



Bethlehem Blight Betterment Initiative

Prepared for the
City of Bethlehem
2018



MAY 8 CONSULTING



ATRIA PLANNING

In many ways, Bethlehem is a resounding success story for deindustrialization in the 21st century.

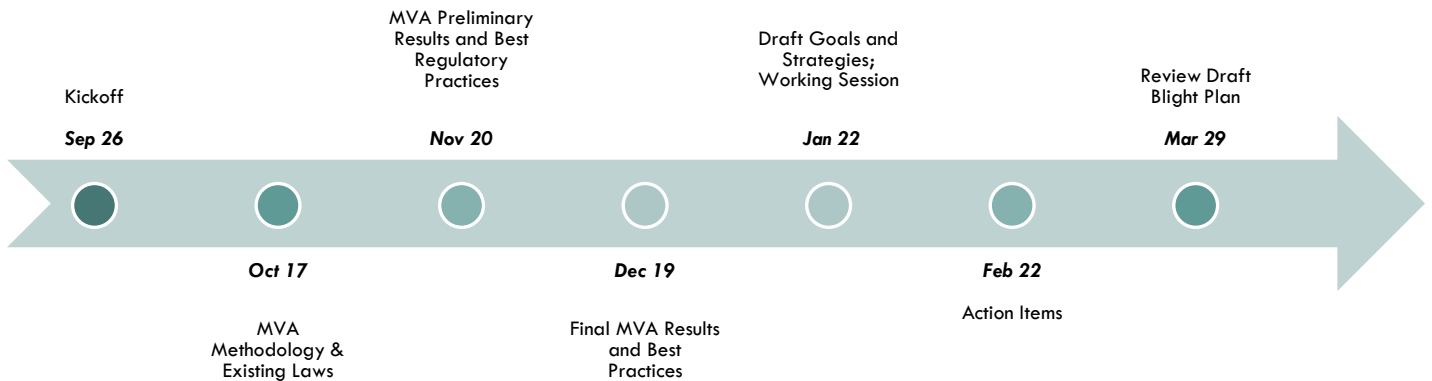
Bethlehem's local economy has transitioned from a traditional steel town to one dominated by education and medical services. Today, Bethlehem is home to cultural events that draw large audiences to the city, and the housing stock and commercial corridors remain in relatively good condition. However, the closure of Bethlehem Steel in 1998 continues to exert some influence on the condition of previously thriving neighborhoods.

Blighting influences associated with vacancy, abandonment, and persistent deferred maintenance continue to adversely influence property values, neighborhood vitality, public safety, and public health in several pockets of the city, particularly in areas just north of downtown, and on the Southside. While Bethlehem does not face challenges associated with the most severe manifestations of blight, left unattended, these influences can spread and create costly challenges for the City and residents.

Historically, the City's response to blight has been complaint driven – intervening primarily in instances when residents express concern for individual properties, lots, businesses, etc. In an effort to move to a more data-driven approach to address blight, in Fall 2017, the City commissioned the development of the Blight Remediation and Mitigation Plan to identify a set of activities to guide the City's approach to fighting blight into the 21st century. In close consultation with the Bethlehem Blight Betterment Committee and with generous funding from the Pennsylvania Department of Community & Economic Development, a Reinvestment Fund-led team developed this action plan to guide the City's efforts to fight blight in the years to come.

ABOUT THE PROJECT

In September 2017, the Bethlehem Blight Betterment Committee (“B3 Committee”) began an eight-month planning process to develop the Blight Remediation and Mitigation Plan (“the Plan”). The process spanned a series of seven meetings, which included extensive public meetings, field surveys, review of the existing regulatory and legal frameworks, and a Market Value Analysis (MVA). At the beginning of the process, the B3 Committee identified four primary goals: (1) Stabilize deteriorating neighborhoods; (2) Improve housing conditions; (3) Provide consistent and transparent code enforcement and incentives for repairing and/or stabilizing properties; and (4) Effectively use limited resources. These four goals served as the guiding principles that informed discussions and resulting recommendations.



KEY FINDINGS

Notable signs of stress are concentrated in the Northside and Southside neighborhoods.

Those parts of the city experiencing residential stress are concentrated on the Southside (i.e. surrounding Lehigh University) and Northside (i.e. just north of the downtown historic district). Although these areas have the lowest home values in the city and elevated levels of violations and residential distress (generally characterized by deferred maintenance), the homes in these areas have retained modest values and the neighborhoods are not overwhelmed with pervasive vacancy, abandonment or dangerous buildings.

The City has been using a range of legal tools and strategies to address blight, but institutional, jurisdictional and market hurdles must be overcome to enhance these efforts.

The City’s process to officially designate a property as ‘blighted’ is cumbersome and time-consuming, even after being streamlined in 2016. The City’s data management systems to monitor code inspections and other relevant data are outdated and inefficient. Reliance on county judges to enforce code violations or ensure the payment of judgments can frustrate the City’s ability to hold property owners accountable for maintaining their properties. And finally, prevailing market conditions may not always support the level of investment required to sufficiently remediate individual properties.

Bethlehem is an affordable, mid-size city with established, well-maintained neighborhoods.

The majority of Bethlehem is made up of established neighborhoods with well-maintained, single-family homes, which were largely built in the early 20th century to provide homes for middle-class steel workers. Most of the housing stock remains affordable; a household with an income near the area median should be able to afford a home virtually anywhere in Bethlehem. The housing affordability observed in Bethlehem across all market types is most similar to cities like Akron and Pittsburgh, which have also been working to refine themselves after decades of de-industrialization in the second half of 20th century.

New partnerships and commitments will be required to create a systematic, data-driven approach to mitigating and remediating blight.

Stakeholder engagement, MVA findings, and a review of existing and potential tools identified 17 action items to enhance the City’s current approach to blight mitigation and remediation. These 17 action items are a diverse set of tools that require modification of existing practices, development of new programs, and strengthening of existing partnerships. The successful implementation of the recommended action items will largely depend on the commitment of the implementation teams and the willingness of leading government entities, private institutions, and non-profit organizations to collaborate.

RECOMMENDATIONS

Drawing on key findings from the MVA, a review of current tools and practices in Bethlehem, a review of best practices in other geographies, and extensive feedback from the B3 Committee, the Team identified 17 action items that will best equip the City and its partners to effectively address blighted properties and strengthen neighborhoods. Figure 1 summarizes the recommended action items that emerged from the planning process. The recommended actions are classified based on the leading entity who must be involved to implement the recommended action:

- **City.** These actions will be implemented by the City of Bethlehem. In most cases, the recommended actions are modifications to existing programs and would not require new policy to implement. Given the leadership role that the City has taken to address blight, minimal resistance is envisioned for these recommended actions.
- **City and Council.** These actions will be implemented by the City of Bethlehem; however, this set of recommended actions would require new legislation to be passed by City Council. The legislative process introduces additional complexity and time, which will impact implementation.
- **Inter-Jurisdictional.** These actions will require county ordinances and therefore would require the cooperation of both Northampton and Lehigh county governments. The inter-jurisdictional recommendations will be the most challenging to implement given the multiple levels and branches of government involved.
- **Community-based.** These actions will be implemented by various community organizations. Typically, community-based actions are the least costly to implement; however, they do require commitment from community leaders and the coordination of various organizations. These interventions can benefit from clear objectives and strong leadership.

Figure 1: Recommended Actions



USING DATA TO UNDERSTAND LOCAL HOUSING MARKETS - MARKET VALUE ANALYSIS

A Market Value Analysis (MVA) was conducted to establish a data-driven baseline for understanding the relative strength of residential housing markets throughout the city. The MVA is developed using a cluster analysis that utilizes market indicators representing home sales prices, property conditions, investment activity, and distress to identify the strongest and most stressed housing markets within and between traditional neighborhood boundaries. Those places where different markets meet provide instructive insights for understanding the direction of market change and the appropriateness of different types of investments or interventions to leverage existing strength to bolster nearby areas that need additional support.

The MVA identified seven distinct market types to represent Bethlehem’s residential markets – “A” and “B” represent the strongest markets and “F” and “G” represent stressed markets. Across all block groups in Bethlehem, the median sales price was \$155,385. The majority of sales were for existing single-family homes, with minimal sales activity for multifamily homes and condominiums, and limited new construction. Notable signs of residential stress were predominately observed just north of downtown and on the Southside in areas near commercial corridors and surrounding Lehigh University. These areas of distress are also home to the most elevated levels of investor purchases of residential properties. Table 1 identifies the indicators used in the MVA and summarizes the average characteristics for each market type.

Table 1: Average Block Group Characteristics in Bethlehem by Market Type, 2017

Market Types	Block Group (#)	Housing Value and Sales-Related Characteristics				Housing Characteristics			Investments			Distress		
		Median Sales Price	Variance of Sales Price	2-4 Family Sales	Condo Sales	Owner Occupancy	Rentals with Subsidy	Housing Density	Investment Purchase	Multiple Permits	New Construction Permit	Distress	Multiple Violations	Blight
A	4	\$375,000	0.44	8%	24%	26%	18%	12.53	24%	10%	1%	2%	9%	1%
B	22	\$184,481	0.30	0%	1%	90%	3%	5.19	8%	6%	0%	3%	12%	0%
C	2	\$166,000	0.23	0%	36%	64%	0%	3.72	4%	21%	44%	1%	0%	0%
D	22	\$143,933	0.40	1%	7%	51%	9%	8.31	16%	4%	0%	4%	17%	0%
E	11	\$125,386	0.49	13%	0%	47%	8%	14.78	31%	5%	0%	4%	21%	1%
F	4	\$110,178	0.53	4%	25%	11%	99%	30.70	54%	6%	0%	7%	4%	2%
G	9	\$69,047	0.84	8%	2%	36%	17%	18.02	46%	4%	0%	6%	28%	2%
City	74	\$155,385	0.44	4%	6%	55%	10%	13.52	22%	6%	1%	4%	16%	1%

From a policy and implementation perspective, it is often helpful to simplify the seven categories into three broader groups: strong, middle, and stressed.

Strong Market Types (Market Types: “A” and “B”)

The “A” and “B” markets represent the *strong markets* in Bethlehem, accounting for about one-third of the city’s block groups. Both “A” and “B” markets are characterized by high home values and low levels of distress. However, “A” markets were largely rental markets, while the “B” markets had the highest owner-occupancy levels in the city.

Middle Market Types (Market Types: “C”, “D”, and “E”)

The “C”, “D”, and “E” markets represent the *middle markets*, accounting for nearly half of the city’s block groups. *Middle markets* are generally located in established neighborhoods with affordable sales prices, some signs of deferred maintenance, and a sizable mix of rental and owner-occupied properties.

Stressed Market Types (Market Types: F and G)

The “F” and “G” markets represent *stressed markets*, accounting for nearly 20 percent of the city’s block groups. *Stressed market* types have the lowest home values and the most visible signs of physical and financial stress. In addition, these markets also had the highest levels of investor purchases in the city.

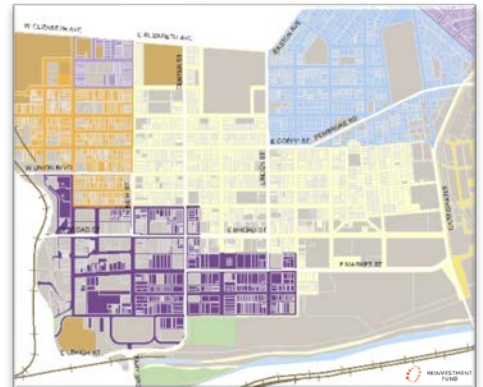
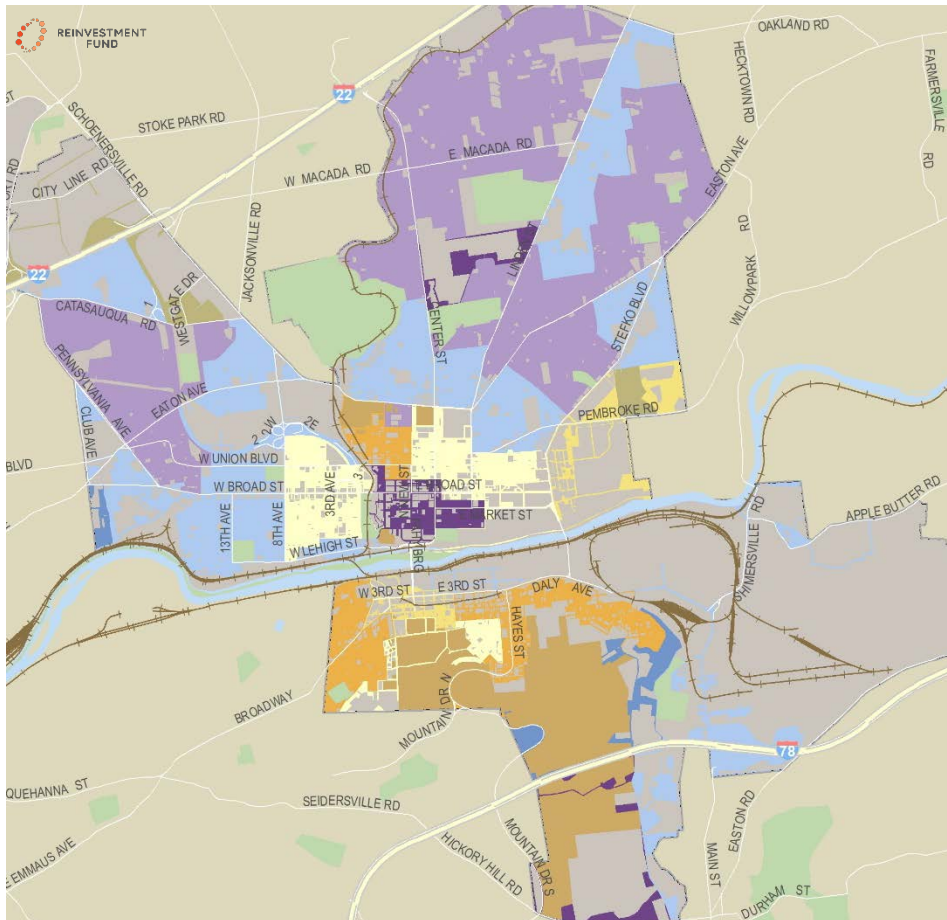
USING THE MVA TO TARGET INVESTMENTS & PROGRAMMING

The MVA provides stakeholders with a common understanding of market types that allows public, non-profit, and community organizations to engage in productive dialogue around the creation of coordinated investment and service-delivery strategies. Specifically, it allows stakeholders to identify ways to efficiently focus on distressed markets and leverage nodes of strength to better deploy limited public subsidies and stimulate private market activity.

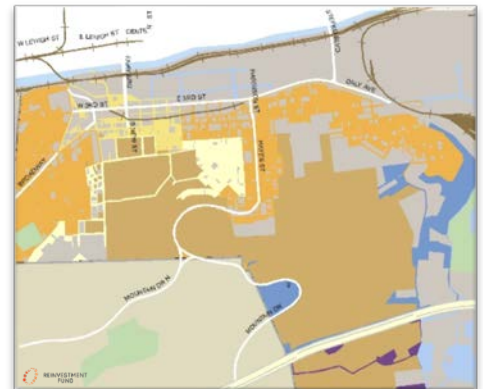
Cities across the country use the MVA to inform their strategic deployment of public resources. The following are potential ways the City can use the MVA to inform future investments:

- Modify scoring criteria for Community Development Block Grant (CDBG) and Low-Income Housing Tax Credit (LIHTC) applications to incentivize applicants to locate projects in *middle and stressed markets*, especially in areas adjacent to *strong* markets.
- Designate *stressed* markets in proximity of *strong or middle markets* as Neighborhood Revitalization Strategy Area (NRSA) for the next CDBG application. An NRSA designation would allow for greater flexibility in the deployment of CDBG funds in these areas.
- Expand the City's existing grant and loan programs to support home repairs in *middle markets* to ensure that deferred maintenance in these areas do not expand into larger challenges for individual residents and their neighborhoods.

Figure 2: Bethlehem's Market Value Analysis, 2017



Northside: Just to the north of the strong historic district in downtown Bethlehem, are stressed markets hindered by weak commercial corridors.



Southside: The area surrounding Lehigh University is one of the most stressed parts of the City.



TAKING STOCK OF THE CITY'S CURRENT APPROACH TO FIGHTING BLIGHT

In addition to the MVA, the team conducted an extensive review of 1) Bethlehem's current laws, policies and procedures related to blight designation, prevention and elimination; 2) Pennsylvania blight-related laws that are not currently used but could be helpful to Bethlehem; and 3) community-based tools that have positively impacted blight in other cities and that may be a good fit for Bethlehem.

LEGAL FRAMEWORK

The City of Bethlehem has ten key ordinances in place to prevent or eliminate problem properties and ensure the basic quality of buildings. However, discussions with the City and the B3 Committee identified limited capacity, lack of data, and burdensome processes that have hindered the enforcement and the efficiency of enforcing existing standards.

International Property Maintenance Code. Imposes minimal standards for property exteriors.

Regulated Rental Unit Occupancy. Imposes standards on the condition of housing with three to five unrelated tenants.

Registration of Rental Properties. Imposes requirement on property owners to register housing rental units.

Health Nuisances. Imposes requirements on properties that are dangerous or detrimental to the health of occupants or employees.

Rooming Houses. Requires a license for houses with at least two rooms offered for rent, one bathroom for four roomers, and minimum floor area for sleeping rooms.

Inspection Before Sale or Rental. Requires inspection before granting a certificate of occupancy for sale or rental of property.

Abandoned Real Property. Requires owners to register property upon default of mortgage and maintain the property in a secure manner.

Conservatorship. A state statute that gives a third party appointed by the court authority to enter an owner's property and make repairs to bring it up to code.

Eminent Domain – Blight Certification. Streamlines process for blight designation through an amendment to Article 149.

Short Term Rental Law. Owners of short term rental properties must register, keep visitor logs, and limit stay duration.

COMMUNITY TOOLS

From a community development perspective, the City of Bethlehem works with a variety of local, state, and federal programs and partners to address blight and strengthen neighborhoods. However, these community development tools tend to be limited by funding, capacity, and eligibility requirements.

Owner-Occupied Housing Rehabilitation Assistance Program. A program administered by the City to assist low-income homeowners to make needed repairs to their homes.

Affordable Rental Housing Construction. The City provides CDBG and HOME financing to developers for the construction of affordable rental housing.

Exterior Building Improvement Loan. The City provides low-interest financing to businesses for restoring storefronts and building façades in designated commercial corridors.

State Economic Development Programs. The City manages various economic development programs, including Local Economic Revitalization Tax Assistance (LERTA), City Revitalization and Improvement Zone (CRIZ), Keystone Innovation Zones (KIZ), that are aimed at stimulating economic development for targeted geographies and/or properties that meet certain requirements.

Lehigh University Supported Programs. On Bethlehem's Southside, Lehigh University lends its support to several programs to strengthen the neighborhoods around the campus, including the Ambassador program and the South Side Arts District.

IMPLEMENTING THE ACTION PLAN

The B3 Committee is committed to implementing recommended action items and all members have volunteered to be part of implementation teams to lead next steps. Four implementation teams will be established based on the four groups of recommended action: City; City & Council; Inter-Jurisdictional; Community-Based. Members will be assigned to teams based on their expertise, home-organization, and capacity.

The implementation teams will have the flexibility in prioritizing action items; specifying concrete tasks; and assigning tasks.

Implementation teams are not advisory groups, rather those City departments and community-based organizations who are leading, overseeing, and executing appropriate tasks.

MEASURING PROGRESS

It is unlikely that all the recommended action items can or will be implemented in the years ahead, but it is necessary that metrics are in place to assess progress and success.

Measuring progress will include three primary components:

- **Tracking Implementation Progress.** Implementation metrics will track the status of specific action items. The purpose is to monitor progress towards carrying out each recommended action item.
- **Tracking Quantitative Outcome Measures.** These indicators assess exterior qualities and physical conditions of both residential and commercial properties using data already collected by municipalities or federal systems. The purpose is to monitor change in blighting influences and neighborhood conditions.
- **Tracking Qualitative Outcome Measures.** These indicators will assess residents' perceptions of change in neighborhood conditions. The purpose is to gauge how residents feel about the City's progress towards eliminating blight.

When implementation begins, baseline measures and outcome targets will be established for ongoing assessment. The City will take a lead role in the overall monitoring of the implementation and outcomes and the establishment of regular lines of communication with implementation teams to ensure transparency and accountability moving forward.



RESEARCH TEAM



www.reinvestmentfund.com

Reinvestment Fund is a catalyst for change in low-income communities. We integrate data, policy and strategic investments to improve the quality of life in low-income neighborhoods. Using analytical and financial tools, we bring high-quality grocery stores, affordable housing, schools and health centers to the communities that need better access—creating anchors that attract investment over the long term and help families lead healthier, more productive lives.

Michael H. Norton, Chief Policy Analyst
Rhea Acuña, Research Analyst

MAY 8 CONSULTING

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May 8 Consulting tackles tough challenges with great partners – our clients. Whether trying to revitalize a city, preserve open space, stop abandonment and blight, create environmental sustainability, or promote regional equity, our goal is to work with our clients to create an action plan to address these issues that is innovative, collaborative, high-impact, and politically feasible. We do not stop at creating the action plan, however; often, we work with our clients to implement the necessary changes.

Karen Black, Principal



ATRIA PLANNING

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Atria Planning LLC is a small, woman-owned business with thirty years of collective experience in housing and community development. We approach our work with a mind towards data-driven solutions that are financially realistic. This means coming up with recommendations that address identified needs in a manner that is fiscally responsible and in agreement with the vision and goals of the community. Our work doesn't just sit on a shelf - we empower clients with usable data and concrete plans that are explicit about who is responsible for what, where the funding will come from, and how long it will take to be implemented.

Rebecca Rothenberg, Principal

Bethlehem Blight Betterment Committee

Bethlehem City Council
Bethlehem Housing Authority
City of Bethlehem
Community Action Committee of the Lehigh Valley
Community Development Corporation of Bethlehem
Fifth Street Capital Partners
Habitat for Humanity
HDC Mid Atlantic
HOM, Inc.
Lafayette Ambassador Bank
Lehigh County
Lehigh University
Lehigh Valley Community Land Trust
Lehigh Valley Greater Association of Realtors
Lehigh Valley Planning Commission
Moravian College
Mount Airy Neighborhood Association
Northampton County
Bethlehem Planning Commission
Bethlehem Fine Arts Commission
South Side Vision
Bethlehem Redevelopment Authority

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