

PROPOSED RESEARCH
INTO THE SOCIO-
ECONOMIC IMPACT OF
DERELICT PROPERTIES
IN EDMONTON'S
CORE NEIGHBOURHOODS



EDMONTON CDC
People First Community Development

PROJECT OVERVIEW

The primary objective of this research project is to determine the social and economic costs to The City of Edmonton, the Province of Alberta, and the neighbours of derelict properties in Edmonton's core neighbourhoods. Taking into account various stakeholder experiences, the Edmonton CDC will seek to answer the following questions:

COST TO GOVERNMENT

- What is the effect of a derelict property on property tax revenue?
- What is the cost to emergency services funded by the City of Edmonton and the Province of Alberta (e.g. EMS, Police, Fire, Sheriff)?
- What is the cost of Bylaw and Health Standards enforcement?
- What is the cost of ancillary services (e.g. waste removal, needle pick-up)?

EFFECTS ON COMMUNITY

- What is the effect on property values?
- What are the direct and indirect costs of insurance and other property/security related expenses?
- What are the mental health effects associated to living near a derelict property?
- Do problem properties stifle redevelopment?

To understand these dynamics, we proposed to track the historic volume and cost of services associated with a number of derelict houses. We propose to track a sample of the larger number of problem properties in our database.

The exact number of properties tracked, as well as the number of years to be tracked, has yet to be determined.

The CDC cannot conduct this research without the active participation of the key stakeholders mentioned above. For example, we intend to gather the data from sources such as Edmonton Police Service, Edmonton Fire Services, Health Emergency Services, Alberta Health Services, REALTORS and residents effected by these properties.

See the chart on the following page to understand the types of data we propose to collect, how the information is to be gathered, and who is in the best position to gather the information. The table is provided for purposes of illustration—participating key stakeholders will help determine which outcomes are most important to track and quantify.

The research project is expected to be completed by Fall 2021.

MEASURING THE SOCIAL AND ECONOMIC COSTS OF DERELICT HOUSING: CITY OF EDMONTON

Who are the stakeholders?	What outcomes do they experience?	What indicators illustrate their experience?	What is the data source?	How would you assign a value to these changes?
Bylaw				
	Increased inspections	Number of Bylaw inspections/property	Bylaw database	Cost per inspection
	Increased enforcement	Number of Bylaw enforcement visits/property	Bylaw database	Cost per enforcement
	Increased cost of addressing illegal dumping	Number of times rubbish removed	Bylaw database	Cost per rubbish removal
	Increased cost of needle pick-up	Number of times needle pick-up services provided	Bylaw database	Cost per needle removal
	Increased cost of demolition (not recouped)	Whether City paid for demolition	Bylaw database	Cost of demolition
Police				
	Increased number of call outs	Number of Police call outs/property	EPS database	Cost per call out
	Increased number of court appearances	Number of Police court appearances/property	EPS database	Cost per court appearance
Fire				
	Increased number of call outs	Number of Fire call outs/property	Fire database	Cost per call out
	Increased number of arson investigations	Number of EMS call outs/property	Fire database	Cost per call out
	Increased number of active fire call outs	Number of Fire active fire call outs/property	Fire database	Cost per call out
Law				
	Increased number of legal opinions written	Number of legal opinions written	Law Department	Cost per opinion
	Increased number of court appearances	Number of lawyer court appearances/property	Law Department	Cost per court appearance
Taxation				
	Increased losses in uncollected property taxes	Value of uncollected property taxes	Property Tax database	Value not collected
Community Services				
	Increased calls outs for rapid rehousing	Number of Community Services call outs	Community Services	Cost per call out
Safety Codes				
	Increased inspections	Number of inspections	Urban Form (UFCST) database	Cost per inspection
	Increased numbers of sites fenced	Number of sites fenced	Urban Form (UFCST) database	Cost to fence site
	Increased cost of demolition (not recouped)	Number of Demolitions	Bylaw database	Cost of demolition

MEASURING THE SOCIAL AND ECONOMIC COSTS OF DERELICT HOUSING:

GOVERNMENT OF ALBERTA

Who are the stakeholders?	What outcomes do they experience?	What indicators illustrate their experience?	What is the data source?	How would you assign a value to these changes?
Emergency Medical Services				
	Increased cost of call outs	Number of EMS call outs/property	EMS/AHS database	Cost per call out
	Increased cost of hospitalizations	Number of hospitalizations/property	EMS/AHS database	Cost per stay
Health				
	Increased cost of inspections	Number of AHS call outs/property	AHS database	Cost per call out
	Increased cost of enforcement	Number of AHS enforcement visits/property	AHS database	Cost per enforcement
Law				
	Increased cost of sheriffs	Number of sheriff call outs/property	Sherriff database	Cost per call out

MEASURING THE SOCIAL AND ECONOMIC COSTS OF DERELICT HOUSING:

NEIGHBOURS & COMMUNITY

Who are the stakeholders?	What outcomes do they experience?	What indicators illustrate their experience?	What is the data source?	How would you assign a value to these changes?
Neighbours & Community				
	Decreased property values	Value of adjacent properties	Property Tax database	Value of properties
	Increased insurance fees	Value of insurance increases	Interviews	Value of increases
	Increased out of pocket expenses	Value of security systems, deductibles	Interviews	Value of expenses
	Decreased physical health	To be determined	Interviews	To be determined
	Decreased mental health	To be determined	Interviews	To be determined

THE PUBLIC AND PRIVATE COSTS OF DERELICT PROPERTIES:

BACKGROUND

Problem properties pose a threat to public safety; their owners or managers neglect the fundamental duties of property ownership. The impacts of derelict housing have been well-documented in both the popular and academic literature. While most studies are based in U.S. locations, there are a few Canadian reports that speak to this issue.

Researchers have demonstrated the public costs associated with problem properties by tracking the extraordinary demands they create on government services. These include:

- Bylaw (inspection, enforcement, illegal dumping)
- Emergency/First Responders (call outs; hospitalizations)
- Police (call outs, enforcement, court attendance);
- Fire (calls out for arson, accidental fire and other emergency services)
- Health (inspection, enforcement)
- Law (enforcement, legal proceedings)

Municipalities also experiences losses in uncollected and suppressed property tax revenue and can incur the cost of demolition (which may or may not be recouped upon sale of land).

Researchers have also calculated the cost of derelict housing and problem properties to neighbours and community members. Their direct costs include:

- Decreased property values, depending on proximity to the derelict house;
- Increased insurance fees, depending on numbers of claims;
- Increased out of pocket expenses for insurance deductibles;
- Decreased health (due to proximity to needle debris, toxic materials associated with drug production, presence of vermin)
- Decreased peace of mind (fear, anxiety, stress, depression)

When derelict houses are renovated (as opposed to shuttered), there are statistically significant decreases in all classifications of crime (violent and non-violent) in adjacent properties, as well as increases in nearby property values.

The abbreviated annotated bibliography on the next two pages supports the statements made above.



ANNOTATED BIBLIOGRAPHY:

SELECTED REPORTS ON THE IMPACT OF DERELICT PROPERTIES AND THEIR DEMOLITION OR RENOVATION

A Conservative Analysis of Costs Imposed by Vacant and Blighted Properties in Toledo, Ohio: Conducted at the Invitation of the Junction Neighborhood, Center for Community Progress, June 2016.

The study found that the costs of vacancy and blight include: (1) \$3.8 million in annual direct costs of services provided by Police, Fire and Code Enforcement, (2) \$2.71 million in annual lost tax revenue from delinquency, and (3) \$98.7 million in cumulative lost residential property value, which amounts to another \$2.68 million in associated annual lost tax revenues, for properties within 500 feet of vacant properties.

Estimating Demolition Impacts in Ohio: Mid-Program Analysis of the Ohio Housing Finance Agency's Neighborhood Initiative Program, Dynamo Metrics LLC, June 23, 2016.

The study estimates that the statewide impact from Ohio's demolition program, using Hardest Hit Funds, is \$121.4 million in home value protection. Given the demolition costs totaled just over \$28.2 million (2,248 demolitions), the program yielded a \$4.30 in increased home values for every demolition dollar spent. Similarly, the study found that mortgage foreclosure rates were lower and declining faster in census tracts where demolition activity occurred than in those areas without demolition intervention.

Estimating Home Equity Impacts from Rapid, Targeted Residential Demolition in Detroit, MI: Application of a Spatially-Dynamic Data System for Decision Support, Dynamo Metrics LLC, March 2015.

The study found that the City's use of \$49 million in Hardest Hit Funds (HHF) between 4/13 to 3/15 in target zones preserved over \$400 million of housing value in Detroit that otherwise would have been lost. Each HHF demolition within the target zones increased the value of single-family homes within 500 feet by 4.2%.

Kondo MC, Keene D, Hohl BC, MacDonald JM, Branas CC (2015) Study of the Effects of a New Abandoned Building Remediation Strategy on Safety.

This study examined the effect of both violation compliance and renovation permits on crime counts surrounding abandoned buildings. The estimated effects for renovation permits on crime were on average larger than those shown for compliance with the city ordinance. Filing for renovation permits was associated with significant reductions city-wide crime. Regression-adjusted estimates of total crimes showed declining effect size with increasing distance from building treatment locations. One market analysis found that areas with clustered compliance properties had an average increase in home sales price of 32%, compared to a 2% increase at control locations between 2008 and 2012 [25, 26]. Compliance clusters also had a lower rate of tax delinquency than control properties [26].

ANNOTATED BIBLIOGRAPHY:

SELECTED REPORTS ON THE IMPACT OF DERELICT PROPERTIES AND THEIR DEMOLITION OR RENOVATION

Urban Blight Remediation as a Cost-Beneficial Solution to Firearm Violence.

Authors conclude that abandoned building remediation significantly reduced firearm violence as did vacant lot remediation. Neither program significantly affected nonfirearm violence. Respectively, taxpayer and societal returns on investment for the prevention of firearm violence were \$5 and \$79 for every dollar spent on abandoned building remediation and \$26 and \$333 for every dollar spent on vacant lot remediation. Urban blight remediation programs can be cost-beneficial strategies that significantly and sustainably reduce firearm violence.

The City of Surrey authored “Distressed Properties: Pathways of Decline and the Emergence of Public Safety Risk” (2018).

A proxy of incipient decline is property tax arrears and property tax delinquency, objective indicators of neglect and pathways to neighbourhood distress. Spatial analysis was conducted on abandoned residential properties, residential structure fires, and tax delinquent residential properties in Surrey. A spread effect exists where social disorder and accompanying risk can potentially go beyond the range and limits of distressed neighbourhoods and erode healthy and resilient communities. Local government is often left having to address a wide variety of seemingly intractable and increasingly complex societal issues with existing city resources and limited municipal authority to act. The consequences of this dynamic have far-reaching implications for the community as a whole. Neighbourhood distress and social conflict may lead to heightened public safety risk which is the catalyst for residential fires and medical emergencies, criminal activity and disorder, all of which beset Canadian cities and neighbourhoods to some extent.

The Cost of Vacant and Blighted Properties in Atlanta: A Conservative Analysis of Service and Spillover Costs, Dan Immergluck, September 2015.

The study found that: (1) annual service costs by Police, Fire and Code Enforcement Agencies amount to approximately \$3 million per year, (2) the City lost about \$2.7 million in property tax revenues due to decreased home values, and (3) the lost wealth, when looking at overall losses in home values, totaled more than \$150 million.

The National Vacant Properties Campaign’s report

summarizes the many and varied costs that vacant and abandoned properties impose upon communities. It compiles research from across the country quantifying a wide variety of costs, including city services (nuisance abatement, crime and fire prevention), decreased property values and tax revenues, as well as the costs born by homeowners and the issue of the spiral of blight. The Pennsylvania Horticultural Society provides an idea of the positive returns cities can expect by investing in a comprehensive program for dealing with vacant and abandoned property. PHS estimates that, over the course of twenty years, the City of Philadelphia would receive \$1.54 in benefits for every \$1.00 in costs (\$158.7 million in benefits, \$106.7 million investment). This figure stands before even considering the additional benefits that may “accrue to families and private businesses if the elimination of vacant land results in an increase in the value of their property, a decrease in insurance rates, or a greater interest by businesses to locate in a more attractive city.”

APPENDIX:

EDMONTON CDC'S 'PROJECT 10' BRIEF

(PREPARED FOR CITY OF EDMONTON OCTOBER 2020)



PROJECT 10

Transforming Derelict Properties into Neighbourhood Assets

PROJECT OVERVIEW

Project 10 represents the CDC's commitment to purchase 10 derelict properties in McCauley and Alberta Avenue District by the end of 2022 and to redevelop the sites into market housing for families and singles. Two have already been purchased in McCauley. We are partnering with Skil-Tec to develop each RA7 site into three units of family housing (two 3-bedroom and one 2-bedroom suites) that will either be sold as condos or rented at just-below-market rates. Any and all profits go back into Project 10 work.

DEVELOPMENT CHALLENGES

Redeveloping derelict properties carries extraordinary costs. Demolition costs, addressing abandoned meth/drug labs and removing asbestos can increase costs by as much as \$30,000. Identifying builders that can deliver affordable, quality construction is challenge, but through partnerships, we are finding a way.

Engaging residents who live near these properties and connecting and communicating with the neighbourhoods adds time and effort that conventional developers may not provide. This necessary work adds to the cost.

CDC COMMITMENT

The CDC Board has approved acquiring a \$2.6 million line of credit with the Social Enterprise Fund to purchase properties and provide construction financing.

As well, we have committed \$600,000 in cash and significant staff time funded out of operations. We anticipate our total expenditures on fully developing 10 projects to approximate \$6 million over the next two years.

We have developed extensive criteria and pro forma guidelines that are purposed to ensure that every project can be delivered with a modest surplus, which if realized will be applied in full to the next project.

LONG-TERM STRATEGIES

The CDC will continue to work with the City of Edmonton, residents, and other partners to advance this work and create shared strategies aimed at scaling up for maximum impact. We have identified 130 active slum dwellings and derelict/abandoned properties in McCauley and Alberta Avenue District. In a number of cases, there are many slum dwellings on one block (e.g. seven in Eastwood and nine in McCauley), which require a collective strategy to purchase, demolish, and redevelop. Without this strategy, blocks like this will not overcome the pain of so many slum houses on one block.



An abandoned slum house purchased by the Edmonton CDC (It has since been demolished).

WHY MARKET HOUSING?

Both neighbourhoods have had flat or declining populations for decades, which impacts the local economy as well as local capacity for social, cultural, and volunteer activity. Market housing is a stated need of the neighbourhoods for increasing density and socio-economic activities.

This priority connects with neighbourhood commercial development aspirations and the innovative work recently done with residents to purchase THE PLAZZA strip mall, a long-time haven for drug trafficking, gambling, and criminal activity.

Project 10 is all about revitalization and fostering sustainable, vibrant neighbourhoods traditionally viewed as holding ground for poverty and homelessness.

Replacing derelict and slum housing with subsidized housing in neighbourhoods with high incidence of non-market housing is not acceptable to residents. Increasing subsidized housing requires that they remain subsidized for 40 years, thus removing them from the real estate market. This poses obstacles to creating an economic mix of residents, decreases lands available for new developments, and limits the capacity to increase density.

HOW CAN THE CITY OF EDMONTON HELP?

- Continue to deliver more aggressive compliance activity. The first property we purchased had been shut down and went into foreclosure.
- Consider investing in market housing redevelopment through a similar funding program recently approved for non-market housing redevelopment of problem properties.
- Consider waiving servicing fees related to development as well as other fees (e.g. development permits).
- Consider providing up to two years grace (or equivalent grant) from property taxes for properties where development is not feasible without a further lowering costs. What will be developed will increase tax revenues over the long term and reduce crisis response costs.
- Consider guaranteeing bank loans for development work.
- Consider providing interest-free financing for Project 10 developments.
- Consider how to streamline approvals in order to help the CDC to get access to revenue as quickly as possible, thus reducing carrying costs.



Edmonton CDC bought Wyser Manor to ensure its 11 affordable micro-suites are preserved for low-income tenants.

OTHER CDC PROJECTS

ArtsCommon 118

Envisioned for 12 years as a facility to revitalize Alberta Avenue with arts and culture programming, this project has experienced its share of setbacks over the years. The CDC remains hopeful and has identified a two-phased development that can be ready for development permit application in January or February 2021.

Fraser Community Hub

Engagement of 1200 residents led to the identification of a community hub on this 1.5-acre parcel of land. Prospective tenants are a part of the development process. We anticipate a development permit application in 2021.

McCauley "Paskin" Site on 95th Street

Delayed by the pandemic, our community engagement and priority setting activities with residents have now provided sufficient direction to the CDC. We are currently writing our report to community and our understanding of the neighbourhood's preferred development priority. We anticipate design concepts will be identified by spring 2021.

Wyser Manor

CDC recently purchased this 11-unit micro-unit apartment house and will ensure that rent rates are maintained at 20 to 30% below market (see photo below to the left).

CDC – Fresh Routes Partnership

Our strategic plan called for creating a mobile food market. We decided to partner with Fresh Routes rather than go it alone. Our investment includes providing consulting hours, help with securing a temporary headquarters, purchase of a much-needed truck, and a financial contribution to the social enterprise's COVID-19 food response.

Property Maintenance Social Enterprise

Working with Boyle Street, Jasper Place Wellness, Right at Home, and Bissell Centre, the CDC is leading the co-creation of a feasibility and market study to assess risks and rewards of a social purpose Property Management business or collaborative.

Social Enterprise Bootcamp

Our third Social Enterprise Bootcamp is underway this fall with 16 participants. This year we introduced a free online introductory session on Social Enterprises and a self-assessment tool to help social entrepreneurs determine their readiness for the Bootcamp.

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