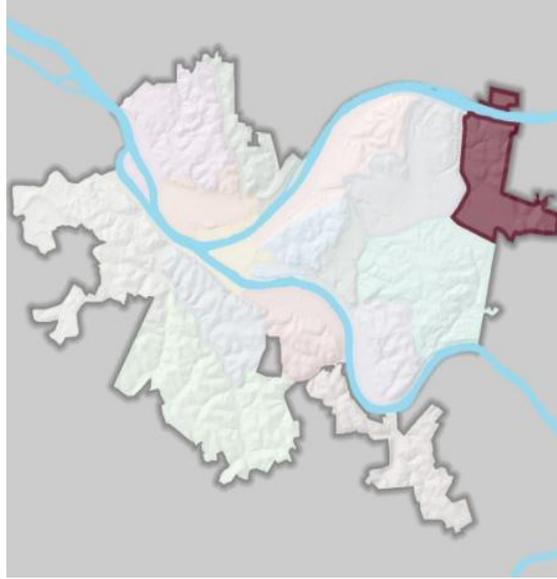


Figure 1: The City of Pittsburgh with Sector 11 Highlighted in Purple
Source: Data from City of Pittsburgh, PGHSNAP v2.0 2011.



Figure 2: Sector 11 Neighborhoods
Source: Data from City of Pittsburgh, PGHSNAP v2.0 2011.

Though Homewood has been declining in population over the last 50 years, in the 1800's Homewood was a swath of pastoral land that attracted wealthy estate owners as

soon as railroad access became a reality (Allegheny County Department of Human Services 2009). Servants and workers followed the wealthy estate owners, and in the early 1900's the price and location attracted upper-middle class black families and working class immigrants (ibid.). It was in the 1950's that a large number of black minority families migrated to Homewood from Pittsburgh's Lower Hill District as a result of displacement related to the construction of the Civic Arena. With this influx of individuals who could not afford to purchase homes, Homewood became largely a rental community. With riots and looting after the assassination of Martin Luther King Jr. and a large number of wealthier black families moving to better neighborhoods following the Civil Rights Act of 1968, Homewood was left with a somewhat small, minority, rental community with roughly half the residents unemployed (ibid.). Further decline over the last 40 years has plagued the neighborhood, leaving over 22 percent of the lots vacant and over 40 percent of the taxable parcels tax-delinquent as of 2010 (City of Pittsburgh, PGHSNAP v2.0 2011).

Due to the large number of vacant lots and the other attributes noted previously that suggest a general lack of investment, I used the Homewood neighborhoods as a case study for this thesis research. This area sits close to the neighborhood of East Liberty, an area that formerly suffered from similar issues, but has experienced significant economic development over the last decade primarily due to heavily subsidized, private investment in the East End Phase I and Phase II project (PPND n.d.). The success of this nearby neighborhood suggests the possibility that the Homewood neighborhoods could similarly thrive in the future. A case study of this intentionally selected and defined neighborhood cross-section allows for an in-depth investigation of the current land uses

and associated policy factors at play as related to private developers' attitudes, motivations, and frameworks for potential solutions to rampant vacant lots.

Part I - Mapping Analysis

In order to establish the scale of the vacant lot issue, Part I of this case study includes a land-use analysis. The data analysis draws from the following maps:

- General land use overview
- Vacant parcels, 2010 (see Appendix B)
- Publicly and privately-owned vacant lot distribution
- A market analysis map
- A neighborhood blight map (includes vacant lots)²
- A neighborhood poverty map³

The City of Pittsburgh's community development department served as a major source of these maps. Beyond these sources, I used other data in my analysis such as properties listed for sale by the city (as of November 2011), and vacancy data as of March 2011 from the Pittsburgh Neighborhood and Community Information System (PNCIS). The results from the land-use analysis are used in the interviews described in Part II.

² <http://www.city.pittsburgh.pa.us/communitydevelopment/assets/BlightMap.pdf>

³

<http://www.city.pittsburgh.pa.us/communitydevelopment/assets/FamiliesLivingPovertyMap.pdf>

Part II - Conducting Interviews

Overview

In January 2012 I obtained Institutional Review Board (IRB) approval for interviews. The research plan involved between 13 to 18 interviews in total, including three to five Round 1 phone interviews with city and non-profit employees focusing on community development, and 10 to 13 Round 2 in-person interviews with private, for-profit real estate developers. Round 1 interviews were intended to allow me to more thoroughly understand the context of the current landscape of vacant and abandoned lots in the area, and the engagement level of all stakeholders. Responses from these first five interviews were then to be used to shape the interview questions and development scenarios used in the Round 2 interviews with private, for-profit developers. Prior to interviews with Round 1 interviewees, I piloted the interview questions with a city staff member in the Boston area, and prior to interviews with Round 2 interviewees, I piloted the interview questions with a New York real estate developer.

I structured Round 2 interviews based on a modified version of Paolo Rosato's 2009 approach in which he acquired information on private developers' attitudes towards different development scenarios using a conjoint choice experiment by documenting developers' stated preferences when provided with a hypothetical scenario.

First round interview questions differed based on the type of organization or company the interviewee represented. Questions posed during the second round interviews with developers were uniform. In all cases I typed notes during the interviews. I

determined the total number of actual interviews conducted based on interviewee availability and data saturation.

I used an interview strategy similar to Margaret Dewar's methodology in her research for her paper entitled, *What Helps or Hinders Non-Profit Developers in Reusing Vacant, Abandoned, or Contaminated Property? Findings from Detroit and Cleveland* (2009). While Dewar focused on interviews with non-profit development organizations and intermediaries who have done significant work on vacant lands in her focus areas, I focused exclusively on private, for-profit developers, who focus on general development in the Pittsburgh metropolitan area. The criteria I used to select developers for interviews did not require past engagement in vacant land redevelopment projects. Interviews with these developers were intended to shed light on reuse scenarios that could spur more interest in investment in these vacant lots.

Stakeholder Identification and Interviewee Selection Process

For the first round interviews, I selected public and non-profit leaders with experience working in community development in the City of Pittsburgh. I conducted these interviews first to help me answer my research questions and to allow me to understand both the current issues pertinent to Pittsburgh vacant lot and abandoned building reuse efforts, and the public sector's opinion of the potential opportunity to engage the private sector to play a role in these efforts.

My selection of second round private sector developer interviewees was based on: 1) a list from the Pittsburgh Urban Redevelopment Authority (URA) of developers who had

worked on projects in Pittsburgh between 2000 and 2010, 2) recommendations of private developers acquired during first round interviews, and 3) internet research on active real estate developers who do work in Pittsburgh. Since these interviews were meant to gauge developer attitudes towards investment in vacant lots given hypothetical policy scenarios, rather than development firm attitudes, in two instances I conducted two interviews at one firm. The unit of analysis was individuals who are professionally involved in private real estate development in Pittsburgh.

Interview Survey Tool

Interview content focused on the current level of engagement among the private sector in vacant lot redevelopment. During interviews I gathered the interviewees' thoughts on the possible role the private, for-profit sector could have in redeveloping vacant lots. Detailed open-ended interview questions for both Round 1 and Round 2 interviews are included in Appendix C.

Round 2 interviews included both open-ended questions, as well as specific closed-ended pre-coded questions related to interviewees' interests in investing in a particular site given hypothetical policy changes. From the mapping analysis and early interviews with Homewood-based CDCs and city staff, I selected one vacant lot location (Lot A) that was representative of the larger issues of vacancy and abandonment in Homewood and also had the potential for reinvestment based on nearby assets such as a public school and a main transit corridor.

Figure 3 shows a Google Earth image of a few blocks located on the border of Homewood West and Homewood North. The red property indicates the Lot A, the subject of the closed-ended interview questions.

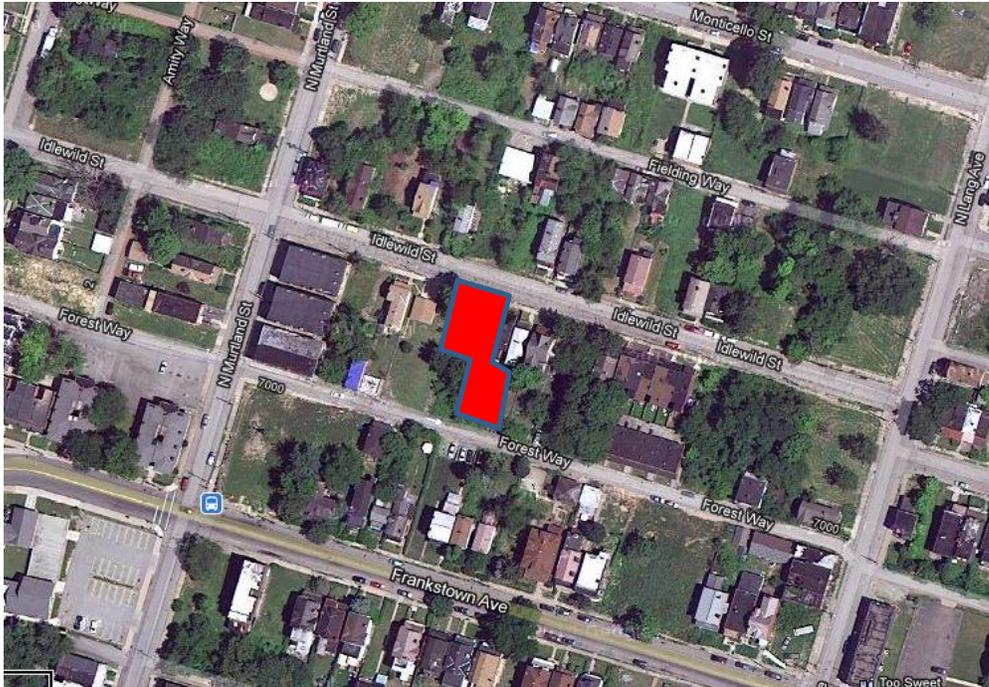


Figure 3: Lot A Located at 7018 & 7020 Idlewild Street in Homewood
Source: Data adapted from Google Earth 2012

Lot A consisted of two adjacent properties 7018 and 7020 Idlewild Street, between North Murtland Street and North Lang Street. I selected two adjacent properties to increase the scale of the opportunity for reuse. While vacant lots are abundant in Homewood, it was difficult to find more than two vacant, municipally-owned lots that were contiguous in this particular area of Homewood. The properties that make up Lot A total 7,535 square feet and are located less than 0.2 miles from The Academy at Westinghouse serving grades 6-12, formerly Westinghouse High School serving grade 9-12. Vacant lots scatter not only Idlewild Street, but the neighboring streets of Hermitage, Monticello, Fielding Way, Frankstown Avenue, North Murtland, and North Lang Street. In an effort to improve the pathways used by students walking to and from school, The Homewood Children's Village (HCV), a local CDC founded in 2007 to improve the lives of Homewood's children through community reinvestment, has started to

focus their efforts on many of the streets that border Idlewild Street. Based on updated crime statistics from spotcrime.com, crime type and frequency in the area surrounding Lot A is representative of crime throughout all of Homewood.

Though other locations in Homewood suffer from even more detrimental vacancy rates, I selected this particular area for several reasons. First off, with the efforts of HCV, these sites are already coming under the attention of city officials. In November of 2011, when local efforts brought neighbors and city staff together to create the “Bridging the Busway” neighborhood plan⁴, the Mayor took notice and granted approval of demolition of abandoned buildings within a two-mile radius of Westinghouse High School, as part of the Safe Passage to Schools Initiative (Pittsburgh Public Schools 2011). With such attention and momentum in this area, the likelihood that the private sector may have interest in becoming involved here is higher than in other more desolate blocks within Homewood. Second, with such immense population loss over the last 60 years, not all vacant and abandoned property is likely to be returned to active, productive uses that maximize the efficiency of the land. Some amount of vacant and abandoned property may need to be dedicated to more passive uses, and return to natural woodlands, parks, and recreation areas. For instance, the area located between Brushton Avenue and Silverdale Street between Frankstown Avenue and Ferndale Street, is suffering from extraordinarily high levels of vacancy. However, in analyzing this area using Google Earth, the area appears to be so disinvested that trees are already overgrown to a point that reverting this land back to a natural state does not seem particularly distant. Because of the high level of vacancy, few residents are living

⁴ The Bridging the Busway plan can be found here: http://www.bridgingthebusway.com/?page_id=129

in this area, compared to the Homewood areas to the west. Since reuse of vacant land will not be realistic throughout all of Homewood, using Lot A as a basis for discussions with developers about future policy on these lots has the potential to have an impact on a larger number of residents currently living in this area and suffering the ills of neighborhood disinvestment.

During the second half of Round 2 interviews, I provided interviewees with maps detailing Lot A, including information about the nearby schools and bus lines, the levels of vacancy, the number of vacant municipally-owned lots, and zoning regulations for the property and the nearby neighborhoods. I then stated a hypothetical policy scenario and asked developers on a scale of -10 to +10, what impact each free-standing policy would have on his or her decision to invest in property A on the map. A response of -10 stood for an extremely negative impact, 0 for neutral or no impact, +10 for having an extremely favorable impact. This scale allowed for comparative analysis of interviewees' preferences for one policy over another. Only five policy scenarios were presented to each interviewee, with one scenario including two parts, making for a total of six responses. Limiting the number of policy scenarios presented during the interview was purposeful, so as not to distort the validity of answers due to interviewee fatigue (Rosato 2009).

The hypothetical policy scenarios used during interviews with these private developers arose from a hybrid of the literature, the responses gathered from the early interviews, and from personal brainstorming. Each policy scenario is provided below.

Land Bank A

In this scenario, a land bank exists and you as the developer are able to buy property directly from the land bank. The land bank functions as a public authority “created to efficiently acquire, hold, manage, and develop tax-foreclosed property” (2005a, Forward). The land bank has acquired the property they are selling to you, and made them free and clear of tax liens.

Land Bank B

In this scenario, there is an operating land bank. Additionally, there has been tax foreclosure reform that increases the speed at which the land bank can acquire tax-foreclosed properties to ensure that these properties are not sitting vacant for four to five years before becoming part of the land bank. Therefore you can rely on the operating land bank to work to improve nearby vacant and abandoned properties in the community.

Long-term Leases

In this scenario you are offered a 99-year lease on the property, as opposed to transfer of title to the land. Once paperwork and back-taxes are settled, true land acquisition can take place, but in the meantime immediate reuse/redevelopment can begin.

Scattered Lot Acquisition by Block

In this scenario, city-owned vacant lots and properties with abandoned buildings within the same block as the acquired site become the responsibility of the developer. The developer would acquire the title to these lots. The intention is that this cluster of sites represents an opportunity for a developer to affect the quality of life in the neighborhood and enhance opportunity for nearby assets to thrive, a benefit for the prime development site at lot A, the scattered lots, and for the larger community.

Relaxed Zoning Restrictions

Imagine a scenario where the current zoning regulations are relaxed to allow developers to use the acquired property for a much broader set of uses than current zoning allows for. For example, under a relaxed zoning regulation, commercial, agricultural, and even light industrial uses may be allowed for neighborhoods experiencing high levels of vacancy (Hollander 2011; Pantalone and Hollander 2011).

Neighborhood Improvement District (NID)

This scenario is modeled after Business Improvement Districts (BIDs) in which property-owners in the pre-defined district agree to a modest self-tax based on property size, and the taxes are put towards improving the district through a newly created non-profit organization. Funds are used to stabilize the neighborhood, attracting new uses, and maintaining properties that have been abandoned and are suffering from major disinvestment. Two Neighborhood Improvement Districts (NID) will cover all of Homewood North. Those households with incomes lower than 80% area median income (AMI) would be exempt from paying into the NID. Because of this exemption, the developers acquiring property within the district would end up paying most/all of the district funds in the early years of the NID. Over time, however, as the area is enhanced and incomes rise, such that not all residents are living in poverty, more people will pay into this fund to continue ongoing community investments/maintenance, etc.

I included one final closed-ended question during second round interviews. Here, I asked developers to rank a given set of six criteria in order of importance when considering investing in a vacant or abandoned lot. Criteria included: Zoning Flexibility, Close Proximity to Public Transit, Availability of Low/No-Interest Financing, Low Crime Rate, Availability of Tax Breaks, and Close Proximity to Other Vacant Lots under Your Own Ownership. Determining developers' preferences for these criteria relative to one another provides a more comprehensive understanding of their priorities when investing in a vacant or abandoned lot. The response sheet used by Round 2 interviewees is included in Appendix D.

I analyzed open-ended responses using latent content analysis and thematic categorization of interviewees' perspectives. I analyzed closed-ended stated-preference results pertaining to distinct development scenarios by identifying trends evident in the responses. While my sample size was too small to use Rosato's statistical data analysis framework (2009), the data trends coupled with the qualitative commentary provided during the interviews provide a rich level of data. In the following chapter, I provide detail on the information gathered during interviews and provide an analysis of the responses.

Chapter 4: Mapping Analysis and Results

Chapter Overview

In this chapter I discuss the results of the mapping analysis of Homewood in the context of current neighborhood demographics. I offer a snapshot of the current state of affairs and share the visuals provided to developers during subsequent interviews.

Mapping Results – State of Affairs

Table 1 depicts the severity of the population loss over time, comparing the population decline throughout the City of Pittsburgh, with the population decline in the Homewood neighborhoods. Between 1950 and 2010, the City of Pittsburgh lost 55% of its residents, while the Homewood neighborhoods collectively experienced a population decline of 79% (City of Pittsburgh, PGHSNAP v2.0 2011). The primary cause of this extreme population loss throughout the city was the collapse of the steel industry, Pittsburgh's main industrial core and source of employment at the time, coupled with the plummeting rail-transportation costs that left the waterway transport system with little value (Glaeser 2009).

City of Pittsburgh		Homewood North	Homewood South	Homewood West	Homewood (N, W, S)
	Population				
676,805	1950	13,316	12,610	4,309	30,235
615,242	1960	11,775	22,463	3,733	37,971
520,154	1970	8,645	8,876	2,745	20,266
423,938	1980	7,057	6,228	1,873	15,158
369,879	1990	5,331	4,811	1,369	11,511
333,527	2000	4,522	3,647	1,114	9,283
305,704	2010	3,280	2,344	818	6,442
-55%	% Change (1950-2010)	-75%	-81%	-81%	-79%

Table 1: Population Decline between 1950 and 2010
Source: Data from City of Pittsburgh, PGHSNAP v2.0 2011

The severe population loss left Pittsburgh with the housing infrastructure for a large population that was no longer present. The population loss had countless impacts on the state of affairs throughout the city, and the city never recovered. Table 2 shows the decline in housing units over time, comparing the number of units in 1950, with the number in 2000, and 2010. Though the total number of units over time has gone down, due largely to recent demolitions, you can see that the decline in housing units does not keep up with the decline in population, leaving the city with a high number vacant and tax-delinquent properties.

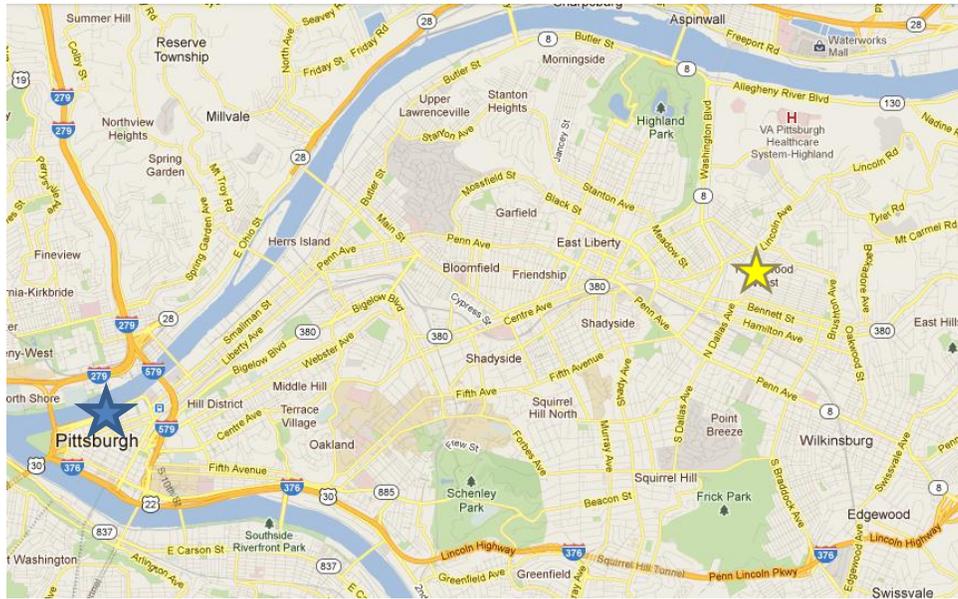
City of Pittsburgh		Homewood North	Homewood South	Homewood West	Homewood (N, W, S)
	Housing Units				
193,889	Total # Units (1950)	N/A	N/A	N/A	N/A
163,414	Total # Units (2000)	2,171	2,047	583	4,801
156,165	Total # Units (2010)	1,807	1,507	532	3,846
12.8%	Percent Vacant (2010)	28.4%	28.4%	22.2%	22.1%
	Taxable Parcels (2010)				
126,993	Approx. Total # Taxable Parcels	2,088	1,649	614	4,351
13,756	Tax Delinquency	976	614	212	1,802
10.8%	% of Taxable Prop. Delinquent	46.7%	37.2%	34.5%	41.4%
4593	Municipal Properties for Sale (2012)	237	111	58	406

Table 2: Housing Unit Statistics between 1950 and 2012

Source: Data adapted from City of Pittsburgh, PGHSNAP v2.0 2011, United States Census Bureau, and the City of Pittsburgh Available Municipal Properties 2012

Homewood Mapping Data Used During Interviews

In preparation for the interviews with private developers, I created a packet of maps for interviewees that provided basic information about Homewood, including the location as related to downtown Pittsburgh (**Figure 4**), a general overview of the neighborhood boundaries (Figure 5), and a context map highlighting nearby bus routes and schools (Figure 6). These maps are provided below. In all instances the yellow star indicates the location of Lot A. That area is the subject of the questions posed to developers during the interviews.

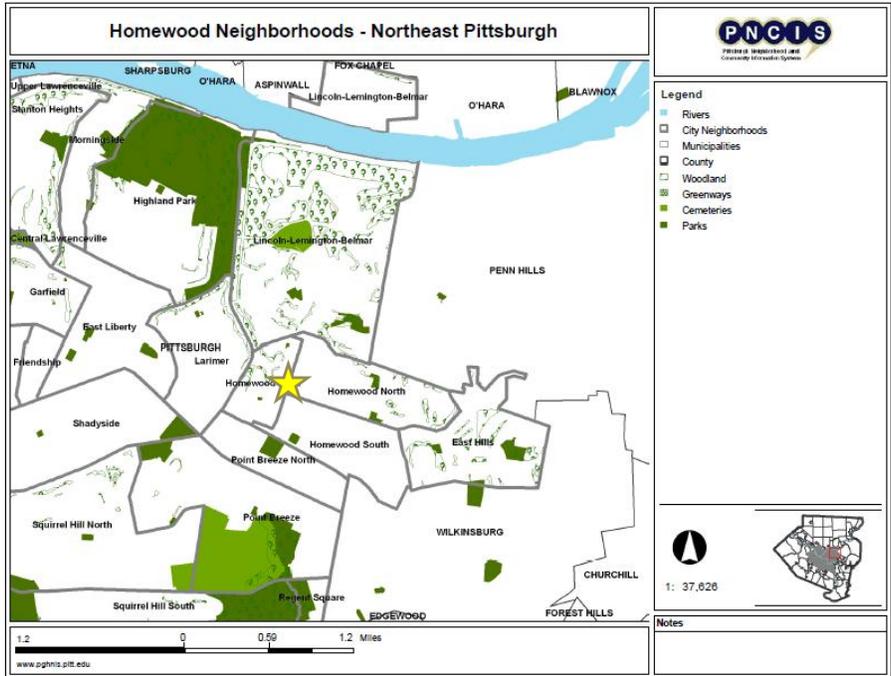


Downtown Pittsburgh

Study Area: Border of Homewood West and Homewood North

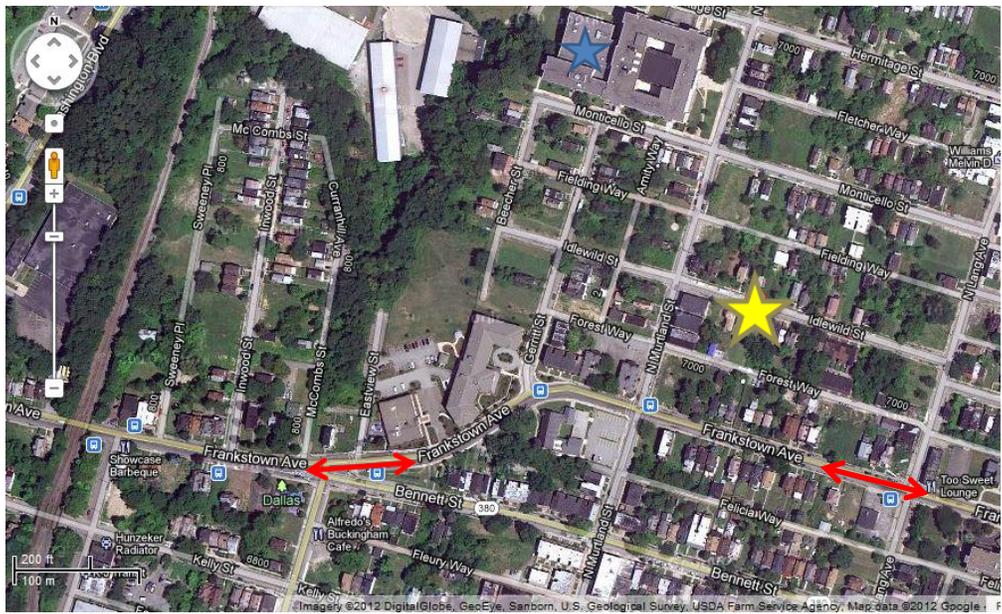


Figure 4: Homewood Relative to Downtown Pittsburgh
Source: Google 2012



★ Study Area

Figure 5: General Overview of the Homewood Neighborhoods
 Source: University Center for Social and Urban Research PNCIS 2011



★ Study Area ★ Westinghouse High School ↔ 86 Bus Route (Frankstown Ave)

Figure 6: Study Area in Context
 Source: Data adapted from Google Earth 2012

As seen in Figure 6, Lot A is located between North Murtland Street and North Lang Avenue, just three blocks north of Frankstown Avenue. Westinghouse High School is located only 0.2 miles away.

The map shown previously in Figure 3, depicting the outline of Lot A on Idlewild St, was provided to developers during interviews as well. Interviewees were also given the information included in the following table regarding the size, cost, zoning allowance, and slope of the property.

7018 & 7020 Properties	
Area	7,535 sf
Cost	\$500
Zoning	R2-L
Slope	Low

Table 3: Lot A Property Details

Source: Data adapted from City of Pittsburgh Finance Real Estate Marketing Lots 2011

The map packet included information on vacant properties as of March 2011 according to data from Pittsburgh’s Neighborhood and Community Information System (PNCIS) (Figure 7). In this figure, the brown lots in the map on the left indicate vacant properties. Lot A is highlighted in red and labeled with an arrow pointing to it. The map on the right depicts city-owned vacant lots. As is evident on the map on the right side, many of these brown vacant lots seen in the map on the left are municipally-owned lots, including Lot A.

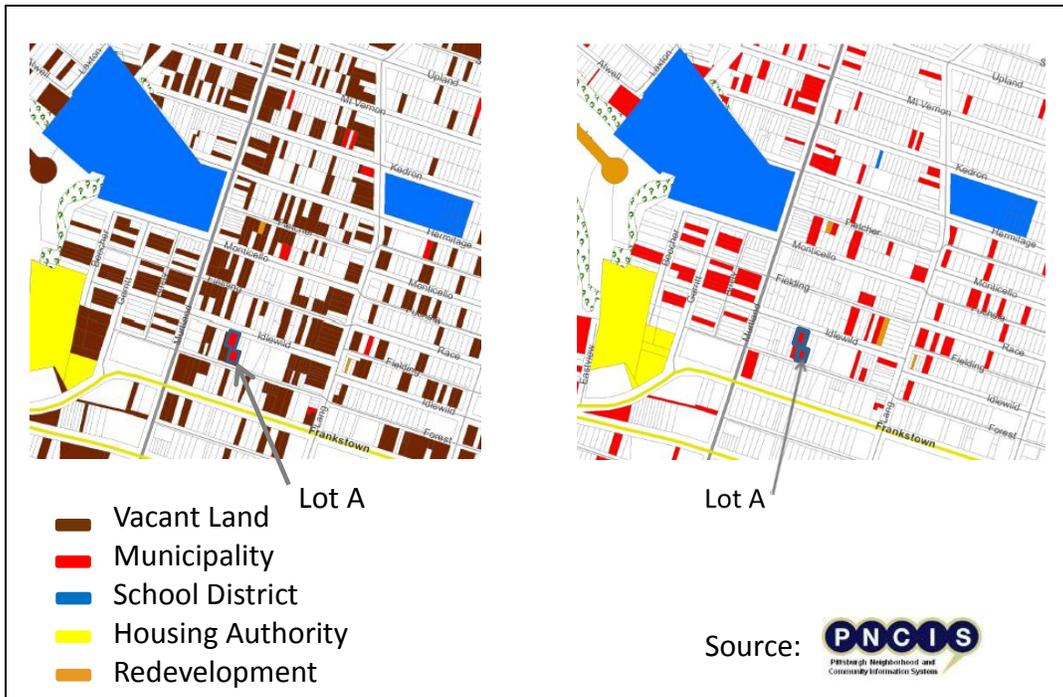


Figure 7: Vacancy and Property Ownership in Homewood West/North
Source: University Center for Social and Urban Research PNCIS 2011

The final map provided to interviewees depicts the zoning regulations for Lot A and the immediately surrounding areas (Figure 8).

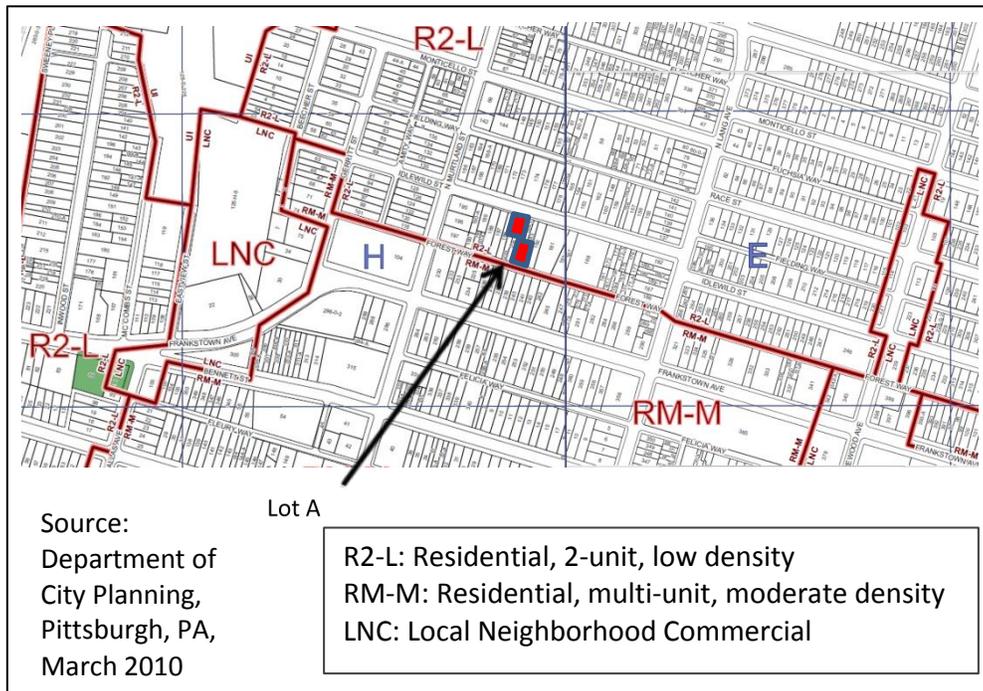


Figure 8: Zoning in Study Area – Homewood West/North
 Source: Data adapted from the Department of City Planning, Pittsburgh, PA, 2010.

Chapter 5: Interview Analysis and Results

Chapter Overview

In this chapter I first provide the thematic findings from first round interviews including interviewees' perspectives on the main barriers to vacant and abandoned land reuse, their views on the role of the private sector in this type of work, and their suggestions for new policies that would more fully engage the private sector. I then provide thematic findings on these same topics from the second round interviews with developers. In the latter half of this chapter, I offer an analysis of the quantitative results from interviewees' responses to each hypothetical policy scenario, and discuss the quantitative results in tandem with the qualitative comments expressed during the interview. Here, I also discuss the attributes of developers' ideal policy scenarios along with their rankings of criteria necessary to invest in a vacant or abandoned lot.

Thematic Results from First Round Interviews

[A Characterization of Vacancy Issues in Homewood](#)

I conducted five first round interviews with a combination of city planning staff members, Urban Redevelopment Authority (URA) staff, Community Development Corporation (CDC) executives and policy experts. Responses from these first round interviews confirmed the epidemic nature of the level of vacancy in Homewood. Interviewees noted the negative impacts of the extreme population decline from ~9,300 people in 2000 to only ~6,400 people as of the 2010 census (City of Pittsburgh, PGHSNAP v2.0 2011). Due to this high level of vacancy, rampant crime activity, and general neighborhood-wide disinvestment, interviewees classified Homewood as a "very distressed" neighborhood, relative to more "transitional" neighborhoods like East

Liberty, and “stable and marketable” neighborhoods like Squirrel Hill North. Beyond that, interviewees described Homewood as surrounded on at least four fifths of its borders by other economically distressed neighborhoods. Several interviewees mentioned that such immense population loss in Homewood necessitates “active right-sizing,” as that population is not likely to return and current infrastructure supports a larger population that is no longer present. Without a comprehensive neighborhood plan to address the future land use, the neighborhood appears to be paralyzed in a state of distress.

Main Barriers to Land Reuse

Interviewees identified several main barriers to vacant and abandoned land reuse in Homewood, including:

- 1) Weak preventative measures, such as limited code enforcement, limited tax enforcement, and an under developed assistance programs for older residents who cannot keep up with the maintenance of their homes,
- 2) Inability to “quiet title” or clean liens and calm court challenges on abandoned property not yet owned by the city,
- 3) Limited capacity and financing leadership of the government to take control of these properties,
- 4) Limited resources and subsidy, specifically to fill the huge appraisal gap⁵, while there is an increasing inventory of these distressed properties,
- 5) Mistrust of the private sector and the government by the residents, and

⁵ The appraisal gap refers to the gap between what the house will sell for, or the low appraised value, and the high total project costs. In Homewood, the total project costs generally far exceed the final value of the house.

6) The perception of these lots as a liability, as opposed to an asset.

Many of these barriers mirrored the main barriers expressed in the published literature on this topic. When asked about other potential actors that could play a role in vacant and abandoned lot reuse, other than the public and non-profit sectors, interviewees saw a role for law enforcement, block watch groups, banks, and the Allegheny Conference which serves as a regional community development body. Interviewees confirmed that private sector engagement to-date, has been limited to “transitional” neighborhoods, with one or two exceptions. One interviewee suggested that with the highest foundation spending per capita, much of it directed towards community development, private developers in Pittsburgh may feel like they do not have to do anything.

Perspectives on the Private Sector

Not all interviewees saw a fitting role for the private, for-profit sector in vacant and abandoned land reuse, even if the private sector were to have an interest in this type of project. One interviewee commented that many see for-profits as part of the blight problem, noting that investors purchase large numbers of properties for the sole purpose of sheltering taxes, with no intention of maintaining or improving these properties. Though interviewees agreed that you can't prevent people from purchasing property in the area, they suggested adding strict guidelines for bulk property purchasing whereby investors would be required to have an implementable, immediate plan for short-term property improvement that would bring the property back on-line in a way that aligns with a community vision.

The tax shelter issue is representative of the perception that the private sector does not care deeply about the future of the community in terms of the well-being of the people who live there. One interviewee said, “You don’t want the private market to drive how your community is developed over the next ten years. The private sector is driven by dollars, and we don’t want to price out the community members.”

Despite the distrust of the private sector based on these tax-shelter issues and market driven business models, several interviewees were far more optimistic about engaging the private sector in the efforts to diminish vacancy and associated blight. Several interviewees noted that the success to-date on projects of this nature rest in public-private partnerships (PPPs). In fact, one interviewee noted that “twenty-first century community development *centers* on partnerships with the private sector,” as the tasks at hand are “too dramatic to think a small non-profit is going to learn to do a 1,000-unit market development in their lifetime.” Another interviewee commented that, “Private sector involvement could be huge! Obama put together a team on how economically distressed neighborhoods can be connected to the larger regional economy and Homewood could be ripe for that.” Interviewees felt that these partnership need to be about ameliorating the risk and increasing the scale of the intervention. One interviewee saw potential for the private sector to locate manufacturing and buildings connected to the innovation or green economy in Homewood.

Potential Measures, Programs, and Policy Changes to Engage the Private Sector

When asked what new measures, programs or changes might enable developers to reuse more vacant and abandoned properties, interviewees made recommendations to:

- 1) Create a neighborhood plan to attract and qualify for funding, and to leverage private development,
- 2) Change the definition of Brownfield to include vacant and abandoned sites such that these sites become eligible for Brownfield redevelopment funding,
- 3) Implement aggressive tax enforcement and code enforcement as preventative measures,
- 4) Increase the speed at which the city can secure, bank, and quiet title for contiguous properties given a particular stated initiative or redevelopment project. Use neighborhood plans to develop a blue print for these projects, and
- 5) Create a land bank to allow the city to take possession and clear complicated liens to then allow for site maintenance.

In many ways the city has started to follow some of the suggestions listed above. The city and the URA have been working with local CDCs and residents to create strategic visioning plans, such as the “Bridging the Busway” planning document that focuses on building market strength around transit-oriented development in order to unify the neighborhoods of Homewood and Point Breeze North. Additionally, the city and the URA have slowly been acquiring land and clearing titles on tax-delinquent properties through a facilitated process that takes 18 months. By law, the city has the right to proceed with this activity through a treasurer’s sale, also known as a sheriff sale, but doing this type of work on a larger scale, at a quicker pace, would provide a much larger opportunity to make progress in implementing projects identified in neighborhood plans. The city administers a Land Reserve that functions like a land bank, but takes up to two years to clear title. Additionally, this Land Reserve is capped at 300 properties due to resource limitations (Graziani 2010). More than one interviewee noted that this

Land Reserve is limiting and without a formal land bank, the Land Reserve will not be enough to address the scale of the problem. The city has made other attempts to improve the market dysfunction and the disinterest in property reuse by putting properties in ten year tax-abatement zones for local and state taxes. However, in a weak market city like Pittsburgh, this wasn't enough incentive to draw in interested parties to take on reuse projects.

Thematic Results from Second Round Interviews

I conducted 13, second round interviews with private, for-profit developers working in the Pittsburgh area. On average developers interviewed had worked on five vacant lot or abandoned building reuse projects in the last five years, each project containing between 30 and 65 vacant or abandoned lots, and ranging from 13 to 400 units per project. Some developers had worked on up to ten vacant land or abandoned building reuse projects in this time frame. However, one developer had not done any projects of this kind. Regardless of their engagement on vacant land reuse projects, interviewees were knowledgeable about public policy as related to Pittsburgh redevelopment and brought a depth of past experience including histories as CDC founders and directors, URA executives, city employees and affordable housing developers. The portfolios for each interviewee's firm differed, with some firms focusing primarily on affordable housing, but most firms working on a variety of projects including residential, commercial, mixed-use, and industrial.

Enabling Factors to Vacant Lot and Abandoned Building Reuse

Based on interviewees past engagement in vacant land reuse projects, I asked interviewees what factors they believed enabled reuse projects on vacant and

abandoned land. Interviewees had many years of experience from which to draw.

Figure 9 highlights the factors indicated by two or more interviewees.

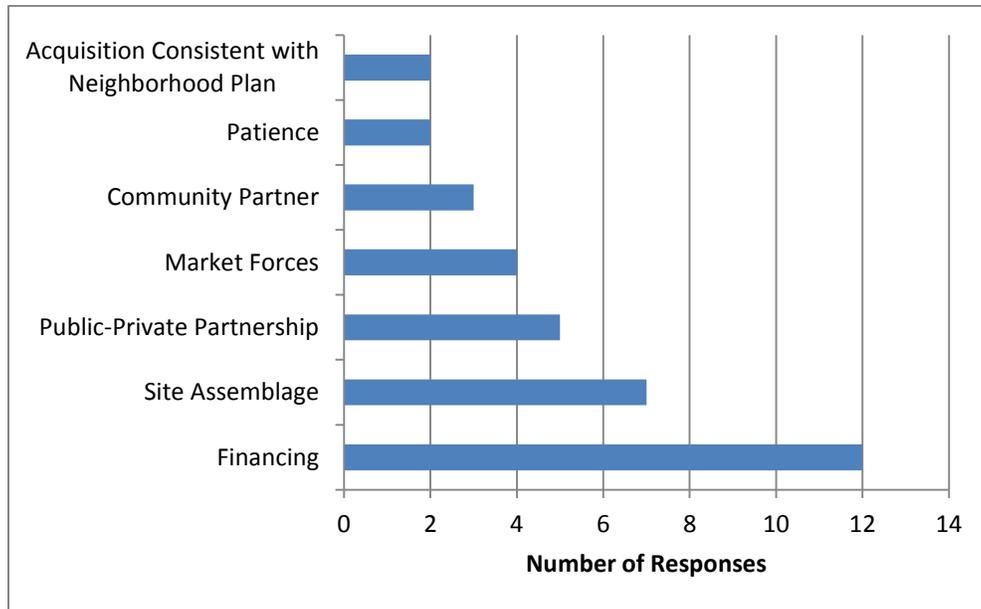


Figure 9: Factors Enabling Reuse of Vacant Lots and Abandoned Buildings

Financial support for these projects was clearly the most frequently identified enabling factor in pursuing this type of project. Specific financing factors included the ability: 1) to secure Community Development Financial Institution (CDFI) loans for this type of “riskier” project, 2) to obtain grants and loans more readily for development on abandoned sites, 3) to acquire gap funding from the local government, 4) to have access to federal or state funding programs, 5) to acquire land at low prices, 6) to rely on the URA to cover carrying costs, and finally, 7) to secure soft money, funds that support the project beyond hard construction costs.

Site assemblage was the second most frequent response interviewees believed contributed to their success in previous vacant and abandoned land reuse projects.

Here, interviewees across the board relied on the city and the URA to gain site control, in some cases assemble multiple sites, and complete the entitlement process. In some cases the city and the URA also took responsibility for the infrastructure work necessary to improve the site, or at the very least helped secure infrastructure funding.

The third most frequent response was the support of a public-private partnership (PPP). Here, the private sector voiced the importance of having the government or non-profit partner, committed to this type of development, specifically in low-income neighborhoods. Private developers found that having a friendly, local government spearheading the reuse effort enhanced the developers' ability to obtain approvals, and complete the overall project.

In four instances, developers cited market forces as an enabling factor for this type of project. When market forces lower the sale price for the vacant property, support the elimination of blight, demand housing, and create a desire to be in the neighborhood, projects of this nature can thrive.

Other enabling factors supported by two or more interviewees included support from a community partner, patience for a slow and complex, multi-faceted project, and acquisition consistent with a neighborhood plan.⁶

⁶ Enabling factors to vacant lot reuse indicated by one interviewee suggested that these factors did not have any level of consensus across the private real estate sector. However, because of the small sample size I've included the following list of these enabling factors: the presence of an opportunistic buyer, opportunity for infill development, the ability to use zoning for a special planned district, the minimal presence of the "not in my backyard" (NIMBY) attitude from residents in a distressed neighborhood, and the process by which the lot was abandoned, which then determines if the acquisition is from a private owner or from the city.

Main Barriers to Land Reuse

The main barriers to vacant lot and abandoned building reuse complemented the enabling factors identified above. Figure 10 depicts the frequency of responses by main barriers identified by two or more interviewees.

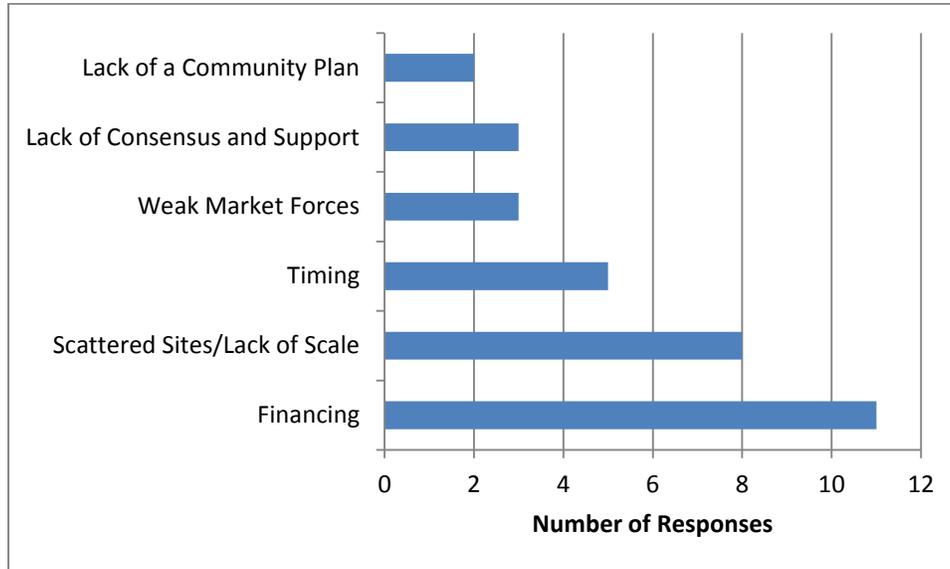


Figure 10: Main Barriers to Reuse of Vacant Lots and Abandoned Buildings

Just as financing was listed as an enabling factor, in just as many instances it appears that money is not available for these projects, and limited resources is the main impediment. Interviewees found a number of financial limitations including finding an appraiser to deem value to the property, acquiring money to write down the cost of infrastructure, and infrastructure costs all together. Additionally, interviewees mentioned that there is difficulty in determining a financial model that works in areas with high levels of vacancy and abandonment. If the market is not strong enough to attract tenants for market-rate units that would subsidize more affordable units, then the project must rely on a high level of government subsidy. State and federal programs

for this subsidy are competitive, and the competition for these funds becomes an impediment to more projects on these types of lots. Because the market does not support any market-rate units, developers are limited to low-income housing development (feasible only with subsidy). With these limitations, very little is done to propel the neighborhood forward and attract new uses supported by the community.

Developers emphasized a need for building to scale in redevelopment projects. Many interviewees noted that they had no interest in one or two small residential vacant lots and that they do not want to be involved in that type of one-off project. Instead, they would consider investment in property that would support 50 to 100 units of housing. Because of this, developers identified the scattered vacant sites as a main barrier to redevelopment. Developers do not want to be burdened with such a time-intensive, complicated process needed to acquire lots in between the scattered sites available. Developers have been relying on the diligent site assemblage completed by the URA, and find that this site assemblage model has been successful. Nonetheless, the URA only has so much capacity, both in staff and in funding, and site assemblage is a slow and complex process, still seen as a general barrier to more reuse of vacant and abandoned lots.

Developers stressed the timing issues associated with vacant and abandoned land reuse projects. There is a great deal of uncertainty regarding the timeline of an acquisition. Much of this is related to whether the land is held privately or publically. If the land is privately held, identifying the owner itself can be a challenge as Homewood has had many issues with older residents leaving their property to heirs who wish to reject their inheritance, viewing the land as a liability, rather than an asset. If the privately held

land owner is known and willing to sell, private developers often find that the acquisition process is more timely, yet pricier, as these owners in some cases drive a hard bargain based on their personal perspective on the value of their properties. Alternatively, if the land is publically held, a long disposition process is likely during which time the government works to clear liens and quiet title. Beyond this, the vision for the site is often not vetted with the community, as communities generally lack an up-to-date community plan. For this reason, among others, it takes years to be ready to call in a private developer to see a project through to completion. As noted previously, projects in these communities rely heavily on government subsidy including tax-credits. Not only are tax-credit projects competitive, but applications for these credits are time sensitive. With the extreme variation on the acquisition timeline, it is difficult for developers to prepare plans and paperwork that sync with the timing of the land acquisition and subsequent community approvals.

Developers also listed weak market forces as a main barrier to reuse in areas with high vacancy and abandonment. Interviewees want to be in the “path of progress,” and cannot count on the success of a project in the middle of a distressed area. If very affluent areas are also suffering, developers see a development project in the distressed neighborhood as riskier.

Interviewees stated that the lack of consensus and support for a project and the lack of a community plan were two other barriers to reuse projects. Developers have learned their lessons in past projects, and have seen projects crumble without community support and a larger guiding community vision. Many interviewees mentioned the longer term certainty associated with an implementable community plan that

recognizes market realities. A community plan that does not confront the issues associated with severe population loss and the current market drivers, does not serve this purpose. However, a thoughtful, comprehensive community plan created by community stakeholders in collaboration with local CDC staff and city staff holds significant weight in a developer’s mind.⁷

Potential Measures, Programs, Policy Changes to Encourage More Vacant Land and Abandoned Building Reuse

When asked what new measures, programs, or changes would enable developers to reuse more vacant and abandoned land, developers offered a number of suggestions, as seen in Figure 11. Figure 12 shows the breakdown of the specific financing incentives developers recommended.

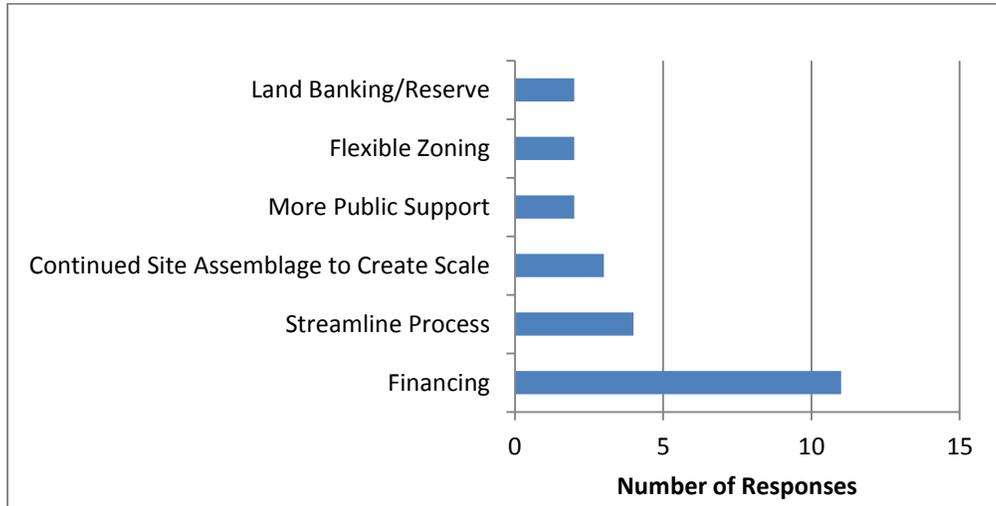


Figure 11: New Measures, Programs, Changes to Support Land Reuse

⁷ Main barriers to vacant and abandoned reuse identified by one interviewee include: safety issues as related to future tenant safety but also to acquiring loans, fundamental system-wide understanding of the problem by the government, history of predatory lending, engineering and physical constraints, outdated zoning, limited capacity of CDCs who have acquired public vacant lots, a disposition process that lacks scale and predictability, and also favors non-profits, the high cost of land, and the lack of patient money in the developers’ pocket.

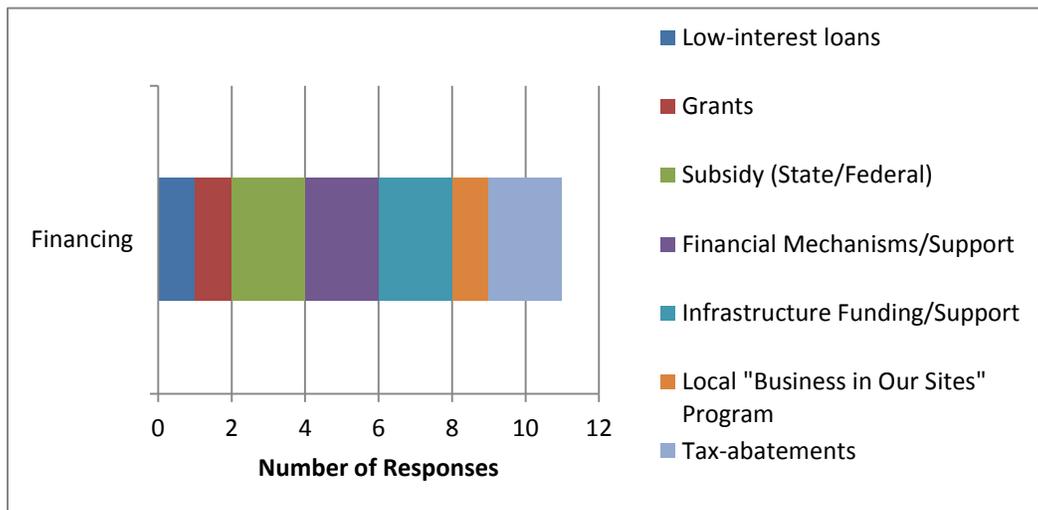


Figure 12: Financing Needs Identified by Developers for Reuse of Vacant Lots and Abandoned Buildings

The recommended incentives address many of the main barriers identified earlier, and not surprisingly, focus on financial incentives. Overall, developers provided fairly general recommendations for new programs, suggesting that even the developers who have most to gain from policy reform related to vacant land reuse, do not have specific notions of how to create implementable changes and make limited resources multiply. Of the financial recommendations provided, developers offered two specific suggestions: Infrastructure Funding/Support and, the creation of a local “Business in Our Sites” Program (Pennsylvania State of Innovation n.d.). Both of these suggestions address the infrastructure burden found specifically in vacant/abandoned land reuse projects. Several developers discussed the daunting costs related to bringing new

infrastructure and utilities out to these abandoned sites⁸, while others mentioned the high costs of disposing of items found under the ground such as abandoned cars, tires, and components of buried basements. Beyond that, poor soil quality at these sites has added a major cost and time burden for developers, making a project of this nature less lucrative. A program that provided grants or loans to create shovel ready projects on vacant and abandoned land would draw more interest from developers.

Beyond infrastructure support, developers emphasized the long, laborious and complicated acquisition process, and suggested creating a transparent, streamlined process. Additionally, developers found the zoning approvals process unnecessarily arduous. A streamlined acquisition and zoning approvals process would lower one of many hurdles to vacant land reuse, and would open up the possibility of attracting an increased number of capable private developers to these types of projects.

Because of the current laborious acquisition process, developers have responded positively to the site assemblage work done by the URA. Developers favored a continuation of this type of land acquisition focused specifically on contiguous lots that would create the type of scale preferred by the private sector. Though the URA has been actively engaged in supporting public projects, two developers suggested a need for a renewed commitment for public investment. Perhaps, policy reform related to more flexible zoning or the creation of a land bank would constitute renewed support for improving neighborhoods by eliminating the blight associated with vacancy.

Developers had very specific thoughts on the guidelines necessary for zoning flexibility.

⁸ Site preparation infrastructure needs at these sites include: water, sewer, storm water, telecommunications, access roads and transit improvements. These infrastructure elements are necessary both on-site, but also off-site in order to connect the existing infrastructure to the redevelopment project.

These specifics, along with comments on land banking policies, are discussed later in this chapter.

Quantitative Trends from Second Round Interviews

During the second half of the interviews with developers, I provided interviewees with the mapping details of Lot A and the surrounding neighborhood context, as discussed in Chapter 4. I then stated each hypothetical policy scenario and asked developers on a scale of -10 to +10, what impact each free-standing policy would have on his or her decision to invest in property A on the map. Overall, respondents stated positive impacts for the Land Bank A, Land Bank B, and Scattered Lot Acquisition by Block scenarios, and negative impacts for the NID scenario. In most instances, developers offered verbal feedback related to each scenario, in addition to their numerical responses. Some interviewees voiced that their quantitative responses to these policies were more theoretical, rather than related to property A, since even with the hypothetical policy in place their likelihood of investing in lot A was nil, but their quantitative response may have been greater than zero. Many developers also voiced wanting larger parcels or at least more contiguous parcels to begin with, noting that the 7,535 square foot property was too small for the types of projects they build. Some interviewees also perceived this area as too far gone to invest in, stating phrases like, “You couldn’t give [that lot] to me...I don’t care about Homewood...[I] wouldn’t look at it.” Another developer said, “I don’t think anything could motivate a company my size to buy a property there...there are just better opportunities in other areas.” Nonetheless, each interviewee did provide an answer on the scale -10 to +10 regarding Lot A in Homewood. The fact that some developers may have provided numerical

answers on a more theoretical basis, rather than related to Lot A, presents some issues with the validity of the quantitative results. Additionally, the small sample size does not indicate any statistical significance to the results. However, these quantitative results, paired with the qualitative feedback on each policy still does paint a picture of the developers' views of these policies as a means by which to spur more vacant and abandoned land reuse.

Figure 13, below, includes responses from all 13 developers for each of the six hypothetical policies. While this graph may seem complex at first, it is important to understand not only an individuals' response for a particular policy compared to another individuals' response, but to also understand one individuals' response for one policy relative to their own response for the other policies. The horizontal axis, labeled 1 to 13, stands for each individual interviewed. The vertical axis shows their responses on a scale ranging from -10 to +10. Later in this chapter I provide other figures showing the comparison between two or three policies as opposed to all six.

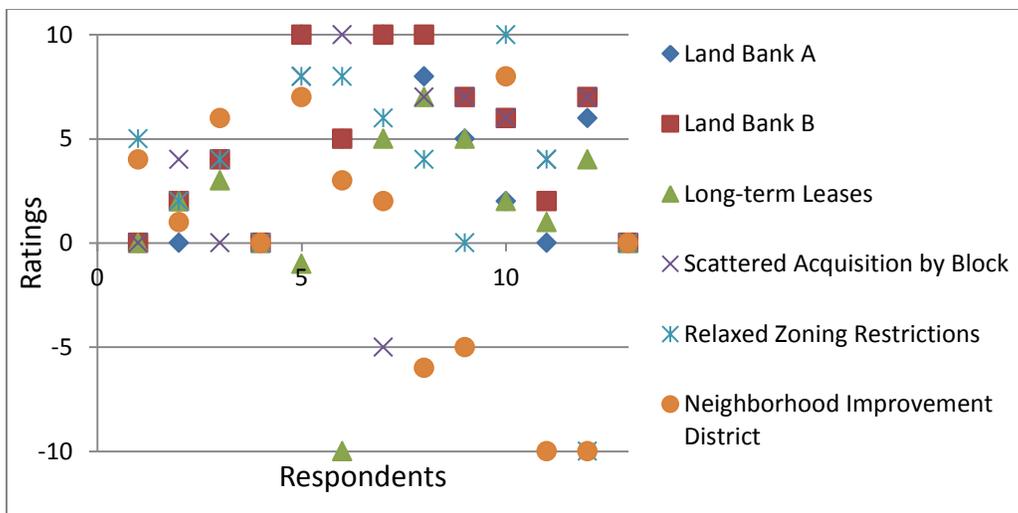


Figure 13: The Stated Impact of Each Hypothetical Policy Scenario on Developers' Interest in Investing in Lot A

The purpose of the subsequent figures is to provide a closer look at developers' responses to only two or three policies at a time, as opposed to six. This method of data analysis offers a closer look at the results for each policy. I determined which policies to compare based on the most interesting trends in the responses. I discuss these trends in the remainder of this chapter.

Land Bank Policies

As depicted in Figure 14, interviewees found the Land Bank B policy scenario most favorable, with 5 of 13 respondents rating this highest as compared to their ratings for the other policies presented, and three others rating it second highest. The Land Bank A policy was also viewed favorably. These two policies were the only policies that did not receive a single negative response. When compared together, respondents preferred the Land Bank B scenario in six instances, on average rating Land Bank B 2.2 increments higher than Land Bank A (Figure 14, below). The concept of Land Bank B, a land bank coupled with tax reform, made respondents even more confident that the land bank could assemble more sites more quickly and work to turn that into an opportunity for the future reuse.

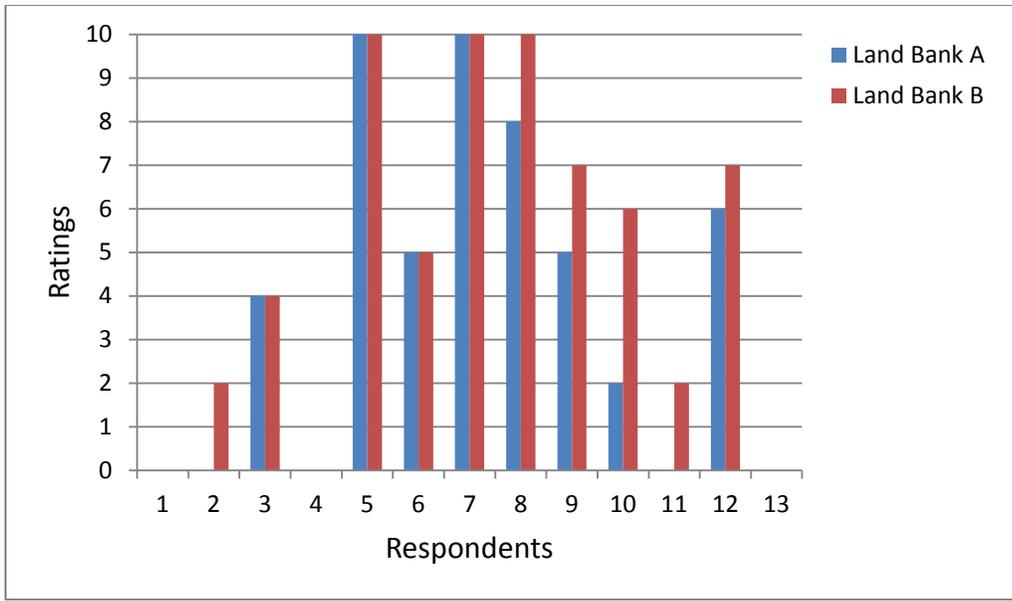


Figure 14: A Comparison of Responses for Land Bank A and B

While several respondents noted that in the broad context a land bank is extremely positive due to the ease of acquiring the title without trying to satisfy back taxes, many who responded positively also mentioned that “there has to be another reason to be here in Homewood.” Many respondents commented that if the other variables such as market drivers, or scale, were not present, the land banking policy alone (either A or B) would not be enough to draw their interest. One respondent said that “without a timeline on how efficient the land bank would be, this policy would have no impact on my interest in investing in Lot A.” Nonetheless, comments such as, “for us this is key,” and, “the policy itself is extremely positive in that it provides opportunity for people,” and “land banking itself is good, and would make me look at the property,” suggested that overall developers support land banks, but not in areas of extreme disinvestment without a market. Respondents’ interest in land banking was far more enthusiastic when discussing other nearby more “transitional” or “stable and marketable” neighborhoods such as East Liberty or Highland Park, respectively. One respondent

expressed that his rating would change from a 0 in Homewood to an eight if the Land Bank B policy was in Highland Park, a nearby neighborhood with a fairly stable core and a more transitional periphery.

Neighborhood Improvement Districts

While the land banking policies were most preferred, the least popular policy was the Neighborhood Improvement District (NID). Four of 13 interviewees rated the NID policy as negative, while two respondents rated it 0. That said, one interviewee rated it as most preferred, and two others rated it second most preferred. Figure 15 shows responses for the NID scenario relative to the Land Bank A and B scenarios.

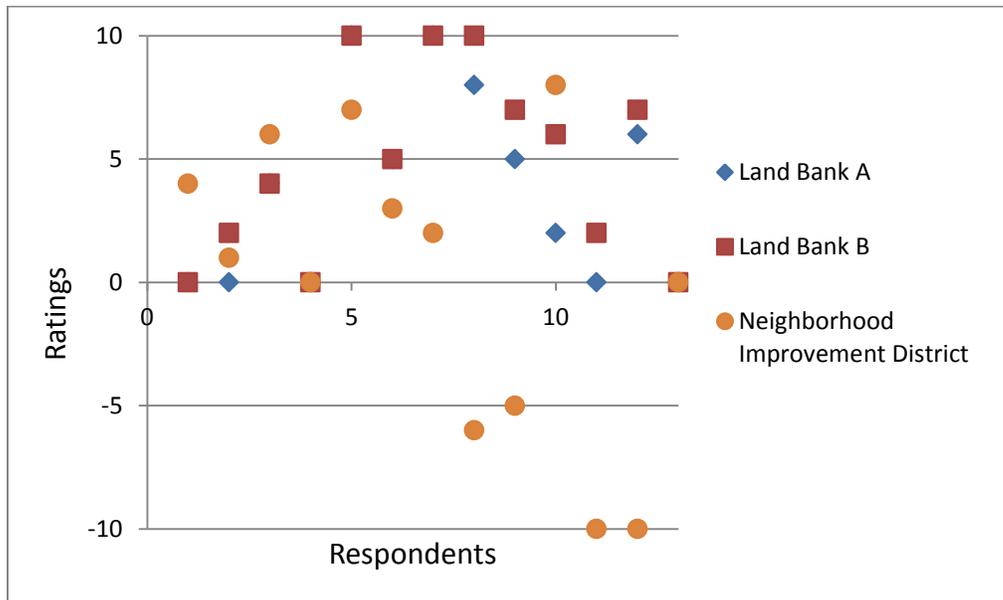


Figure 15: The Stated Impact of Land Bank A, Land Bank B, and NID policies on Developers’ Interest in Investing in Lot A

Comments from individuals who rated this policy as having a positive impact still had skeptical undertones. One individual noted, “I’d rather be able to affect change...it’s nice, but not so attractive to me.” Another said,

It sounds great, but a lot of building owners don't like it because it feels forced because they feel they are doing their part [maintaining their property]. I don't think it's a bad thing. It wouldn't turn me away, but it wouldn't entice me to be the first investor. Maybe after a few years of operating.

Even those who said it had a positive impact on their decision to invest in Lot A mentioned that it would be difficult because the residents are all in one, low income bracket as opposed to a community of diversified incomes. The interviewees who responded that the NID would have a negative impact on their interest in investing in Lot A were strongly opposed to the policy. One of these interviewees firmly stated, "We are already over taxed," while others said, "imposing additional costs in low-income neighborhoods is not a good idea, it's very difficult" and "no one is going to do this, gaps should be paid by the public sector to attract the private sector." Over half of the respondents mentioned that NIDs generally work well in wealthier neighborhoods, where things are already improved. Implementing something like this in Homewood would place a disproportionate burden on those who stuck it out through the population decline. There was some level of optimism about the prospects of implementing a NID in a more transitional neighborhood with a district comprised of both weak and strong areas, where the soft strategies were clear to all, and the government investments in capital improvements like streetscape and site acquisition, were also clear to all.

[Scattered Lot Acquisition by Block](#)

The Scattered Lot Acquisition by Block was somewhat popular with most respondents, though it did receive one negative response. Five of 13 respondents valued this policy with their highest rating and one respondent rated it second highest. The positive responses were related to the developers' interest in acquiring enough land to build a

critical mass to build to scale. The quotes listed in Table 4 capture the enthusiastic positive comments from interviews with developers.

Table 4: Quotes from Developers Regarding the Scattered Lot Acquisition Policy
That is what we are trying to do anyway, scattered acquisition.
To get my attention this would be a 53! [Beyond your scale of -10 to +10]. Literally, this is what we are looking for. You have to create scale and a sense of place and you can't do that on one lot. If I can build new things and young people like it, it's ok if I don't control everything so long as I have enough to affect visual change.
I'd be able to do more to control my own environment giving me the ability to provide a better environment to a potential buyer or tenant.

Less enthusiastic respondents said that their interest in investing in Lot A, given this policy, really depended on the pattern of the vacant lots. Lots that were clustered and adjacent or across the street from one another that could interface with each other would be attractive. Contiguous site assemblage was preferred, but optimistic developers thought this was a good starting point, and that they could pursue acquisition of the remaining lots in the future. Again, this policy implemented elsewhere in more “transitional” neighborhoods gained more favorable responses from developers. To one developer the additional lots acquired in Homewood were a liability, whereas elsewhere this respondent viewed the extra property acquired through this policy as more of an opportunity due to presence of positive market drivers.

Figure 16 shows interviewees responses to the Scattered Acquisition by Block policy as compared to Land Bank B, the most favorable policy discussed. In cases where

responses to both policies were equal, the square land bank icon appears directly on top of the X for the scattered lot response.

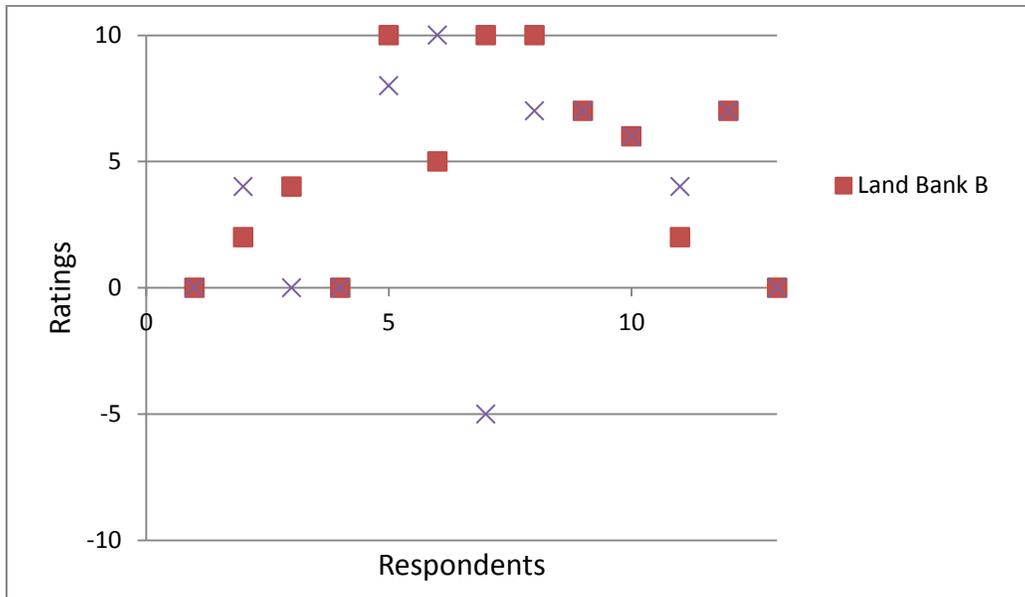


Figure 16: The Stated Impact of Land Bank B and Scattered Acquisition by Block Policies on Developers’ Interest in Investing in Lot A

Relaxed Zoning Restrictions

Three of thirteen respondents rated the Relaxed Zoning Restrictions policy highest, and two others rated it second highest when compared to the other policies discussed. Only one respondent found that this policy had a negative impact on his decision to invest, but he noted that it would have an extreme negative impact, rating it with a -10. Figure 17 shows interviewees responses to this policy as compared to the Scattered Acquisition by Block. Four interviewees reacted more favorably to the relaxed zoning policy, while three show the policies as having an equal impact on their decision to invest in Lot A. Where responses to both policies are equal, the star indicating the relaxed zoning restriction rating covers the X indicating the rating for the other policy.

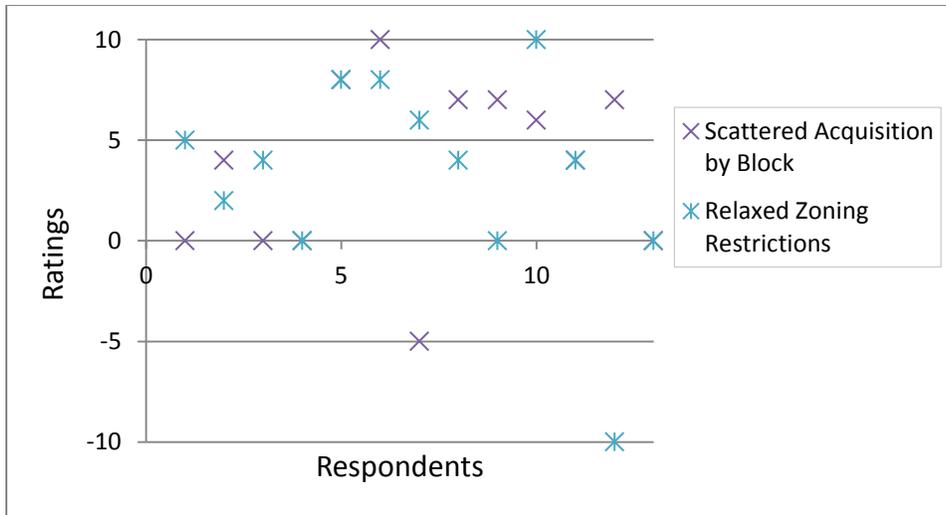


Figure 17: The Stated Impact of the Scattered Acquisition by Block and the Relaxed Zoning Restrictions Policies on Developers’ Interest in Investing in Lot A

Responses to the relaxed zoning restriction policy garnered the most detailed comments. Three respondents indicated that zoning had never been a big impediment to their projects. They went on to say that in these conditions, if the plan for the area was a good one, the city wouldn’t stand in their way. In fact, when asked about barriers to reuse of vacant lots, one interviewee said “not zoning,” indicating that this is something that can be worked out and is not the issue as hand. Three other interviewees saw relaxed zoning as an opportunity to be more creative and have more options, and one noted that it would make their job as a developer easier. Even so, respondents were reluctant to say that this increased opportunity would make them buy Lot A. The most common response from interviewees was that while they would support more flexibility in zoning as related to increased density, setbacks, parking, commercial retail in most instances, and in some cases even agricultural land, including light industrial in a residential area would constitute opposing uses and cause problems. Table 5 captures comments stated by developers during interviews.

Table 5: Quotes from Developers Regarding the Relaxed Zoning Restrictions Policy
10, with restrictions to compatible uses...I have concerns with opposing uses. You can't be that relaxed and have no zoning.
If it's relaxed with similar use patterns, that'd be good. But with a radical shift to an incompatible area, I'd be worried my neighbor would do something crazy later.
Zoning protects from certain uses.
I would have to see if [the] use is appropriate or not.
You want to be careful you don't have developers plopping down a commercial property in the middle of a residential area where it doesn't belong.
More flexible zoning can be good, but it depends who controls it....I don't want a free for all. If I could be master developer for all the scattered lots, that'd be of interest.

Though overall, developers did not support the inclusion of opposing uses⁹ in the zoning flexibility, one developer was *only* interested in flexible zoning if it included a different use altogether. This developer was not interested in increased density, noting that building 100,000 units in this location would not be useful since you wouldn't be able to sell them anyway. That said, he stated that he found an overlay zone more important than relaxing the restrictions anyhow. Another developer noted that Relaxed Zoning Restrictions "could be the transformative piece," if his business was developing manufacturing space. He went on to say that the city would need a relocation strategy that would move remaining residents away from manufacturing areas into new housing,

⁹ Here, the term "opposing uses" refers to two categories of land use that historically have been intentionally separated because the use of one parcel may interfere with the use of another parcel. For instance, an industrial auto shop and a single family residential apartment are two opposing uses that in most zoning codes would not be permitted to abut one another because the use of the industrial auto shop may create noise, fumes, or activity that may intrude with the use of a residential unit in close proximity.

which would take a long time. This type of planning would also be politically treacherous for the government.

Long-term Leases

Developers' responses to the Long-term Lease scenario varied. Not one respondent listed this policy as their highest rating, and only three developers listed this as their second highest rating. Two developers responded that this would have a negative impact, one responding with a -10, the other with a -1. Figure 18 captures interviewees' responses to the Long-term Lease scenario as compared to the relaxed zoning restriction responses.

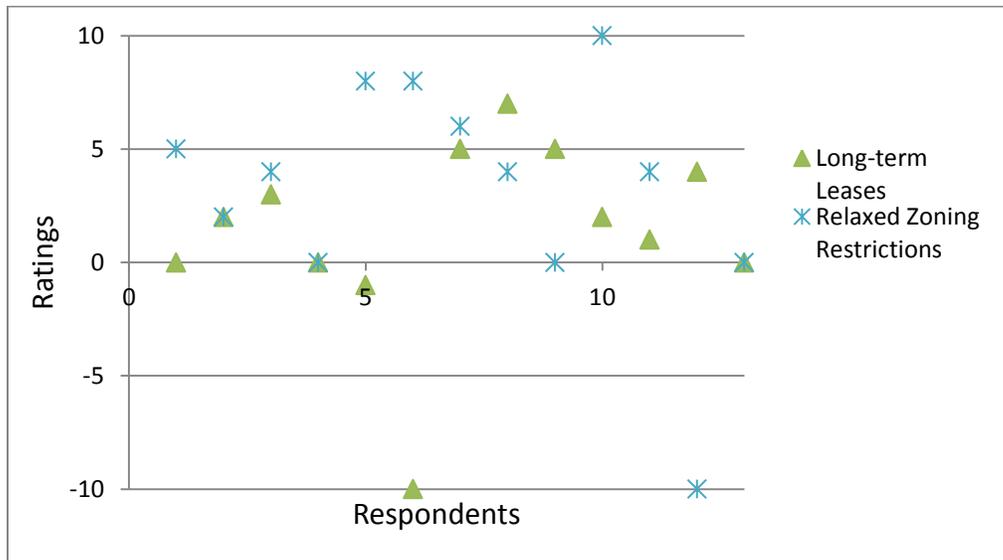


Figure 18: The Stated Impact of the Long-term Lease and the Relaxed Zoning Restrictions Policies on Developers' Interest in Investing in Lot A

Developers who responded positively found that this policy would still allow you to get the land assembled by the city and would allow you to get it faster than waiting for the legal issues to be resolved. These respondents were satisfied that in this scenario the city would clear the taxes, without a cost to the developer. Though they noted that title

would be better, one developer who responded favorably said that “a 99-year lease is basically title.” Still, even these positive respondents alluded to potential legal problems and issues with investors and lending institutions that require fee simple title. Developers who were neutral or not supportive of this policy found that long-term leases were “un-financeable,” and that “lenders don’t like long-term leases.” One respondent noted that his response would depend on what type of property was built, since a for-sale project would not be able to be sold if he was only leasing the grounds. He found long-term leases to be a “deal breaker” since it restricts the options to redevelop. Another developer noted that he would rather not enter into a contract with the city, but would rather buy the property outright to have a secured financing interest in the land. With such a high risk project dealing with vacant or abandoned land, he wanted to hold on to the land value himself, rather than give away that opportunity in a lease.

Ideal Scenarios

After discussing the six policy scenarios with developers, I asked developers to list the attributes that were most ideal, and draw upon their own ideas as well. Overall, developers emphasized the value of scale. Eleven developers specified the importance of site assemblage. Six developers specified land banking as a way to do this, and four named the Scattered Acquisition by Block policy as a way to achieve this level of scale. Nearly all of these 11 developers specifically stated their support of continued URA acquisition of land as a way to build scale as well.

Six individuals noted the importance of financing support, two of whom specified the value of having another entity take on the carrying costs of the land while the project is

in the pre-development stage, two of whom noted the value of gaining these properties free and clear of back-taxes. Other ideal scenarios that related to financial support included availability of soft financing, resources like HOME funds and CDBG grants, and having access to “patient money.”

Five developers identified zoning flexibility as among the most ideal redevelopment attributes, so long as the zoning was appropriate and not diametrically opposing uses (i.e. industrial). Five other developers mentioned that an ideal scenario would include positive market forces. This would include positive market conditions such as stable income levels, restaurant life, and stable housing values. This would also include market pressures from neighboring areas that would support spillover into a distressed area. Building from a stable edge neighborhood was a preferred strategy listed by four of these five developers.

Four developers emphasized the need for a community plan or the ability to have patient money such that the developer has the time to create a thoughtful plan. A neighborhood plan provides these developers with a level of certainty about the future community vision and the level of support that they can anticipate for their proposed project.

[Ranking Key Criteria Necessary to Invest in Vacant or Abandoned Lots](#)

Developers were asked to rank the following six criteria in order of importance when deciding to invest in a vacant or abandoned lot: Zoning Flexibility, Nearby Public Transit, Availability of Low/No-Interest Financing, Low Crime Rate, Availability of Tax Breaks, and Close Proximity to Other Vacant Lots under Your Ownership. Figure 19 shows

developers' responses. The horizontal axis represents each interviewee. The vertical axis indicates the level of importance indicated.

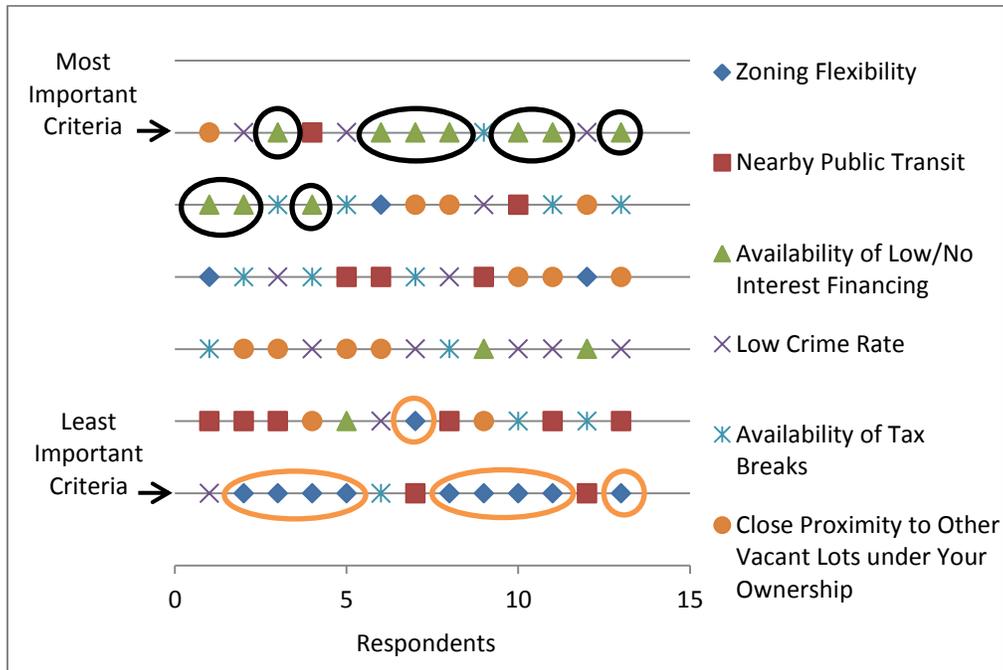


Figure 19: Developers' Rankings of the Importance of Six Criteria When Considering Investing in a Vacant Lot

The main trends in the data shown in Figure 19 indicate that the availability of low/no-interest financing is important to developers. Seven developers rated this as most important, while three others rated it second most important. These responses are circled in black for emphasis. Not a single developer rated this as least important.

Another main trend in the data indicates that zoning flexibility is less important than the five other criteria included in this question. Nine developers rated zoning flexibility as least important and one individual rated it as second least important. These responses are circled in orange for emphasis. These responses related to zoning match the comments described earlier regarding developers perspective that zoning is not a major impediment to a project.

Other responses were not as clustered together. Developers for the most part did not favor close proximity to public transit when considering investing in a vacant or abandoned lot. Eight developers rated this either least important or second least important. However, one developer did rate this as most crucial, another as second most important, and two others as third most important.

Responses were varied in developers' preference for low crime rates, availability of tax-breaks, and close proximity to other vacant lots under the developer's ownership. One developer indicated that they assumed crime is something that you can get rid of, and therefore rated these criteria with this in mind. Another developer indicated that tax-breaks were not particularly important since as a developer he finds that he doesn't pay much in taxes anyhow after tax-credits and tax shelters. Though these results are not statistically significant due to the small sample size, the main trends are nonetheless informative and may help shape the direction of future incentives.

In the following chapter I discuss the implications of these findings on future policy reform. I also offer commentary on the different paradigms of responses, and the different frameworks in which developers operate while considering future investments in vacant lots.

Chapter 6: Discussion

Chapter Overview

In this chapter I discuss a developer typology in the framework of an optimistic/pessimistic paradigm. I then provide commentary on the role of the private, for-profit sector given the responses provided during interviews. Here, I highlight the most critical factors necessary in vacant land reuse projects as identified by developers. Finally, I offer a recommended pathway for very distressed neighborhoods, like Homewood, based on interview results.

A Developer Typology

During interviews developers provided insight on their perspectives of their work relative to existing neighborhood conditions and current policies. Other than the main trends identified in the previous chapter, their attitudes towards the hypothetical policy scenarios varied, with some respondents indicating that a policy would have a negative impact on his or her decision to invest in Lot A, while others claimed the same policy would have an extremely positive impact. Developer responses highlighted a developer typology that can be classified through the lens of an optimistic/pessimistic paradigm.

Optimistic developers indicated support for policies that provided opportunity to have more site control, even if it meant that they would have to acquire additional lots later to create contiguous properties under their ownership. These developers also did not find zoning restrictions to be an issue, stating confidently that if a variance is needed, they would get one. These developers exhibited patience for projects that can often take years to come to fruition. Some of these optimistic responses indicated a long-term interest in their financial gain on their project, their relationship with the residents

of the neighborhood, and their relationship with the city. Other than financial support for these projects, these developers saw value in a well-documented community vision or plan, one that would allow them to proceed with project concepts knowing that they wouldn't be spinning their wheels later when their project was presented to the community. While these developers indicated a sensitivity to maintain elements of the existing community, either for the sake of the current residents or for the sake of pushing the project ahead, not all developers expressed such sensitivity. One developer indicated a desire to be in control of large-scale neighborhood change, stating that, "If someone said, we'll let you redevelop Homewood, I'd say, 'where do I sign?'" Even though this developer's interest in preserving the existing community was unclear, this type of comment still indicates a level of visionary thinking that other developers did not express.

Pessimistic developers could not conceptualize a market change in an area as distressed as Homewood. Understandably, without strong market forces it is difficult and risky to undertake redevelopment efforts, especially when a developer has the security of an existing development business model working elsewhere. Vacant land reuse projects are complex, risky, and not for the faint of heart. This type of development would require modification to many pre-existing business models that work in more stable neighborhoods. For several respondents, turning around a distressed neighborhood was not their business mission. Many developers interviewed had no interest in starting projects in Homewood, since there is opportunity elsewhere. One developer commented,

I'm not going to buy that lot, I don't care how easy you are going to make it. It's in the middle of nowhere – there's a

school on the verge of closing, there's no strength to any retail core nearby. Yeah, there's a surface bus, but its eight blocks away from the Busway that will be retained. [I] wouldn't touch it with a ten-foot pole.

After hearing many developers' doubtful outlooks on potential policy reform that would have strong enough implications to attract investment in Homewood, I began to informally ask these developers about these same policies in other neighborhoods that were considered "transitional" as opposed to experiencing "major disinvestment." Responses to these same hypothetical policy scenarios become far more appealing to developers, suggesting that their role in vacant lot reuse is more fitting in "transitional" neighborhoods rather than "very distressed" neighborhoods.

The Role of the Private, For-Profit Sector in Vacant Land Reuse

Based on these interviews, the primary role of the private real estate developer in vacant land reuse is in transitional neighborhoods, ideally as part of a public-private partnership. Here, market forces provide at least some support for their projects. In these neighborhoods there is more momentum, and redeveloping several vacant parcels together may create just the right missing link to create neighborhood stability. Redevelopment in these transitional neighborhoods in some cases still allows developers to maximize their Low-Income Housing Tax Credits provided their project location is in a "qualified census tract" as defined by the Department of Housing and Urban Development (HUD). In these transitional neighborhoods developers seem to be able to balance the budget sheet using the limited resources the local government can provide.

That said, when discussing policies in the "very distressed" neighborhood of Homewood, developers reacted positively to policies that encouraged site assemblage

and developer site control on large lots. The Land Bank A and the Site Acquisition by Block scenarios suit this stated preference. Additionally, developers' stated preferences for streamlined processes that help create site control more quickly. The Land Bank B policy scenario worked to do this. Developers indicated some level of support for Relaxed Zoning Restrictions, if delicately crafted to create a landscape where land-uses don't clash. Beyond that, developers' stated their preference for the certainty that comes with government-backed projects, and projects that work within a neighborhood plan.

Land Bank A, Land Bank B, and the Scattered Acquisition by Block policies would win the hearts of more developers in transitional neighborhoods, rather than the most distressed one, but nonetheless, optimistic developers expressed that these policies would have a positive impact on their decision to invest in a lot in Homewood. While pessimistic developers indicated that even all these incentives wouldn't attract them to invest in a disinvested area, a number of more optimistic interviewees either: 1) are already doing work in disinvested communities, or 2) suggested that with enough of the factors above, they would do work in a disinvested neighborhood, as evidenced by the "where do I sign?" comment. The fact that patient, optimistic private developers exist, and the fact that nearly all individuals interviewed had worked on at least one vacant land reuse project, including two individuals working for firms who are starting projects in the distressed areas of Homewood and Larimer, suggests that vacant land reuse in disinvested areas is a niche for a private, for-profit developer, just not all private, for-profit developers.

Pathways for Very Distressed Neighborhoods

These research findings suggests that in the current policy climate, if a neighborhood falls below a certain threshold with respect to tax delinquency, quantity of vacant lots, , crime rates, consecutive years of distress, and income levels among other factors, private real estate developers cannot successfully apply their typical development model to work in that neighborhood. This developer disinterest may stem from what seems to be a narrow definition of reuse, confined to new housing or commercial mixed use. If many private developers are more inclined to put their efforts into “transitional” neighborhoods, rather than “very distressed” neighborhoods, because their existing business model can continue to succeed there, then what can be in done in neighborhoods like Homewood? Ongoing activity from CDCs provides hope to these areas, and site assemblage spearheaded by the government is certainly welcome, but the scale of the blight from vacant and abandoned lots is too grand to be eliminated with this activity alone. First round interviewees emphasized the benefits of developing a neighborhood plan to attract and qualify for funding, and to leverage private development. Though creating a neighborhood plan can be a daunting and controversial task, it serves as a starting point to leverage future investment.

Overall, private developer interest in vacant lot reuse in the distressed neighborhoods of Homewood is tepid, partly because they cannot acquire contiguous property large enough to build their typical 50 to 100 units of housing, but also because the market demand for this amount of housing is not present, among other reasons. This suggests a need for pursuing active right-sizing strategies and creating a long-term community plan with government support would be a logical first step.

Rather than focus on attracting the private sector to a distressed neighborhood with a weak market, neighborhoods like Homewood may find success in working with the city and local CDCs to first create a neighborhood plan that addresses market realities, including population decline. Given the severity of the population decline, radical land-use changes may emerge in these plans, and the future of the neighborhood should be planned not only in the context of the surrounding neighborhoods, but also in the context of the regional economy. Even before an implementable plan surfaces, it may be helpful to create a framework for the future of the neighborhood by building consensus on the direction of future land-use, be that continued residential and commercial use, or a change to include new uses such as agricultural, passive open-space, or light industrial.

Based on these interviews there seems to be a role for the private sector, but perhaps, not an immediate one. The role of the private sector, when the time is right, is one which is supported and shepherded by the city government and the local residents. This cross-section of stakeholders must build a trusting relationship in order for each to rely on the other's powers; the ability for the government to subsidize property, the private sector's technical expertise and efficiency, and the residents' power to support development they want, block projects they do not want, and their power to elect other local government officials, if necessary.

Chapter 7: Policy Recommendations and Conclusion

Chapter Overview

In this final chapter, I first reiterate my primary research question and explain my overall findings. I then explain the limitations of this study and offer suggestions for future research related to this topic. Finally, I discuss the policy implications related to my findings and offer recommendations at the local, state and federal level.

Research Question and Findings

The central question driving this research was **what types of vacant land reuse scenarios elicit interest from real estate developers in the private, for-profit sector and why**. Through a combination of interviews first with city and non-governmental organization employees, and then with private, for-profit developers, I was able to explore the answer to this primary question by determining:

- The means by which the private, for-profit sector has been involved in vacant lot reuse, specifically in transformative projects,
- Examples of the private sector at work,
- Historic patterns of private, for-profit-sector reuse as related to the policy and planning frameworks targeting this sector, and
- Barriers to vacant lot reuse.

The most agreed upon barrier to vacant land reuse was financial support, and developers specified that funding for infrastructure would significantly improve the feasibility of interest in vacant lot reuse. Other barriers included inadequate site assemblage that limits scale, timing issues related to site acquisition, community approvals and financial commitments, weak market forces, lack of community consensus, and lack of a neighborhood plan.

When provided with hypothetical policy scenarios related to one particular lot in the Pittsburgh neighborhood of Homewood, developers favored policies that would create scale, and therefore opportunity for a larger development. Overall, developers stated that both a land bank policy (Land Bank A), and a land bank policy supported by tax foreclosure reform (Land Bank B), would have a positive impact on their decision to invest in the particular lot in question. Six of 13 developers stated a slight preference for a land bank supported by tax foreclosure reform. Developers, for the most part, also favored the Scattered Lot Acquisition by Block policy. All three of these scenarios offer developers opportunity to gain site control for more property, more quickly than is possible under current conditions.

Overall findings show support for a Relaxed Zoning Restriction policy, provided permitted uses are not diametrically opposed. Though developers did support this zoning modification, contingent on the particular mix of permitted uses, developers also indicated that financial support was far more critical than rezoning. Access to low-interest loans, for instance, was stated as a much more crucial criterion for a project when considering investing in a vacant lot. This indicates that though some level of flexibility in zoning is preferred, this is far from the main impediment to vacant lot reuse.

Developers were not supportive of Neighborhood Improvement Districts, specifically in a distressed neighborhood like Homewood. Developers saw the prospect for a NID policy in a wealthy neighborhood as far more likely to succeed. Developers' perspectives on a Long-term Lease policy varied, with respondents generally stating that

a long-term lease would have a somewhat positive impact, but enthusiasm for this type of policy was weak, and one respondent stated that this policy would have an extremely negative impact on his interest in investing.

The positive impact any of the hypothetical policies would have on a developer's decision to invest in no way indicates that the developer would actually buy the property. However, these findings offer insight on the policy preferences and perspectives of the private, for-profit sector, specifically as related to a distressed neighborhood. Developers indicated that the impact of these policies on their decisions to invest would be much stronger in transitional neighborhoods or stable market neighborhoods. This evidence is a reminder that there are other variables that must be weighed when considering investment in very distressed neighborhoods, and that while these policies may be thought of favorably, these policies alone will not draw in the private sector or stabilize this neighborhood. Nonetheless, site control on property of scale was viewed favorably across the board, even in distressed neighborhoods. This would allow reuse projects to be large enough to be financially sound and to provide a significant, positive impact to the community. This suggests that public policy that supports streamlined site assemblage would create more opportunity for investment that could potentially have a transformative impact.

Limitations

As with all research methods, there were a number of limitations to this study. Most notably, the limited number of interviews with developers offered only a small sample size from which to glean meaningful results. While several trends surfaced in the data, a larger sample size would have allowed me to statistically analyze the closed-ended

responses. Beyond sample size, it is important to acknowledge that the selected developers were generally part of real estate firms that work on large scale real estate projects. While this was purposeful in order to capture the perspective of developers who work on transformative projects, interviewing developers that do single lot reuse projects, or smaller scale development, may have provided another perspective on the obstacles to vacant land reuse and on the impact of hypothetical policies. A third limitation of this research was the relatively small parcel of land selected as Lot A. In almost all interviews the developers indicated that the scale of projects they work on were much larger than the size of Lot A. Lot A was selected carefully, as outlined in the methodology section, and the neighborhood area that fit this methodology most closely was the area between Frankstown Avenue and Westinghouse High School. Initially, my intention was to create a large set of adjacent municipal parcels to call Lot A in order to discuss these policies related to a large tract of land that could benefit from transformative development. However, the geographic location of the municipally-owned lots were not contiguous, a frustration heard clearly during interviews. While the small size of Lot A negatively influenced developers' inclinations to invest in Lot A given each hypothetical scenario, the small lot size was a point of discussion that offered great insight into the perspectives of developers and these thoughts have been included in the results.

During interviews it became evident that these developers were not interested in creating their own market in a distressed neighborhood. While this is a finding of this research, it also negatively influenced the responses given by developers when presented with each hypothetical scenario. One way to gauge the developers'

inclination to create a market in a distressed neighborhood might have been to ask developers not how many vacant lot reuse properties they had been involved in, but rather, how many vacant lot reuse projects they had been involved in within a distressed, weak-market neighborhood.

Suggestions for Future Research

Based on the limitations outlined above and the lessons learned during the research process, I would suggest that in future research a question about the developer's likelihood of investment regardless of policy change should preface questions about the impact of policy on investment. Developers with a varied, but positive, likelihood of investment in a lot in the distressed neighborhood would have different responses related to the impact of policy than developers who have no likelihood of investing in such a lot to begin with.

Other suggestions for future research include conducting interviews solely with developers who focus on small scale, one or two lot projects. One method that could be used to select these developers would be to compile a list of bidders at foreclosure auctions. Though this list may be small, there is opportunity to explore the possibility of implementing policy reform favorable among these developers to provide enough incentive that a large number of small-scale developers would be drawn to reinvest in the neighborhood in a transformative way. Perhaps transformative development in fact requires many small successes before large-scale positive change can occur. Another direction for future research would be to survey developers on their attitudes towards policy as related to vacant lot reuse in transitional neighborhoods as opposed to neighborhoods suffering from extreme disinvestment. Perhaps positive transformation

in Homewood is rooted in spillover from neighboring successes in transitional communities made stable and marketable.

Policy Implications and Recommendations

Based on the interviews conducted as part of this study and the relevant literature, I have developed recommendations for each level of government.

At the local level, I recommend that city officials and URA employees continue to acquire and clear title to vacant lots and tax-delinquent properties while also supporting public-private partnerships that focus on vacant land reuse. These public-private partnerships leverage the skills and the financial risk taking ability of the private sector with the public or non-profit sector's intimate knowledge of the community. I recommend that the city work diligently to complete PlanPGH, the comprehensive city-wide plan started in 2010, and also work with the residents and neighborhood CDCs to create realistic neighborhood plans, particularly in neighborhoods experiencing severe disinvestment. It is imperative that these plans address the current market realities, and offer a visionary framework that may involve significant land-use changes, given the severe population decline. In addition to these planning efforts, the local government must focus on preventative measures such as increased code enforcement, tax enforcement, and resident assistance programs that address tenants that can no longer maintain their homes. Prevention is a key component to change the cycle of disinvestment.

As for new policies, I recommend that the city:

- 1) Support the proposed statewide land bank legislation, and if passed, work efficiently to create a local land bank authority,
- 2) Consider selling several of their scattered vacant lots in close geographic proximity in one transaction, provided the developer has a suitable plan for reuse that is supported by the community, and
- 3) Consider developing a local program, modeled after the “Business in Our Sites” state program, which supports infrastructure improvements for vacant lot reuse, specifically in distressed neighborhoods.

At the state level, I recommend that the Senate pass the proposed land bank enabling legislation, and encourage local government entities to create either city-wide or regional land bank authorities. At the time of the writing of this thesis in April, 2012, the land bank enabling legislation, House Bill 1682, has been approved by the House and is awaiting vote by the Senate.

At the federal level, I recommend financial support for land banking authorities that will help manage and control vacant and abandoned land reuse according to local planning efforts. The federal government has provided a great deal of financial backing for these efforts to date, and more is certainly needed to address the scale of the problem. There is a great opportunity for land banking authorities to help stabilize neighborhoods with large numbers of vacant lots, and land bank authority staff will then have invaluable perspectives on other factors that help or hinder vacant land reuse.

Philanthropic agencies, Community Development Financial Institutions (CDFIs) and intermediaries such as Local Initiatives Support Corporation, The Enterprise Foundation,

and the Neighborhood Reinvestment Corporation also have the ability to play a significant role in the future of vacant lot development. In fact, this type of work fits within the mission statement of these organizations. These actors can provide a funding source to assist distressed neighborhoods where market factors are weak. For these neighborhoods such financial support is very hard to come by from any other source. Distressed neighborhoods are ripe for investment, but need a strategy and a plan and the commitment of funding. Developers need significant financial support to work in a disinvested area, and stable foundation and CDFI funding for planning and development in a distressed area lowers the barriers to vacant land reuse. Where transitional neighborhoods have some level of support from market drivers, distressed neighborhoods need support from a different source, and philanthropic agencies, CDFIs and intermediaries can be that source.

In conclusion, it is imperative for the city to be pro-active in site assemblage and long-term planning efforts. Only after there is a future framework in place and large enough sites have been assembled does it make sense to reach out to the private-sector, offering them the certainty of (1) a neighborhood plan, (2) adequate site assemblage that would allow for a project of scale, (3) government support, and (4) philanthropic, federal, state, and local, financing support.

Appendix A: Detail on Current Federal Incentive Programs

Low-Income Housing Tax Credits (LIHTC): “Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Provided the property maintains compliance with the program requirements, investors receive a dollar-for-dollar credit against their Federal tax liability each year over a period of 10 years. The amount of the annual credit is based on the amount invested in the affordable housing.”

(<http://www.hud.gov/offices/cpd/affordablehousing/training/web/lihtc/basics/work.cfm>)

HOME Investment Partnerships (HOME): “Grants to states and units of general local government to implement local housing strategies designed to increase homeownership and affordable housing opportunities for low and very low-income Americans.”

(<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/home-program>)

New Market Tax Credit (NMTC): “The New Markets Tax Credit (NMTC) Program enables taxpayers to receive credits against Federal income taxes for making up to \$15 billion in investments in designated Community Development Entities (CDEs). The CDEs use these massive revenues to invest in low-income communities, including the Renewal Communities (RCs), Empowerment Zones (EZs) and Enterprise Communities (ECs) designated by HUD.”

(<http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/about/newmarkets.cfm>)

Community Development Block Grants (CDBG): “Provides annual grants on a formula basis to entitled communities to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services...All CDBG activities must meet one of the following national objectives: benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet certain community development needs having a particular urgency. Some of the activities that can be carried out with community development block grant funds include the acquisition of real property; rehabilitation of residential and nonresidential properties; provision of public facilities and improvements, such as water and sewer, streets, and neighborhood centers; public services; clearance; homeownership assistance; and assistance to for-profit businesses for economic development activities.”

(<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/entitlement>)

Section 108 loans (Section 108): “Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Under this section, HUD offers communities a source of financing for certain community development activities, such as housing rehabilitation, economic development, and large-scale physical development projects. Eligible activities are (1) real property acquisition, (2) rehabilitation of property owned by the applicant public entity or its designated public agency, (3) housing rehabilitation eligible under the CDBG program, (4) special economic development

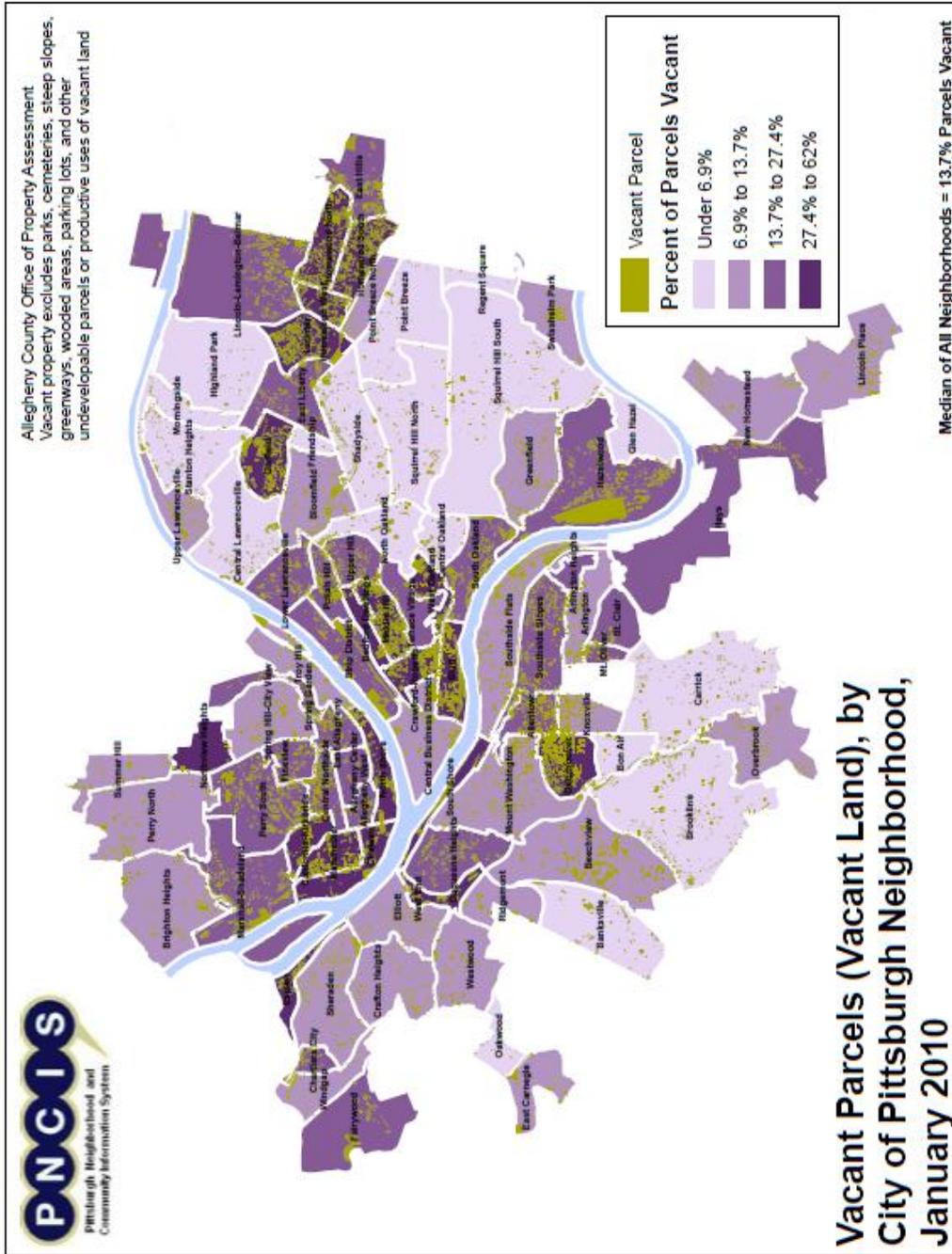
activities under the CDBG program, (5) interest payments on the guaranteed loan and issuance costs of public offering, (6) acquisition, construction, reconstruction, rehabilitation, or installation of public facilities, (7) assistance for public facilities in colonias, (8) debt service reserves for repayment of the Section 108 loan, (9) other related activities, including demolition and clearance, relocation, payment of interest, and insurance costs. When determining eligibility, the CDBG rules and requirements apply. As with the CDBG program, all projects and activities must meet CDBG's primary objective (use of 70 percent of funds must benefit low- and moderate-income persons) and one of the following three national objectives: (a) principally benefit low- and moderate-income persons, (b) assist in eliminating or preventing slums or blight, or (c) assist with community development needs having a particular urgency. Loans may be for terms up to 20 years. The applicant pledges its current and future CDBG funds as the principal security for the loan guarantee. HUD may require additional security for each loan, and any additional security that may be necessary is determined on a case by case basis." (<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/section108>)

Economic Development Initiative: "HUD may make economic development grants to Community Development Block Grant (CDBG) recipients, in connection with notes or other obligations guaranteed under Section 108, for the purpose of enhancing either the security of the guaranteed loans or the viability of the projects financed by those loans. EDI enables localities to carry out eligible economic development activities where public and private dollars can be leveraged to create jobs and other benefits, especially for low- and moderate-income persons, and reduce the risk of potential future defaults on Section 108 loan guarantee-assisted projects. Eligible activities for which EDI funds may be used are the same as those under the Section 108 Loan Guarantee program. EDI funds are added to other CDBG funds (including Section 108 Loan Guarantee proceeds) for purposes of determining the grantee's and the project's compliance with the CDBG primary and national objectives. The EDI and Section 108 funds must assist the same project." (<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/edi>)

Brownfield Economic Development Initiatives: "Competitive grant program designed to assist cities with the redevelopment of abandoned and underused industrial and commercial facilities, where expansion and redevelopment is burdened by real or potential environmental contamination." (<http://portal.hud.gov/hudportal/HUD?src=/hudprograms/bedi>)

Empowerment Zones (EZ): "Empowerment Zones (EZs) are designated areas of high poverty and unemployment that benefit from tax incentives provided to businesses in the boundaries of the EZ. Businesses operating in EZs qualify for a variety of tax incentives including a tax credit of up to \$3,000 per year for each of its employees who resides in the EZ, a Work Opportunity Tax Credit for hiring 18-39 year-old residents of the EZ, a deduction of \$35,000 for the cost of eligible equipment purchases under section 179 of the Internal Revenue Code of 1986, and tax exempt private purpose "EZ Facility bonds" for commercial development." (http://portal.hud.gov/hudportal/HUD?src=/hudprograms/empowerment_zones)

Appendix B: Pittsburgh Vacant Parcels (2010)



Source: University Center for Social and Urban Research PN CIS

Appendix C: Open-ended Round 1 and 2 Interview Questions

Questions for Round 1 Interviews (the questions selected from the list below varied based on interviewees' place of employment)

1. How would you characterize the vacant lot and abandoned building issues in the Homewood neighborhoods of Pittsburgh?
2. What exactly has been your organization's role, if any, in guiding or steering vacant and abandoned property reuse?
3. How effective do you feel your organization has been in addressing the issue of vacant lots and abandoned buildings? Are there barriers to being even more effective in this area? Do you anticipate any modification to those barriers? Where have you seen any modification of those barriers, other cities/states?
4. Are **there other actors** that you believe could play an effective role in addressing the issue of vacant lots and abandoned buildings? Who? How? Why?
5. What **new measures, programs, or changes would you say would enable developers to reuse more vacant and abandoned property?** What else? (Incentives, Policy Reform?) *Note: After they respond, ask them to specify if they are speaking about non-profit or for-profit developers.*
6. What are your thoughts on the possible role the private, for-profit sector could have in redeveloping vacant lots in the Homewood/northeast Pittsburgh area? Do you see any areas for leveraging resources and skills across the private, for-profit sector, the non-profit sector, the residents, and the city?
7. Can you tell me about how the private, for-profit sector is involved in vacant lot and abandoned building redevelopment and reuse? In Pittsburgh or elsewhere. (Probe: Are they heavily engaged? What do you see as existing incentives that seem to be appealing to them? Is there interest in vacant lot acquisition, redevelopment, or reuse from the private, for-profit sector?)
8. What are some of the successful new uses that have been developed for vacant lots? For those that were successful, how did that come to be? Who were the actors or partners involved? *(If there are few successful new uses developed at these sites, what do you see as the main barrier to successful reuse?)* What about at the sites of abandoned buildings? What are some successful new uses at those sites? How did those projects come to be?
9. What do you see as the **main barriers to vacant lot reuse?** Do you anticipate any modification to those barriers? Where have you seen any modification of those barriers, other cities/states?

Questions for Round 2 Interviews

1. Over the last five years, roughly how many vacant lot/abandoned building reuse projects has your firm been engaged in? (number of housing units, total square footage, total projects costs).
2. If the answer to question 1 is 1 or more: What have been important factors that have enabled your firm or other firms to carry out development projects on land with abandoned buildings or on vacant lots? What else? Of those, which factors were the most important?

If the answer to question 1 is 0: What would you say has been the most limiting factor for your firm or other firms to take interest in vacant lot reuse?

3. Regardless of your firm's engagement in vacant lot reuse, what do you see as the main barriers to the reuse of vacant land? Do you anticipate any modification to those barriers? Where have you seen any modification of those barriers here in Pittsburgh or in other cities/states?
4. What new measures, programs, or changes would you say would enable developers to reuse more vacant and abandoned property? What else? (Incentives, Policy Reform?) What would motivate you or your firm to be more engaged in reuse of these vacant properties or sites with abandoned buildings?

Closed-Ended Verification Questions

1. Is your company a private, for-profit company? If not, how would you describe your firm?
2. On a scale of 1-10, how familiar with the Homewood real estate market? (1 is extremely unfamiliar, 10 is extremely familiar).

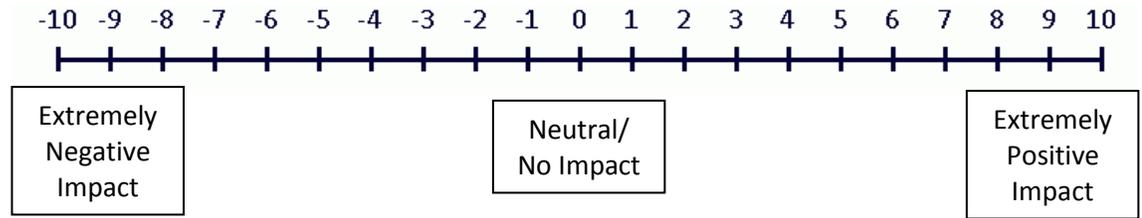
Appendix D: Developer Answer Sheet Used During Interviews

Name: _____

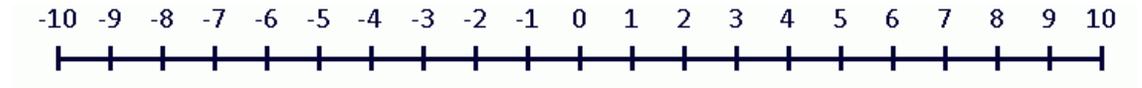
Company: _____

On a scale of -10 to +10, what is the impact the following policy would have on your decision to invest in property A on the map? Please circle your answers on the number lines below.

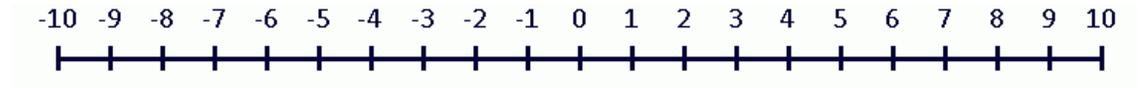
1. Land Bank A



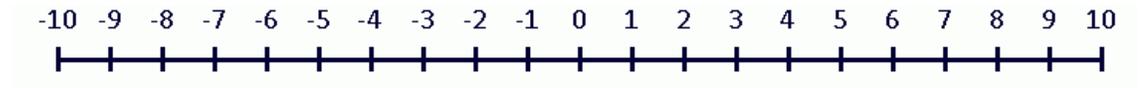
Land Bank B



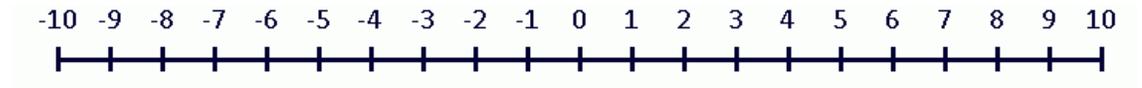
2. Long-term Lease



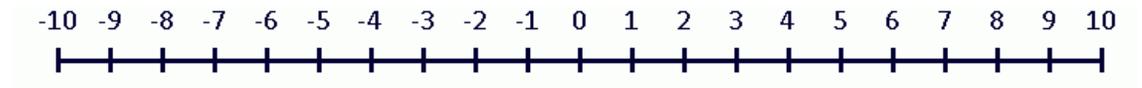
3. Scattered Lot Acquisition by Block



4. Relaxed Zoning Restrictions



5. Neighborhood Improvement District (NID)



6. Of the following six items what do you believe to be the most important criteria for investing in a vacant lot? Please rank the remaining criteria in order of importance.

___ **Zoning Flexibility**

___ **Nearby Public Transit**

___ **Availability of Low/No Interest Financing**

___ **Low Crime Rate**

___ **Availability of Tax Breaks**

___ **Close Proximity to Other Vacant Lots under Your Ownership**

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