

Site Acquisition

One of the greatest sources of frustration for us at Habitat Philadelphia is the limited supply of property available for us to convert into affordable housing. There are a number of reasons for this problem and they are as diverse as the many ways in which we receive property. Many people think we receive our properties from the City of Philadelphia as gifts or for \$1. While there have been occasions where this was true, this is not the norm, and the days of free and “dollar houses” are a thing of the past. Properties acquired through the City are overseen and allocated by a few different entities, and while all are under the umbrella of the Office of Housing and Neighborhood Preservation, and each has its own set of guidelines and procedures for acquiring property. These include:

The Redevelopment Authority (RDA)

The RDA relies mostly on eminent domain to condemn privately owned blighted property when there are specific redevelopment plans with committed financing. This means the developer - Habitat Philadelphia in this case - must track down the owner of a property and work with the RDA to begin the condemnation process. Once started, it takes two to five years for the property to become available through the RDA and the cost of the property is generally at market value.

Eminent domain is a controversial topic and became a much larger part of the public’s awareness after the Supreme Court decision of June 2005, which allowed a municipality to work with a private, for-profit developer to condemn properties that were not blighted in order to make room for more upscale development. As a result, there has been a backlash against eminent domain with public perception being that eminent domain is bad in all cases. However, eminent domain does have its good points and it is important to recognize these. Without eminent domain, Habitat Philadelphia could not work with the City to condemn and take possession of blighted properties. Let’s be clear: we are not using eminent domain to take possession of occupied houses in sturdy neighborhoods. However, we must use the eminent domain process to legally acquire a shell of a house or a lot, especially when the owner cannot be located.

Department of Public Property

The City still has a significant inventory of vacant homes and lots it acquired over the last 30 years, and we have been able to acquire some of these, but they are usually widely scattered and are difficult to work into our strategic efforts to revitalize blocks. This process is very cumbersome as well, requiring approvals by a committee of City Council, and then final approval by the full Council. Historically we have received these homes for nominal cost as well, but recently the administration has been trying to get fair market value for them.

The Philadelphia Housing Authority (PHA)

PHA builds, owns and operates public-housing residences and oversees the Housing Choice Voucher Program. They also have a huge inventory of vacant homes and lots scattered all over North, South and West Philadelphia as well as in sections of

Germantown. These homes were acquired for the scattered site program decades ago, but more and more are falling into disrepair and abandonment. As a builder of affordable homes for low income families, we are very interested in acquiring a number of these homes. However, the bureaucratic process is so difficult and frustrating that we only rarely try to acquire property through PHA.

Sheriff Sale

This is how most tax delinquent properties are handled by the City. When a property becomes tax delinquent, the City can turn the account over to a collection agency to try to collect back taxes and any other municipal liens against the property such as water bills and gas bills. Currently the amount owed in unpaid real estate taxes is about \$500 million, but the City generally relies on individuals to report owners of tax delinquent properties so they will be included at sheriff sale. For an \$800 filing fee, houses may be “forced” to Sheriff Sale by individuals or organizations like Habitat. This allows Habitat to force a vacant and tax delinquent property to Sheriff Sale that we may be interested in acquiring. However, then we have to take our chances that we may be out-bid.

Sheriff Sales have become a great resource for both individuals who want to dabble in the real estate market and real estate developers who have the funds to buy and fix properties. And while many properties are in disrepair, they are selling for \$20,000 and up at Sheriff Sale, making them difficult to acquire for affordable developers like Habitat.

Another way that Habitat acquires property is by outright donation. In the past few years Habitat Philadelphia has been fortunate to receive donated properties from supporters of our work. Volunteers are currently rehabbing a property at 5th and Shunk Streets in South Philadelphia. Three other donated houses have been transformed into homes in Germantown and West Philadelphia in the past two years, enabling us to greatly reduce development costs.

So how are these policies affecting the future of affordable housing for developers like Habitat Philadelphia and the residents for whom we seek to make homeownership a reality?

Over the past three years the material costs of construction have increased by 18% nationally. (Bureau of Labor Statistics, Consumer Price Index) In Philadelphia, Mayor Street’s Neighborhood Transformation Initiative (NTI) has removed many of the dangerous structures that comprised total blocks of Philadelphia neighborhoods. In their place are vacant lots, many of which have been stabilized by the addition of trees and fencing while they await future development, and they are certainly safer and less of an eyesore for neighbors. The downside is that building on vacant lots adds roughly \$30,000 to the cost of construction due to the need to dig a new foundation for the property and perform any environmental remediation needed. **This means that the cost of building a simple house in a relatively stable neighborhood is \$120,000 - \$150,000 with volunteers completing 85% of the labor and not including the costs of acquiring the property.**

In addition to the costs associated with acquiring property through the channels mentioned above, there is the factor of the time it takes to get a property through the condemnation process. Habitat's ability to increase capacity and build more houses depends on our ability to secure a supply of housing stock and/or land in concentrated areas so as to affect the most change in a community. Right now we have eleven properties in our stockpile and a plan of building fifteen houses in 2008. At this point our ability to meet that goal relies on property donations or the capital to pay market rate for properties that will be sold to Habitat homeowners at a fraction of the cost needed to develop them.

Currently Habitat Philadelphia is engaged with community leaders, board members, housing developers, and City officials to continue to advocate for the need for affordable housing. We are looking at many options including multiple family dwellings, partnering with commercial developers who wish to include affordable units as part of their development, and researching ways to increase property donations from individuals. We welcome your input into this process. To find out how you can become more involved in this aspect of our work, or to make a property donation, please contact Stephanie Thaw, Director of Development at stephaniet@habitatphiladelphia.org.