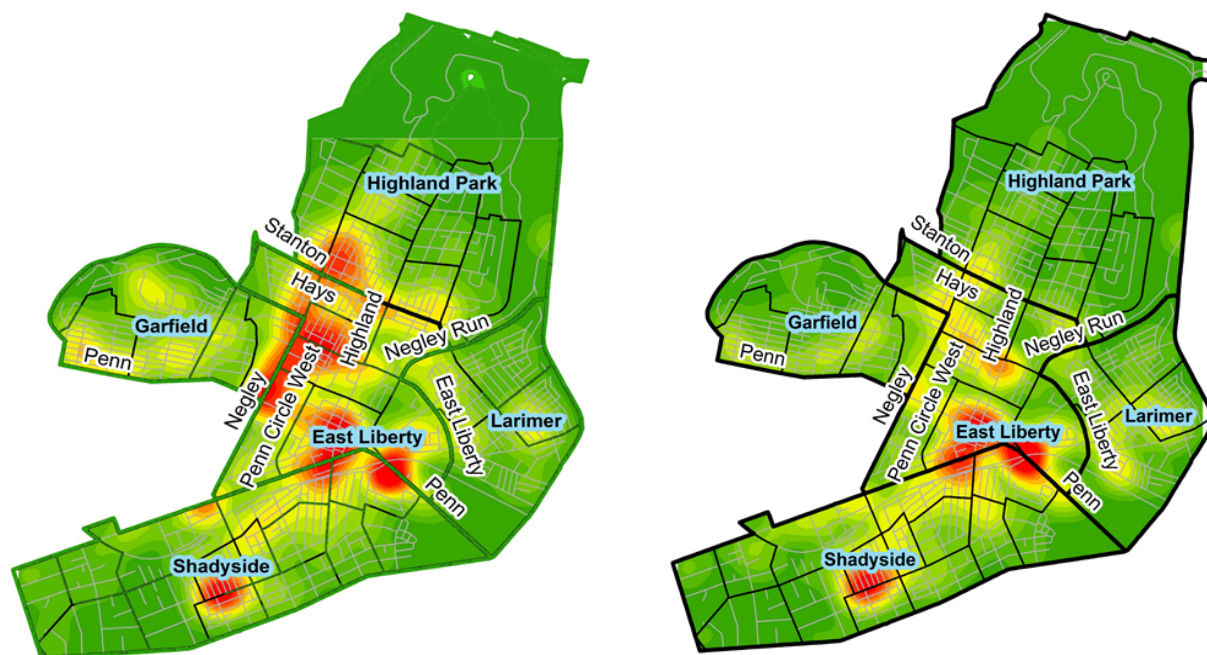


## East Liberty Revitalization: Crime Trend and Property Prices

This is the first in a series of white papers to address the role that East Liberty Development Incorporated (ELDI) had in the dramatic revitalization of Pittsburgh's East Liberty neighborhood in the East End of the city.

The topic of what explains East Liberty's dramatic renewal and increased desirability as a "neighborhood of choice" has been much discussed. Newspaper articles praising the "Google Effect," or the similar effects of Home Depot and Whole Foods, attribute the revitalization to these commercial developments. These developments are easy targets for praise; their sheer size and scale represent enormous physical changes to the landscape.

And yet, in 2008, fully eight years after Whole Foods opened and 11 years after Home Depot arrived, residential crime in East Liberty was still high and property values still low. Google did not come along until 2011 and by then residential crime had fallen by nearly half and residential property prices were up 120%. If not because of the commercial development, what caused this change?



**Figure 1:** 2008 (left) and 2012 (right) crime heat maps in Pittsburgh's East end neighborhoods. The significant change is especially noticeable in the residential area of East Liberty. The chronic and perpetual hot spots are the business districts with Shadyside commercial area serving as a crude control.

It is clear that safety, or the feeling of safety, is a precondition for a neighborhood to be considered desirable. No one wants to live in a place that feels unsafe. Safe, clean environments attract families and incentivize investment. Unsafe environments repel investment and attract criminal behavior. This feeling of personal safety is a precondition for revitalization of a high crime neighborhood; a fundamental fact that no flashy commercial developments can appreciably alter. Consequently, any successful renewal strategy of a high crime area must address crime reduction.

The correlation between high crime and low property values is well established, particularly when it comes to violent crime. According to a 2012 study by the Center for American Progress<sup>1</sup>, “Violent crimes ... impose large costs on communities through lower property values, higher insurance premiums, and reduced investment in high-crime areas.” Additionally, a study of housing values and crime rates by Rasmussen has shown that home values in high crime areas are steeply discounted 40% relative to those in safe neighborhoods.<sup>2</sup> Homebuyers and renters at all income levels clearly prefer safety, and that preference is reflected in home values.

From the late 1960’s up to the late 1990s and early 2000’s, as a result of years of neighborhood decline and rising crime, property values were rock bottom in East Liberty. Long-time residents could not secure loans to renovate their homes; numerous apartment complexes, in different state of disrepair, fell into the hands of slumlords, and many properties were simply abandoned. The slumlords and their tenants developed tacit agreements with each other - tenants agreed not make demands of the landlord in return for the landlord not questioning the tenant’s activities. This situation created significant opportunities for criminal activity.

In the midst of all of this, in 1999 East Liberty Development Incorporated (ELDI) sat down with local residents and stakeholders to create a long-term revitalization plan. The plan called for a number of neighborhood changes, including the demolition of three high-rise housing projects in East Liberty. Though individually called East Mall, Liberty Park and Penn Circle Tower, they were known collectively to locals as the “Towers.” This recommendation wasn’t particularly groundbreaking. Nationally, notorious crime-ridden housing projects like Chicago’s Cabrini Green highlighted the perils of concentrating poverty in high-rise public housing. In the Pittsburgh area, the Housing Authority of the City of Pittsburgh (HACP) was replacing or redeveloping much of its ‘60s era portfolio that included this type of housing.

Although many good people called the Towers home, the Towers represented the worst combination of poor design coupled with bad property management. Architecturally the Towers were physically threatening, looming over Penn Avenue like a frightening figure in a dark alley. This sense of insecurity was compounded by the absence of any meaningful property management presence. Crimes that occurred in East Liberty’s business district were immediately attributed to the Towers, and Tower residents, good or bad, were guilty by association. In addition, pockets of criminal activity throughout the neighborhood kept property values low. East Liberty was far from being a “neighborhood of choice.” East Liberty residents in general were blamed for much of the crime occurring even in other East End neighborhoods.

The 1999 ELDI’s Community Plan challenged this status quo by saying that East Liberty did not have a *people* problem - rather, East Liberty had a *place* problem. Poorly designed and poorly managed places, whether huge 1960’s era housing projects like the Towers or small scale slum rentals falling into decay, create opportunities for criminal behavior. The crime and disorder that results destroys communities and prevents revitalization. Revitalizing these *places* is necessary for renewal to take place. That meant the Towers had to go. In the rest of East Liberty, it meant the numerous slum rental, vacant and abandoned properties scattered throughout the neighborhood also needed to be addressed.

ELDI’s Community Plan included strategic commercial development. In 2000, Home Depot opened at the former Sears location in East Liberty. In 2002, Whole Foods and Eastside opened on the border of East Liberty and Shadyside. The closing and demolition of the Towers occurred in stages between 2004 and 2009, clearing the way for new, high-quality affordable housing. The commercial core of East

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<sup>1</sup> Shapiro, R. J. & Hassett, K. H., 2012. *The Economic Benefits of Reducing Violent Crime: A Case Study of 8 American*

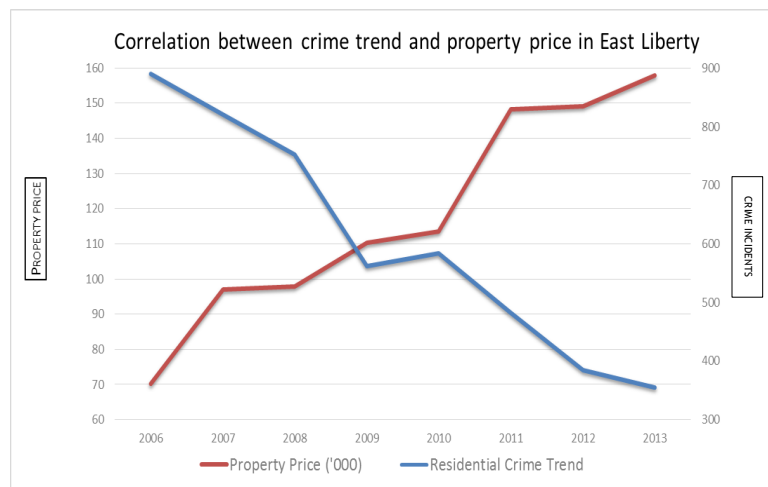
<sup>2</sup> Lynch & Rasmussen. 2010. *Measuring the Impact of Crime on House Prices*. Journal of Applied Economics.

Liberty was on a definitive upward trajectory; however, high levels of crime in the surrounding residential area continued. ELDI staffers, who lived and worked in the neighborhood, had a pretty good idea of where the hotspots of criminal activity were concentrated. The larger question was; what to do about it?

ELDI's solution was to seek out the hotspots of crime in the very specific geographic locations that their own staff could clearly see as they walk around the neighborhood. By using a combination of creative financing and Low Income Housing Tax Credits, ELDI purchased, and then turned a variety of slum properties into clean and safe affordable housing, with effective property management to keep them safe. By surgically targeting the geographical locations of chronic and perpetual criminal behavior with these strategies, crime began to drop.

The ensuing crime reduction then sent a signal to the market, and for-profit developers began to build new market-rate construction and to renovate vacant and abandoned properties. ELDI's goal has always been to develop a socially optimal "mixed income" neighborhood, whereby low-income scattered site housing is indistinguishable from market-rate housing, and where kids of college professors could live next door to kids of low income single parents.

As crime decreased in East Liberty, property values increased. Long-time homeowners saw significant increases in their home equity that was then available to be used for college tuition, renovations or other significant life expenditures. As the graph on the right shows, there is a significant correlation between the decrease in crime in East Liberty and the increase in residential property values. In 2015, East Liberty more closely resembles the bustling, vibrant neighborhood of the 1950s than the struggling, crime-ridden one of the late seventies, eighties and the nineties.



**Figure 2:** Strong correlation between reduction in crime incidents and property prices. The 49% reduction in crime in the residential area was associated with approximately 120% increase in residential property prices.