RESOLUTION NO. 191 2011

Whereas, the City's Act 47 Recovery Plan approved by City Council in June 2010 requires the City to prepare and implement a Comprehensive Housing Strategy that will improve the City's housing stock; and

Whereas, the attached Comprehensive Housing Strategy will work to improve codes enforcement and provide coordination with all applicable City offices; and

Whereas, the adoption of this Comprehensive Housing Strategy will work to improve the City's housing stock and effectively create a healthy mix of investment and owner-occupied properties over time.

Now therefore, the Council of the City of Reading hereby resolves as follows:

To adopt the attached Housing Strategy and request the immediate implementation of the initiatives contained in the Comprehensive Housing Strategy by all City applicable offices and agencies.

Adopted by Council on Nov 14, 2011

Vice President of Council

Attest:

City Clerk

I, LINDA A. KELLEHER, City Clerk of the City of Reading, Pa., do hereby certify, that the foregoing is a true and correct copy of the original Resolution passed by the Council of the City of Reading, on the 14 day of Nov A. D. 2011. Witness my hand and seal of the said City this 15 day of Nov A. D. 2011

CITY CLERK

City of Reading
Housing Strategy
Act 47 Recovery Plan

Prepared by:

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Eric D. Weiss
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November, 2011

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Exhibit: A Longer-Term Housing Strategy for Reading

I. Introduction: A Strategy for Transformative Change

This housing strategy is one element of an overall economic development strategy completed in fulfillment of two initiatives included in the Recovery Plan for the City of Reading that was published in accordance with the Municipalities Financial Recovery Act for the City of Reading and submitted to the Reading City Clerk in May 2010.

HS02: Develop a comprehensive housing strategy.
ED01: Develop a local economic development partnership and comprehensive strategy.

Unlike other plans and strategies designed to support reinvestment in Reading and other municipalities facing similar challenges, this strategy documents specific actions that are now under way or are ready to launch. Some of these actions were organized and started during the period in which the strategy was being prepared, from September 2010 through November 2011. Other actions have been reviewed in detail with representatives of the entities designated to play key implementation roles, and commitments to participate as proposed have been obtained from most of these individuals. The strategy is ready to implement.

Reading needs to work to overcome serious economic challenges at a time when private capital is scarce, when significant reductions in state and federal aid seem assured, and when recovery from a recession of historic proportions is far from over. In this environment, the design of a comprehensive long-term housing and economic development plan is not feasible, because of the difficulty of predicting trends that will influence the regional and national economy during the coming years. Because major infusions of government funds will not be available to finance large-scale construction projects, a strategy that involves the creation of new economic assets is not feasible either. Instead, the best approach for addressing the fundamental problems affecting Reading's economy is a relatively short-term strategy designed to create new value by building off the city's existing strengths to stimulate new investment. The five-year strategy documented in this publication can be implemented without delay, using currently available resources to substantially improve Reading as a prospect for investment and development.

Reading is fortunate in that the city can take action to preserve a base of affordable housing for households with incomes below the regional median while simultaneously marketing vacant and underused properties for new investment designed to attract residents with incomes at or substantially higher than the regional median. Some development opportunities involving the creation of jobs for workers at or slightly above minimum wage can be pursued at the same time as other development opportunities that have the potential to bring higher-wage jobs to Reading. The city and its communities have the capacity to support a range of new opportunities that offer benefits to the city and its communities as a whole, without creating new disadvantages for any population segment or constituency.

The overall economic development strategy of which this strategy is a part is the product of work completed by the following individuals.

- John Kromer, Senior Consultant at the University of Pennsylvania's Fels Institute of Government, who was appointed to serve as the City of Reading's Development Coordinator during the period in which this project was being undertaken;

- Eric D. Weiss, former code enforcement director for the City of Allentown, who provided technical assistance and consulting services to Reading's Codes Division during this period; and

- James E. Hartling, principal of Urban Partners, who played the major role in organizing proposed economic development initiatives. Mr. Hartling's participation was supported with funding from the Wyomissing Foundation.

The next section of this publication provides background information about the local and regional economy. More detailed information can be found in the Recovery Plan document. Subsequent sections describe proposed housing action plans, with an explanation of the rationale for each action and the identification of agencies and organizations that are proposed to play prime and supportive roles in completing each action, along with associated time, cost, and outcome data. Also included as an exhibit is a memorandum summarizing issues to be addressed in formulating a longer-term housing strategy.

The authors of this publication look forward to engaging in discussion with community members and constituency representatives in the city and region whose views will influence the structure and content of the strategy as it is implemented and who will be making commitments to actions designed to produce future economic success for Reading.

II. Background

A. Regional Context

The City of Reading is approximately ten square miles in size and is located in central Berks County. The City is bounded on the west by the Schuylkill River and Highway 422, and on the east by Mount Penn. Established in 1748, Reading's been serving as the Seat for Berks County since 1752.

With approximately 81,000 residents, it's the fifth largest city in Pennsylvania behind Philadelphia, Pittsburgh, Allentown, and Erie; and the sixth largest municipality after Upper Darby Township. The City of Reading lies at the center of a region called Greater Reading, which is coterminous with Berks County and the Reading, PA Metropolitan Statistical Area.

Reading is located in the center of the Boston-Washington megalopolis, and in the middle of Eastern Pennsylvania's metropolitan areas – with Philadelphia and its suburbs to the southeast; the Lehigh Valley cities of Allentown, Bethlehem, and Easton to the northeast; Lancaster to the south; and Harrisburg and the Capital Region to the west.

With I-78, Route 222, Route 422, and the Pennsylvania Turnpike easily accessible, Reading is well connected to New York City, Philadelphia, Baltimore, and Washington D.C. Air transportation is available from the Reading Regional Airport, Lehigh Valley International Airport, Lancaster Regional Airport, Harrisburg International Airport, and the Philadelphia International Airport. Greater Reading is also served by the Norfolk Southern Railroad, which provides freight access to national and international markets.

B. City and Region: Competitive Advantages and Disadvantages

Other studies and plans have described Reading's competitive strengths in detail. The city is a regional population center located near other metropolitan population and job centers, which are readily accessible via the highway network that surrounds the city. In addition, Reading has many appealing small-town characteristics: attractive, low-priced housing, walkable neighborhoods, an extensive park system, and a larger array of cultural institutions and entertainment facilities than can be found in many cities of comparable size.

As the Seat of Berks County, the City of Reading benefits from a consistent job base in the County Courts and in various government services. In addition to those government jobs, Reading has 1,084 private establishments employing approximately 24,600 workers, according to the 2007 Economic Census published by the U.S. Census Bureau. Measured against the number of residents in prime working age group of 20 to 64 years of age, there are 1.8 prime working age individuals in the City of Reading per private employment position. This figure is better than Berks County as a whole, which has 2.09 working age individuals per private employment position.

In terms of potential business growth sectors, a 2005 study commissioned by the PA Department of Community and Economic Development titled "*Action Plan for Investing in a New Pennsylvania – Identifying Opportunities for Pennsylvania to Compete in the Global Economy*"

identified the agro-food processing sector as a major strength of Greater Reading. The study cites the availability of a sizeable food processing cluster, good access to agricultural products, and a large pool of agro-food processing and research workforce. According to the Berks Economic Partnership, Pennsylvania ranks fourth in agribusiness in the country, and Greater Reading ranks third in the state.

The more recent "*Ride to Prosperity: Strategies for Economic Competitiveness in Greater Reading*," produced by a collaborative effort on the part of eight organizations involved in economic and workforce development work in Greater Reading, identified the greatest challenge to the City of Reading and the Greater Reading area as lagging educational attainment and job readiness. The U.S. Census Bureau reports that 71% of Reading residents over the age of 25 (and 56% of Berks County residents) have a high school diploma or less. The area also lags the State and the Nation in terms of the portion of population with some type of college degree. Only 14% of Reading residents associate's degrees or higher; compared to 28% in Berks County, 33% in Pennsylvania, and 35% in the United States.

Along with Allentown, the City of Reading has managed to avoid the population decrease that all of the other largest cities in Pennsylvania experienced since 1990. The primary reason can be attributed to the explosive growth of the Latino population. The U.S. Census Bureau reported in 1990 that 18% of the residents reported themselves as Hispanic or Latino. Ten years later in 2000, this figure increased to 37% and in 2009, it's estimated that a majority of the residents in the City of Reading (53%) are Latinos. Supported by targeted outreach and entrepreneurial assistance, the growing Latino community could fuel economic resurgence in the City of Reading.

However, from the late twentieth century to the present, these characteristics have worked to the city's disadvantage, as Reading has been targeted by absentee real estate investors seeking to profit from purchasing and holding low-cost housing in anticipation of future gain. The worst of these investors have been skilled at "gaming" the code enforcement system which, until recently, had not been organized to defend the city's communities against negligent property owners and to reward responsible investor-owners. During a prior mayoral administration, code enforcement was almost non-existent, and investor-owners had a free hand in converting single-family properties to multi-family use, maintaining illegal property uses, and allowing health and safety hazards to remain unaddressed.

Recent improvements in the code enforcement system and better coordination between the city's Codes Division and other city departments will lead to substantial improvements in the city's housing stock and the upgrading or elimination of the worst of the city's problem properties. Over time, these improvements will create a healthy environment for investment in market-rate and mixed-income housing.

As described in Section III, the targeting of the Ricktown area (Schuylkill Avenue to 4th Street, Washington to Buttonwood Streets) as a location for housing offers several positive characteristics: adjacency to one of the city's strongest housing markets--Centre Park, to the north—as well as to Entertainment Square, to the south and GoggleWorks, at the southern edge of the area; status as a portion of the target area for the Downtown Improvement District and the

Neighborhood Stabilization Program; accessibility to suburban communities, based on its location near a city "gateway"; and inclusion in the catchment area of an outstanding public school, Lauers Park Elementary School.

One of Reading's biggest disadvantages is its past political instability and the lack of consistent leadership within municipal departments that have development-related responsibilities. An approach for overcoming this disadvantage through improved overall organization is described in Section V. Subsequent adoption of an overall leadership structure that would integrate the interest of the city and county government and the business sector would provide the first real opportunity in many years for Reading to implement its strategy in a regional context

C. Structural Problems

Like its counterparts throughout Pennsylvania, the two principal sources of tax revenue for the City of Reading are property taxes and earned income taxes. As the tax base decreased, the City had increased the tax rates in an effort to keep up with the mounting cost of providing municipal services. Between 1998 and 2008, the City's property tax rate increased by 5.8%, from a millage rate of 10.3 to 10.9. According to the Pennsylvania Economy League report titled "*Structuring Healthy Communities – Municipal Case Studies*," these increases in tax millage rate may have been counterproductive. In 1998, when the City's expenditures totaled $39.3 million, the property tax provided 34.4% of the annual budget. By 2008, following the increases in property tax rates, the City's general fund budget was $71.6 million and the property tax provided only 20% of the budget.

In 2005, Reading property taxpayers paid a per capita property tax that was equivalent to 2.2 times the amount paid by the residents of Berks County's other municipalities. Similarly for the earned income tax, wage earners who reside (not just work) in Reading shoulder the burden of paying 1.3 times more than the residents of Berks County's other municipalities. Additionally, the real estate transfer tax rate of 5% is the highest of any municipality in Pennsylvania.

D. Challenges in a Globalized Economy

One of the biggest challenges facing Reading is the need to redefine its status within the region based on a recognition of economic changes that have occurred during the past half-century. Some local leaders interviewed in connection with the completion of this strategy have argued that, during the years leading up to and after the turn of the century, the economic center of the region shifted from Penn Square west to West Reading and Wyomissing, where business activity generates a substantially higher level of wealth than in the city's geographic center. During the coming years, Reading will not be able to reverse this economic trend and regain its prior status as the region's dominant business center.

Instead, Reading's best prospects for success in the current economic environment are to consolidate and promote its most marketable industrial, office, and residential assets. This strategy emphasizes consolidation and realignment of existing assets for future investment: marketing land that appears to be most attractive for light-industrial or retail development; encouraging existing office users to relocate to the most marketable office building in the downtown area and pursuing opportunities to convert other office buildings to residential use;

and, through code enforcement and the removal of illegal uses, "deconverting" houses from multi-family use to their original single-family status.

Reading is fortunate in that the realignment of the city's assets to compete in the twenty-first century economy does not require massive demolition and rebuilding, as is the case in other municipalities that have been characterized as "shrinking cities." Although the demolition of very deteriorated or obsolete properties will need to continue during the coming years, most of the opportunities described in this strategy involve the preservation and adaptive reuse of existing real estate and the reinforcing of existing downtown and neighborhood fabric.

The biggest challenge facing Reading is the need to reduce poverty by enabling more residents to compete successfully in the mainstream regional economy. Opportunities to address this challenge through improved education and workforce development, as well as through small business development and expansion, are described in Section V. Reading will start succeeding in overcoming its high-poverty status only when two trends begin to take shape simultaneously: more people with incomes at and above the regional median are attracted to live and do business in the city; and, at the same time, more members of households with incomes substantially below the regional median obtain the education and training needed to qualify for unsubsidized jobs paying salaries higher than the minimum wage.

As a city striving to become more competitive in a global economy, Reading has to adopt a place-based approach that relies on repositioning and marketing existing assets and upgrading the quality of the local labor force for jobs located in or near the city's neighborhoods. This strategy describes ways in which the city can begin to establish a new identity as a center of specialized economic activity that contributes to regional wealth-building in a new way.

E. Indicators and Trends

According to the U.S. Census Bureau, the City of Reading had an estimated total population of 80,845 in 2009 which represents a 0.4% decrease from 2000. Population forecasts for Berks County are published by the Berks County Planning Commission, which projected similar rates of growth for Reading and the County. Projected out to 2030, Reading is expected to add another 15,435 residents, representing a 19% growth over the 30 year span, while the County is expected to grow by 19.5% (see **Table 1**).

Table 1: Population Change 2000-2030

	2000	2009 Estimate	2020 Estimate	2030 Estimate	% Change 2000-2030
City of Reading	81,207	80,845	91,172	96,642	19.0%
Berks County	373,638	401,488	421,304	446,582	19.5%

Source: U.S. Census Bureau; Berks County Planning Commission

Since 1990, the City of Reading has experience a tremendous influx of Latino residents. The U.S. Census Bureau reported in 1990 that 18% of the residents reported themselves as Hispanic or Latino. Ten years later in 2000, this figure increased to 37% and in 2009, it's estimated that a majority of the residents in the City of Reading (53%) are Latinos (see **Table 2**).

Table 2: Hispanic or Latino Population 1990-2009

	1990	1990 (%)	2000	2000 (%)	2009 Estimate	2009 Estimate (%)
Total Population	78,380	-	81,201	-	80,845	-
Not Hispanic or Latino	64,250	82%	51,020	63%	37,910	47%
Hispanic or Latino:	14,130	18%	30,181	37%	42,935	53%

Source: U.S. Census Bureau

The estimated median household income in 2009 was $27,887 and adjusted for inflation, this figure represents a 19% decline from 2000. Likewise, the per capita income in 2009 was estimated at $12,928, which represents a 23% decline from 2000.

Table 3: Municipal Personal Income 2000-2009

	Median Household Income 2000	Median Household Income 2009	Per Capita Income 2000	Per Capita Income 2009
City of Reading	$26,698	$27,887	$13,086	$12,928
Berks County	$44,714	$54,139	$21,232	$25,365

Source: U.S. Census Bureau

The Census Bureau reported that 26.1% of the residents in Reading lived below the poverty line in 2000. The 2009 American Community Survey estimates that 34.5% of the residents in Reading are poor.

As reported in the Municipalities Financial Recovery Act Recovery Plan released in 2010, the City of Reading's finances have mirrored the financial struggles of its residents. The report shows serious deficits in the City's budget since 2007 that grows each year thereafter. As the City resorted to stop gap measures to provide temporary fiscal relief, its future debt obligations have increased. As of December 2010, Moody's Corporation downgraded the City of Reading's long-term general obligation rating to Baa2 from Baa1. The Baa2 rating indicates "moderate credit risk" and is only two tiers above the Speculative or "Junk" status.

F. The Residential Real Estate Market

According to NAI Keystone Commercial & Industrial's Greater Reading Office Overview of 2010, residential new construction is down 47% with home builders delaying over 2,000 approved projects. The most notable completed project in the area is the $75 million Wyomissing Square development which has 248 luxury apartments and a 135 room Marriot Courtyard. Another 50,000 SF of specialty retail is programmed for completion shortly.

Utilizing data from Berks County and Win2Data (a comprehensive real estate database service), we estimate there were approximately 1,000 arms-length sales of residential property in the City of Reading in 2010. Of these, about 350 were single-family homes and another 400 were townhomes. The remainder were largely multi-family dwellings. The median price for a single-family home in Reading was $55,000; the median price for a

townhome was $28,000. By comparison, the median price for a single-family home in Berks County as a whole was $163,000.

III. Asset Management and Strategic Investment in Housing

A. Vacant Property as an Asset in the New Economy

As the nation's economy emerges out of the recession and real estate markets begin to grow stronger, one significant outcome of decades-long metropolitan-area development will become increasingly apparent: residential zones in many suburban and exurban areas surrounding older central cities have been almost completely built out—or entirely built out. In the immediate vicinity of Reading, for example, Wyomissing Borough has no parcels of land available for major residential development. In other localities, within Berks County and elsewhere, growth restrictions, green space preservation mandates, and suburban NIMBYism have combined to significantly reduce housing development opportunities. To the extent that consumer interest in smaller-sized housing or in housing with "green" energy conservation features continues to grow, many communities outside the central city will have no opportunity to develop new housing products in response to this increased consumer demand.

By contrast, Reading has many vacant parcels that may be suitable for residential new construction and many vacant or underused buildings that may be suitable for residential reuses. A large number of these parcels are located adjacent to or near the county government offices, the city's academic and health care institutions, parks and riverfront areas, and the regional highway system. As the economy improves, more of Reading's better-located vacant and underused properties will become regarded as undervalued assets, with the expectation that these properties are likely to become more valuable during the coming years of this decade. This expectation of growth in value is the reason why absentee investors have purchased many properties in Reading through their participation in foreclosure sales.

The significant number of well-located vacant and underused properties in Reading is an important competitive advantage, but in past years the city has not been well positioned to use this advantage to produce economic successes, for two major reasons:

1. City government has not used its existing regulatory powers and staff resources in ways that will strengthen neighborhood real estate markets and defend responsible owners against predatory speculators; and

2. Available funding resources have been allocated on a dispersed, citywide basis, rather than through strategic multi-year investment in targeted areas that is designed to leverage private sector funding and produce measurable economic benefits.

To address these shortcomings, this component of Reading's economic development focuses on asset management and strategic investment in housing.

B. Economic Benefits of Asset Management

Abandonment prevention and neighborhood stabilization. Although Reading has a large number of vacant and abandoned houses, housing abandonment, in itself, is not the city's biggest housing problem. Reading's biggest housing problem, and the most significant contributor to housing abandonment, is the large number of poorly maintained investor-owned housing units that can be

found in nearly every neighborhood in the city. Well over half of the vacant houses in Reading are located on otherwise fully occupied residential blocks or on blocks where only one or two other vacant houses can be found. In contrast, numerous buildings that are being maintained as illegal or substandard investor-owned housing can be found on residential blocks throughout the city. These neglected units are the most significant contributor to housing vacancy in Reading and a threat to the future well-being of many of the city's communities.

Within a relatively low number of blocks characterized by concentrations of undersized, poorly located, mostly vacant deteriorated housing, a program of acquisition leading to clearance is the only feasible option. In the vast majority of residential blocks, however, a preservation-oriented approach designed to remove illegal or substandard housing and increase the value of existing housing offers the best prospects for future success.

Benefits associated with quality rental housing. In cities similar to Reading, a declining homeownership rate has been cited as a primary cause of economic decline. To address this perceived cause of decline, municipal governments in some of these cities have invested substantial public funding in financing the construction of new sales housing designed to attract more homeowners to the city. Reading has also experienced a significant decrease in the rate of homeownership, but this trend cannot be reversed through the construction of more sales housing. Instead, the best way to stimulate the sale housing market is by making existing neighborhoods more marketable for both sales and rental housing by removing blight and reinforcing existing investment by owner-occupants and responsible investor-owners.

The presence of a high percentage of rental housing within a particular area of a city is not necessarily an indicator of distress. Many of the nation's strongest housing markets—Manhattan, for example--contain a high proportion of rental units. The presence of a substantial number of rental households with lower than median income is not necessarily an impediment to marketability either. During the past two decades, market values have risen substantially in urban neighborhoods (including downtown-area neighborhoods and communities adjacent to academic and health care institutions) in which middle- and upper-income residents live on or near the same blocks as lower-income residents. In Reading, as in many of these urban areas, there is sufficient real estate available to both sustain a base of quality rental housing for lower-income residents while attracting new residents with incomes at or substantially above the median.

Improving the neighborhood environment by removing blight and reinforcing existing investment has three important indirect effects that can significantly improve overall marketability.

1. As illegal rental units are removed from the housing inventory through systematic code enforcement, the level of classroom transiency in neighborhood public schools—the rate of turnover within a class, which has been as high as one hundred percent in some classrooms—declines substantially.

2. The removal of illegal rental units on otherwise stable blocks creates new opportunities for "deconversion"—the rehabilitation of housing in order to restore its original owner-occupied status.

3. The creation of better-quality sales and rental housing and the improvement of the neighborhood environment encourages upwardly mobile families—households headed by individuals who have completed their education and are obtaining good-paying jobs in the regional economy—to remain in the city rather than moving out.

C. Code Enforcement and Housing Preservation Initiatives

During 2010, the City of Reading began a realignment of its staff infrastructure in order to support an asset management strategy based on code enforcement and housing preservation initiatives. The city's approach is characterized by a more effective use of existing Codes Division staff; better coordination among units of city government that are concerned in some manner with the quality and condition of Reading's housing stock; and increased communication with community constituencies, including responsible investor owners.

The code enforcement and housing initiatives and associated results to date are summarized below.

1. Abate hazards and public nuisances. Clean up, repair, or demolish properties in order to remove significant health and safety hazards following unsuccessful attempts to convince owners to comply voluntarily.

In coordination with a community organization representative, Codes Division staff surveyed every block in the Centre Park neighborhood and identified hazards or public nuisances at a total of 38 properties. Problems identified at these properties ranged from inadequate securing of window and door openings to serious structural deficiencies. Violation notices were issued for all properties, and Codes staff has been seeking to communicate with the owners in order to achieve voluntary compliance. To the extent that these efforts are unsuccessful, the City will correct the problem and lien the property for associated costs.

During completion of the Centre Park survey and related follow-up, Codes Division staff also identified the most serious cases of hazardous and public nuisance conditions at properties in other areas of the city and pursued an approach similar to that undertaken in Centre Park. In all, a total of eighty properties (including the Centre Park properties) are in process for possible hazard/public nuisance abatement.

Some property owners in Centre Park are seeking financial and/or technical assistance in order to complete repairs needed to achieve compliance with codes. Funding support through the CDBG and HOME programs and technical assistance and rehabilitation support through Neighborhood Housing Services or Habitat for Humanity would be beneficial in this and other areas.

The hazard and public nuisance abatement process should include the compilation of an inventory of all properties requiring city abatement action. This inventory should include properties currently listed for Blighted Property Review Committee action, as well as properties on the Fire Department's "Do Not Enter" list. This consolidated inventory can

then be evaluated in order to establish priorities for intervention based on the severity of the hazard or nuisance. A team consisting of representatives of Property Maintenance, Building Inspections, Fire Inspections, Law, and Community Development staff should manage this evaluation and related follow-up action.

The interagency team should review every fire-damaged property in order to ensure that appropriate action is taken to restore the property to compliance with codes. Consistent with Act 97, fire insurance funds should be escrowed in order to provide sufficient resources to return each such property to a habitable condition.

2. For blighted properties in worst condition, use Blighted Property Review Committee (BPRC) process to bring into compliance or acquire for conveyance to responsible developers. Achieve compliance with code through owner response to code enforcement or Reading Redevelopment Authority acquisition and conveyance to qualified developers.

In 2010, following months of research on similar practices in other cities, the City of Reading organized a Blighted Property Review Committee. Members of the committee include city agency staff, planning/development professionals, and community representatives, and the community usually meets on a monthly basis.

The Committee conducts its activities based on a program cycle consisting of the following activities.

- Committee members organize a list of vacant properties that, because of their hazardous or deteriorated condition, create a danger to the public at large or threaten to undermine existing residential, business, or public investment.

- The Codes Division inspects each property and devotes special attention to seeking to contact the owner in order to provide information about the problems associated with the property and to obtain the owner's commitment to correct the problems, documented through the execution of a rehabilitation agreement.

- While this effort is under way, city planning, development, and legal staff prepare documentation needed to certify each property as blighted in the event that code violations are not corrected.

- Following a sequence of inspections, owner notifications, and reinspections, and property for which a rehabilitation agreement has not been executed is scheduled for a blight *determination* hearing, a public session conducted by the BPRC. At the hearing, city staff presents information about the property's condition and about the results, if any, of efforts to achieve voluntary compliance with code. Each property owner is sent a notice of the hearing and, if the owner is present, is given an opportunity to respond to the city' presentation. Following this testimony and discussion with committee members, an owner may agree to enter into a rehabilitation agreement in order to prevent further committee action that may result in the loss of the property. Following

presentation and discussion of each address, the committee votes on a resolution to determine that the property is blighted.

- Any properties for which blight determination resolutions have been approved by the BPRC are scheduled for a blight *certification* hearing a month later. This hearing is similar in format to the determination hearing, concluding with a committee vote on the question of whether each property on the agenda should be certified as blighted.

- Properties certified as blighted are referred to the Reading Redevelopment Authority, which acquires them through eminent domain, then conveys them to private or nonprofit development organizations that possess the capacity to rehabilitate them. All residential properties are rehabilitated for subsequent sale to homeowner-occupants.

The BPRC process has proven to be very successful in addressing some of the city's worst problem properties through a relatively low-cost approach. In Reading, as in other cities that have adopted a similar approach, a significant number of owners agree to comply with codes and enter into rehabilitation agreements upon gaining recognition that the city is serious about taking their properties from them in the event of non-compliance. Of the approximately fifty properties that have been taken through the BPRC process to date, about 35 are being rehabilitated, and only three are being taken by the Redevelopment Authority through eminent domain. The other properties in this group are still in process, pending the results of negotiations over rehabilitation agreements or decision-making associated with acquisition and conveyance by the Redevelopment Authority.

3. Inspect properties designated "Do Not Enter" by the Reading Fire Department and take action to achieve compliance.

In 2010, a total of 380 vacant properties in Reading had been designated as "Do Not Enter" addresses by the Reading Fire Department, consistent with a finding that the condition of these properties was so hazardous that firefighters' lives would be endangered by entering them. "Do Not Enter" properties pose an especially serious threat to community well-being. Their designation as hazardous requires that priority attention be devoted to removing the hazards as a top priority; and the fact that firefighters d not enter each such property means that, in the event of a fire, Fire Department personnel will not be able to do as much as would otherwise be possible in order to stop the fire and protect adjacent homes and businesses.

In late 2010, city agency staff began reviewing the "Do Not Enter" list on a regular basis and determining how best to use available resources to reduce the number of addresses on the list. This activity has been supported through coordination between the City Clerk's office and Codes Division staff, resulting in decision-making about the use of hazard/public nuisance abatement, the BPRC, or some other action in order to eliminate the problem. The number of addresses on the "Do Not Enter" list has been substantially reduced since this coordinated effort began.

4. Address quality of life violations through ticketing.

The City is adopting a practice that has been used successfully in other municipalities: issuing "tickets," similar to parking tickets, for minor code violations such as overgrown weeds or improper trash storage. As with parking tickets, the minor code violation tickets call for the payment of a fine and the correction of the condition documented in the violation notice. For minor code violations, this approach is much faster and more effective because it involves an administrative process—the payment of the fine to the City—rather than the more drawn-out process of citation and reinspection, leading to a referral to the judiciary, which must be employed in cases involving major code violations.

Success in administering the ticketing program will be dependent in large part on ongoing communication between Codes Division staff and members of communities in which ticketing is being undertaken. Community members can ply an important role in notifying Codes staff about the most serious quality of life problems within a particular neighborhood and may also be helpful in facilitating communication with property owners I order to avoid issuance of tickets. The latter role is particularly important, in light of the fact that the ultimate goal of the ticketing process is not to generate new revenue for the city but instead to eliminate minor code violations in the most efficient, cost-effective way possible, with voluntary compliance as the first priority.

5. Inspect rental units.

The need for a systematic inspection of all rental units in the city has long been recognized as a critical element of a code enforcement and housing preservation strategy. The implementation of a citywide inspection cycle, in which rental units in each area of the city are inspected on a sector-by-sector basis, provides the best opportunity to identify and address the worst instances of noncompliance with codes, resulting in a substantial reduction of hazardous conditions on a citywide basis. A citywide inspection process, when conducted efficiently and in close coordination with community members and rental property owners, provides a "seal of approval" that provides evidence that a rental property owner is a good landlord.

Reading has approximately 17,000 rental units, about 11,000 of which are apartments, 5,500 of which are single-family houses, and 500 of which are rooming units. The Codes Division will be staffed with five persons who will conduct rental inspections on a full-time basis. In a substantial number of cases, rental property owners are responsive to code violations identified as a result of city inspections, and these violations are conducted on a voluntary basis without the need for further city action. If voluntary compliance could be guaranteed in every instance, then the Codes Division would be able to complete an entire citywide inspection cycle within two years. All that would be needed would be an inspection and issuance of a violation notice when appropriate. Unfortunately, however, voluntary compliance is not achieved in a large number of cases, and the need for inspectors to revisit

properties and maintain communication with owners over an extended period in order to resolve difficult cases requires a substantial expenditure of time.

In order to make best use of Codes staff time, inspectors categorize rental units I terms of the level of need for reinspection to determine whether conditions have improved. Rental units with serious health and safety code violations are scheduled for reinspection within three days. Units with problems that are significant but not threatening health and safety are scheduled for reinspection within 120 days. Other units with less serious problems may be deferred from reinspection for longer periods. Although the adoption of this approach will mean that the first citywide rental inspection cycle will take more than two years to complete, more serious code violations will be addressed in the short term than would otherwise be the case.

6. Complete pre-sales inspections.

The city plans to adopt a pre-sales inspection program for all homeowner and rental housing, to be completed as a condition of transfer of title. The city's existing post-sale inspection program is far less effective because it does not provide the buyer with information about serious code violations prior to settlement and does not require buyer and seller to work together in order to resolve any such violations prior to transfer of title. The city will work with the Reading-Berks Association of Realtors and industry professionals to design a program that a) reduces the scope of the inspection to a consideration of health and safety issues and b) does not delay or impede property sales transactions. Following completion of program design, this program will be proposed for City Council approval and adoption in 2011.

City agency staff is currently devoting substantial time to the identification of violations of zoning or property use regulations found in existing properties. Instituting pre-sales inspections will shift city involvement from reacting to findings of illegal post-sale conditions to preventing these violations to occur. In addition to inspecting a property for health and safety violations, a pre-sales review will include verification of zoning, confirmation that housing permits or business licenses have been obtained, and a determination that the property is current with respect to property taxes and water/sewer fees.

7. Bring illegal uses into compliance.

An interagency task force has been organized to identify illegal property uses or instances of noncompliance with city codes other than hazardous and public nuisance conditions. The task force focuses on properties lacking business privilege licenses, properties lacking appropriate zoning, properties with water or sewer delinquencies, and other problems. The task force determines what action is to be taken, based on the nature of the problem, and monitors follow-up activity.

At each meeting, the task force agenda consists largely of property addresses referred to the City Clerk's office through citizen inquiries and complaints. By determining which agency staff should be responsible for addressing each problem, the task force helps ensure city

responsiveness to problems that sometimes require attention on the part of several agencies working in coordination with one another.

The task force is developing a Certificate of Compliance, which the buyer of any resident or mixed-use property (residential or non-residential) would be required to file prior to settlement. The certificate would include verification that a property maintenance inspection had been completed successfully and that all city permitting, licensing, fee, and tax requirements had been met. The task force has solicited comments and advice from the Reading-Berks Association of Realtors and the Berks County Recorder of Deeds in planning for the creation of this certificate. A well-designed and well-executed certificate requirement would save the city from having to carry out hundreds of enforcement actions each year, would resolve allowable use issues during the sale/title transfer process, improve property safety, and increase city tax and fee collections.

D. Strategic Investment in Housing

1. Opportunities for targeted investment

Government, institutional, and private-sector investors should identify the best opportunities to allocate funding and support resources on a targeted basis in order to generate greater benefits and broader impacts.

A targeting strategy that possesses the following characteristics is most likely to succeed.

a) Designation of a relatively compact geographic area as the location for investment;

b) Organization of a multi-year development agenda;

c) Funding commitments by public and private investors that leverage one another's resources and that support the development agenda over a period of years; and

d) A sequence of improvement activities designed to generate measurable impacts every year.

2. Selection of Target Area

The selection of an area to be targeted for investment has to be based on a principle of "building from strength." Initiatives designed to focus on the neediest or most deteriorated areas of a city are not likely to leverage sufficient resources or produce satisfactory short- and mid-term results. Because financing for large-scale new construction ventures is not likely to be available for some time, a target area that offers opportunities for investment in housing preservation is preferable to one where large parcels of cleared land are located. In addition, the target area should be located near one or more existing centers of investment, such as an academic or health care institution, the downtown business district, a major private employer, or suburban communities where additional jobs and services are located.

3. Implementation Agents

Reading is fortunate to have nonprofit organizations that possess substantial experience and qualifications in completing a variety of housing development and improvement activities.

- *Our City Reading (OCR)* has particular expertise in housing rehabilitation as well as a high degree of proficiency in construction management. OCR has rehabilitated many vacant houses that were acquired through an Asset Control Area (ACA) contract with the U.S. Department of Housing and Urban Development (HUD).

- *Neighborhood Housing Services of Greater Berks, Inc. (NHS)* has performed a variety of housing development, improvement, and service activities in Reading neighborhoods, including community planning, housing counseling, down payment assistance, home repair, and vacant house rehabilitation activities.

- *Habitat for Humanity of Berks County* has completed new housing construction and vacant-house rehabilitation projects in Reading and Berks County over the years, and the organization is currently undertaking planning to select target areas in which future development and improvement ventures will be completed.

- *Reading Housing Authority (RHA)* has an established track record of high-quality performance in rental property management and maintenance, and the Authority has the capability to develop and manage new housing in collaboration with public-sector and nonprofit developers.

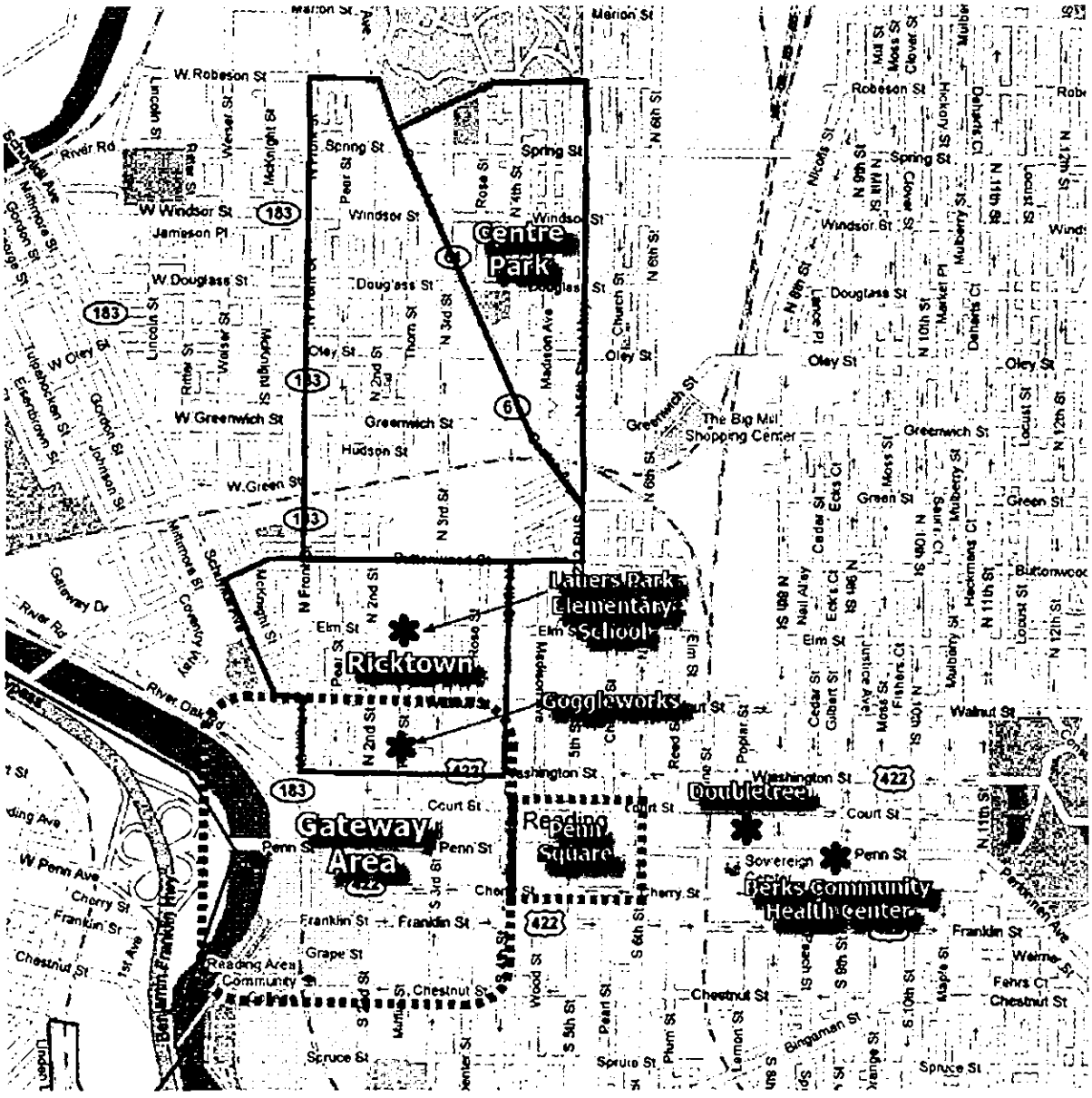
E. Ricktown Arts District

1. Neighborhood Characteristics

The administration of Mayor Tom McMahon organized an initiative to support targeted investment in a nine-square block area known as the Ricktown Arts District, extending from Washington to Buttonwood Streets between Schuylkill Avenue and 4th Street. About one-third of this area is occupied by two institutions, the GoggleWorks Center for the Arts and the Lauers Park Elementary School, which occupy a zone extending from north to south through the center of the area.

A narrative drafted to accompany a mission statement for the Ricktown Arts District terms "the neighborhood in and around the GoggleWorks as a natural catalyst" for investment and characterizes the GoggleWorks as "a true anchor for the surrounding neighborhood." Opened in 2005, the GoggleWorks is an adaptive reuse of a former factory complex as an arts center "transformed to accommodate practicing artists in all kinds of media; dance and music studios; glass-blowing, woodworking, and darkroom facilities; ceramics and jewelry studios; public galleries; a film theater; a café and gift shop' classrooms; and offices for local community and nonprofit organizations."

Program activities based at the GoggleWorks take place during day and evening hours on a year-round schedule. Weekday and weekend activities also take place year-round at Lauers Park Elementary, a high-quality neighborhood public school enriched with amenities that are often found only in suburban or charter schools. Both of these neighborhood-based centers of activity offer their programs in attractive, well-maintained facilities and provide potential economic benefits to both the neighborhood and the city. GoggleWorks attracts participants from suburban areas while serving many neighborhood and city residents. Lauers Park Elementary provides a high-quality educational experience for neighborhood residents and has the potential to attract new residents with school-age children.



2. Surroundings

Ricktown is particularly well-suited for targeted investment because of the neighborhood's proximity to nearby employment, business, and service centers, including Entertainment Square, Reading Area Community College, the Penn Street corridor, and the county government center to the south. Centre Park, one of the city's most attractive neighborhoods, is located to the north.

The target-area boundaries for two important existing programs also include substantial portions of Ricktown. The service area of the Downtown Improvement District (DID), Reading's business improvement district, extends north from the central business district into the southern section of Ricktown. A portion of the northern section of Ricktown is included

in the city's Neighborhood Stabilization Program (NSP2) target area. Within the NSP2 area, approximately 100 units of housing will be rehabilitated by Our City Reading, with funding support provided through a grant to the City of Reading by the U.S. Department of Housing and Urban Development (HUD).

The NSP2-financed housing is complemented by the GoggleWorks Apartments, a six-story, 59-unit at Second and Washington Streets now under construction and scheduled to be completed in 2012.

3. Approach

Because Ricktown does not have an established neighborhood organization or community development corporation, a group of representatives of government agencies, nonprofit organizations active in or interested in the area, representatives of local institutions, and planning, marketing, and development professionals was convened to begin undertaking initial planning for the area. The planning has included preparation for an areawide civic engagement process designed to enable community members to become full participants in the housing investment strategy.

A narrative drafted by this planning group (referred to as the "Ricktown Arts District" in the narrative that follows) states that Ricktown was selected as a target area because it is "a defined area of the city of Reading in need of Revitalization" and "an area small enough to have a focus for improvement initiatives yet large enough to be a model for neighborhood revitalization throughout the city."

> The Ricktown Arts District is an initiative to transform a nine square block area...into viable and sustainable mixed-income neighborhoods through a focused effort to:
>
> 1. Improve streetscape conditions and properties values.
> 2. Focus on cleanliness, safety, and engagement of citizens.
> 3. Concentrate on the development and rehabilitation of affordable housing.
> 4. Integrate artist housing and "live-above-the-store" studio space.
> 5. Encourage and support economic development initiatives to create a sustainable, walkable, functioning urban neighborhood....

Because Ricktown is not a devastated community in need of total rebuilding, a high-cost investment strategy is not appropriate for the target area. Instead, an approach that emphasizes the preservation and upgrading of existing assets, undertaken by development and service organizations that already have substantial working experience in Ricktown and/or comparable areas, will produce the best results. In addition, this approach can be supported with a relatively modest portion of the federal funding available to the City of Reading through the Community Development Block Grant (CDBG) and HOME program awards that the city receives each year.

Taken together, Ricktown and Centre Park can constitute a residential "bridge" extending from Reading's central business district into the city's residential communities. Both areas should be targeted for housing development and improvement activities. In this way, both the

area of greatest market strength and a weaker adjacent area will be reinforced and upgraded, improving the prospects for leveraging more private investment.

A key element of the Ricktown strategy is the integration of public, private, and nonprofit resources to produce significant impacts as the strategy is executed. To the extent that, through the implementation of this strategy, the city demonstrates its capability to provide overall leadership, manage interagency coordination, and manage multiple program activities within a target area, the prospects for attracting investor and developer interest will improve substantially. If successful, Ricktown can also serve as a model for targeted investment that can begin in other areas of the city once activities in this initial target area are under way.

F. Ricktown/Centre Park Investment Strategy

Based on planning activities completed to date, five specific activities are proposed to be undertaken over a five-year period in support of a housing investment strategy for Ricktown.

1. Design the strategy

a) *Complete initial planning* – the Ricktown Arts District began work on surveying, mapping, and inventorying real estate in the target area, and a master plan is in preparation.

Once the plan is completed, in coordination with community constituencies, the extent to which revisions in the city's comprehensive plan and zoning code may be needed in order to support the plan will be explored.

b) *Engage the community* – the drafting of a mission statement/vision statement and related narrative has been in progress for several months. This description of *the* proposed concept for the area is to be presented in a series of community meetings and group discussions that are expected to lead to the completion of a community-supported final plan.

As this initial planning is undertaken, Ricktown Arts District will continue the group's dialogue with representatives of GoggleWorks and Lauers Park Elementary School in order to formalize an ongoing working relationship with these two key institutions.

These and related civic engagement activities will require the employment of a full-time staff person with community organization experience and qualifications.

c) *Manage a civic engagement schedule* – because of the high level of activity anticipated to take place within the target area, it will be important to organize and *manage* a schedule of meetings and public events that inform interested parties, both within and outside the community, about current and planned activities and provide information about opportunities to participate.

2. Create a management structure

a) *Designate CHDO to manage reinvestment program* - the U.S. Department of Housing and Urban Development (HUD) provides for an organization designated as a community housing development organization (CHDO) under HUD regulations to be eligible to receive and allocate to CHDO administration a portion of the federal HOME funds that a municipality receives each *year*. If the City of Reading were to designate a particular CHDO group to manage reinvestment activities in Ricktown, then the city could assure the selected organization of an annual award of the HOME funding that it receives. This allocation of HOME funding would provide the management organization with needed operating support and could help leverage commitments of funding from other sources.

   To implement this action, the city should solicit a proposal or proposals from one or more groups seeking to be designated as the management organization for Ricktown. It is recommended that the proposal(s) describe a funding plan and performance goals for an initial two-year period, so that the organization's proposed role in startup activities could be evaluated. Although the City's award of HOME funding would have to be made on a year-to-year basis, a two-year plan would provide the city and other investors in Ricktown with an understanding of how the selected organization would evolve as activity in Ricktown progressed.

b) *Organize governing board* – a leadership entity needs to be created for Ricktown, and this entity needs to represent the interests of community members and supporters of the investment strategy in a way that inspires confidence in the *board's* leadership on the part of residents and business owners in the neighborhood as well as developers and investors outside the target area. The selection of board members who are most representative of community interests and who are most committed to community engagement should be a high-priority consideration with respect to the creation of the governing board.

   This governing board should be different from the board of the CHDO organization, and it should be structured to address both housing and economic development issues associated with the Ricktown area. Among other activities, the board should 1) schedule and preside over general meetings organized to provide for community-wide review of the strategic investment plan; and 2) negotiate a cooperation agreement with the City of Reading, reflecting a shared understanding of how responsibilities associated with the implementation of the strategic investment plan will be assigned and carried out. As planning and development activities get under way, the board should publish annual performance reports to document accomplishments and measure progress.

3. Promote housing preservation

To support the preservation and upgrading of existing housing in the Ricktown area, the code enforcement activities described in preceding sections will be targeted to Ricktown on a priority basis. These activities will be complemented by housing counseling services, home repair grants for income-eligible owners, and home improvement loans for code-related repairs as well as other property improvements. It is anticipated that one or more lending institutions will make specific commitments of home improvement financing to Ricktown and will be prepared to work with code enforcement and counseling agency staff to ensure that this financing will be readily accessible to property owners.

NHS already offers housing counseling services and administers home repair grant programs supported with city and private-sector funding. City funding support for some or all of these activities could be made available to NHS through a "subrecipient" agreement between the City's Community Development Department and NHS.

Habitat for Humanity should be encouraged to designate Ricktown as one of its target areas for activity during the coming years, so that Habitat can complete some home repairs in this neighborhood, along with the new housing construction, vacant house rehabilitation and neighborhood improvement activities that Habitat plans to complete in the areas it designates for targeting.

4. Produce quality homeowner and rental housing options

a) *Acquire property through direct purchase from foreclosure sales inventory* – absentee investors have acquired many properties in Reading through their participation as buyers in county-administered tax foreclosure sales, and not all of this investment has been consistent with city and neighborhood development priorities. In order to ensure that real estate located in Ricktown is developed and maintained in a manner that is consistent with the goals *of* this strategy, the city will devote more attention to opportunities to purchase properties listed for foreclosure sales through direct purchase from the county, without having to compete with bidders at foreclosure auctions. Representatives of the city and Reading-Berks Association of Realtors have begun communication to consider how they might collaborate to identify and acquire the most marketable properties in Ricktown and other priority areas by adopting this approach.

b) *Rehabilitate vacant houses and develop infill housing* – as indicated above, the NSP2 target area in which Our City Reading is rehabilitating vacant housing includes a portion of the Ricktown target area. In addition, OCR will be rehabilitating vacant houses acquired through the Blighted Property Review Committee process described in section C.2. above.

If Habitat designates Ricktown as an area in which the organization will undertake targeted activities over the next few years, then Habitat would also pursue opportunities to rehabilitate vacant houses in Ricktown, as well as to construct new infill housing on small vacant parcels within the area.

c) *Implement CORE initiative* – using a program undertaken successfully in Baltimore as a model, the Reading-Berks Association of Realtors has proposed a collaboration with the City of Reading, through which realtors belonging to the Association would market vacant city-owned properties as sales housing through their firms. This collaboration would help stimulate the development and reuse of vacant properties that do not require a higher-cost "gut rehab" treatment due to advanced deterioration.

   In order to launch this program successfully, the city and the association will need to determine how participants in the Baltimore program were able to ensure that buyers of properties marketed in this manner were able to complete the rehabilitation needed to bring them into compliance with code, as well as related post-settlement issues.

5. Install streetscape and street-level amenities

Improving the appearance of streets, public spaces, and property exteriors substantially increases the "curb appeal" and marketability of a community. To improve the attractiveness of Ricktown, the city plans to promote block organizing and to partner with nonprofit organizations and charitable foundations to promote area improvements, with priority attention given to organized blocks. These improvements will include:

a. Curb and sidewalk reconstruction;
b. Street-tree planting;
c. Yard and porch lighting, supported through a matching-grant program; and
d. Matching grants for exterior improvements to houses and businesses.

Because façade improvement programs have previously been undertaken in Reading, past experience can be used as a guide to decision-making about the best ways to scale up these programs in order to substantially improve the appearance of blocks throughout the neighborhood.

G. Residential Mortgage Foreclosure Diversion Program

To address concerns about the level of foreclosure activity that has occurred in Reading, municipal government and the county court system should continue to explore the possibility of instituting in Reading a residential mortgage foreclosure diversion program similar to that established in Philadelphia in 2008.

Under the program, the court requires that a "conciliation conference" be scheduled before any owner-occupied property is scheduled for sheriff's sale. Prior to the conference, the homeowner meets with a housing counselor, employed by one of the nonprofit housing counseling agencies funded through the city, to prepare documentation related to the case. At the conference, held in the courtroom of Common Pleas Court Judge Annette Rizzo, the homeowner and counselor meet with a representative of the mortgage lender, and a lawyer representing the homeowner (the lawyer may be employed y a legal services agency or a private attorney serving on a *pro bono* basis). The goal of the conference is to reach agreement on a plan that will result in the avoidance of foreclosure and cancellation of the sheriff's sale action. Alternatives considered include forbearance, a stay of sale, settlement of the entire action, loan modification, loan reinstatement and/or payment plans.

The results of the conference are presented to Judge Rizzo. Under circumstances in which an agreement has been reached, a court order referencing the agreement is issued. In some instances in which no solution can be found, parties in the conciliation conference may agree on a plan to assist the owner in finding alternative housing prior to having to leave the house. However, the overriding goal of the program is to avoid displacement and the loss of the home through agreement reached at the conciliation conference.

IV. Financing Strategies

A. Incentives to Attract Development

One of the biggest barriers to promoting homeownership in Reading is the five percent real estate transfer tax, which is substantially higher in the city than the two-percent transfer tax in surrounding communities. For a $50,000 home sold in the city of Reading, the transfer tax is $2,500. The same priced home in a municipality outside the city of Reading would have a transfer tax of $1.000.

In order to offset this disadvantage and promote investment within Ricktown (and subsequently within other target areas), the City should consider providing settlement assistance financing (possibly in the form of a deferred, self-amortizing loan) to income – eligible homebuyers within the target area, in an amount equals to the city-suburb transfer tax differential.

B. Proposed Housing Financing Programs

A proposed annual budget for housing program activities is shown on the following page.

Items in the "City Funds" column would be funded through the city operating budget or through the City's Community Development Block Grant, HOME or NSP2 awards.

With respect to items in the "Other Funds" column:

- The Housing Investment Strategy is to be funded through a non-City grant.
- Home Improvement Loans are to be financed through lending institutions and owner equity.

Financing for Housing Strategy Recommendations
Annual Budget

Strategy Element	City Funds	Other Funds	Total
CODE ENFORCEMENT AND HOUSING PRESERVATION			
1. Public Nuisance Abatement	$250,000		$250,000
2. BPRC Acquisition and Property Maintenance	$300,000		$300,000
3. Abatement Actions for "Do Not Enter" Properties	$110,800		$110,800
4. Ticketing of Quality of Life Violations	$300,000		$300,000
5. Citywide Rental Inspections	$825,000		$825,000
6. Pre-Sales Inspections	$225,000		$225,000
7. Illegal Uses Compliance Actions	$108,000		$108,000
RICKTOWN INVESTMENT STRATEGY			
1. Investment Strategy		$35,000	$35,000
2. Management Structure	$100,000		$100,000
3. Housing Preservation			
Housing Counseling	$21,000		$21,000
Home Purchase Financing	$255,000		$255,000
Home Repairs	$75,000		$75,000
Home Improvement Loans		$212,500	$212,500
4. Quality Homeowner and Rental Housing Options			
Purchases from Foreclosure Sales	$150,000		$150,000
Housing Rehabilitation	$85,000		$85,000
Infill Housing	$375,000		$375,000
CORE Initiative	*		
5. Streetscape and street-level amenities			
Curb and Sidewalk Reconstruction	$720,000		$720,000
Tree Planting/Porch and Yard Lighting		$75,000	
Totals	$3,899.800	$322,500	$4,222,300

* Rehabilitation Specialist to support CORE initiative to be funded as part of Code Enforcement/Housing Preservation strategy element.

Notes

CODE ENFORCEMENT AND HOUSING PRESERVATION

1. *Abatement Actions for "Do Not Enter" Properties.* 100 properties @ $1,000 per contracted abatement action, plus 3 hours @ $36 per hour for administrative and enforcement costs. Staff: .5 PMI Supervisor, .5 Property Maintenance Inspector, .5 Inspections Clerk.

2. *Ticketing of Quality of Life Inspections.* Staff: .5 PMI Supervisor, 3 Property Maintenance Inspectors, .5 Inspections Clerk.

3. *Citywide Rental Inspections.* Staff: 1 PMI Supervisor, 9 Property Maintenance Inspectors, 1 Inspections Clerk.

4. *Pre-Sales Inspections.* Staff: .5 PMI Supervisor, 2 Property Maintenance Inspectors, .5 Inspections Clerk.

5. *Illegal Uses Compliance Actions.* 1,500 cases requiring 2 hours per case @ $36 per hour. Staff: .5 PMI Supervisor, 1 Property Maintenance Inspector, .5 Inspections Clerk.

RICKTOWN INVESTMENT STRATEGY

1. *Investment Strategy.* Source of funds: Non-City grant.

2. *Management Structure.* Source of funds: HOME funds awarded to designated CHDO organization.

3. *Housing Preservation*

    - *Housing Counseling.* 35 units homeowner education/counseling and 35 units tenant education/counseling.

    - *Home Purchase Financing.* Financial assistance to support 15 purchases @ $17,000.

    - *Home Repairs.* 15 home repair grants @ $5,000.

    - *Home Improvement Loans.* 25 loans @ $8,500.

4. Quality Homeowner and Rental Housing Options

    - *Purchases from Foreclosure Sales.* 10 purchases @ $15,000.

    - *Housing Rehabilitation.* 10 houses @ $85,000.

    - *Infill Housing.* 3 houses @ $125,000.

    - *CORE Initiative.* Rehab specialist to be funded as part of Code Enforcement and Housing Preservation strategy element.

5. Streetscape and Street-Level Amenities

    - *Curb and Sidewalk Reconstruction.* 6 blocks, both sides @ $120,000.
    - *Tree Planting/Porch and Yard Lighting.* To be funded through corporate and foundation sources.

V. Organization

A. Leadership of the Housing Strategy

Effective implementation of this strategy will require diligence by City and other responsible organizations in carrying out the individual initiatives identified here; extraordinary collaboration among the City, Berks County, and real estate professionals in bringing together the necessary resources to implement the strategy; and consistency by City and other officials in maintaining the priorities established in this strategy.

A Housing Partnership group, consisting of representatives of constituencies participating in or interested in housing activities should be convened on a quarterly basis (or more frequently, as deemed necessary by members of the group) to develop performance standards associated with the implementation of the housing strategy, to review progress reports and assess the impact of the strategy as it is being implemented, and to consider new opportunities to enhance the housing strategy and to recommend related actions.

The commitment and leadership of Reading City Council is essential to support all elements of Strategy implementation. City Council must provide consistency in maintaining the priorities agreed to in this strategy in order to maximize the attraction of resources—both private and public—to the key elements of the Strategy. For its part, the city administration must work with Council to develop a performance reporting process and deliver progress reports to Council on a periodic but consistent basis. District council members should be informed about housing-related activities proposed for locations within their districts and given the opportunity to participate in housing-related planning involving their districts.

B. Development Agency Management and Coordination

Success in implementing the strategy depends on collaboration between municipal government, private-sector interests, and community constituencies.

- To advance code enforcement and housing preservation actions, Codes Division staff will establish working relationships with responsible investor- owners (who can help design and monitor the implementation of city initiatives), as well as with community members (who can serve as an "early warning system" to inform the city about emerging problems and call attention to hazardous conditions that require immediate attention).

- To implement the Ricktown investment strategy, a working collaboration involving city agencies, business and institutional leaders, nonprofit development and service organizations, and community members will finalize plans for the area and supervise implementation activities.

Implementation responsibilities associated with each action item are shown in the following table.

Delegation of Responsibility for Housing Activities

Activity	Responsibility
CODE ENFORCEMENT AND HOUSING PRESERVATION	
1. Abate hazards and public nuisances on privately-owned properties	**Prime** City/Codes **Supportive** Nonprofit service agencies Neighborhood organizations
2. For blighted properties in worst condition, use BPRC process to acquire or bring into compliance.	**Prime** City/Codes **Supportive** BPRC, RRA
3. Inspect properties designated "Do Not Enter" by Reading Fire Department and take action to achieve compliance	**Prime** City/Codes **Supportive** City/Fire Department
4. Address quality of life violations through ticketing.	**Prime** City/Codes
5. Inspect rental units	**Prime** City/Codes **Supportive** Nonprofit service agencies Neighborhood organizations
6. Complete pre-sales inspections	**Prime** City/Codes **Supportive** Reading-Berks Association of Realtors
7. Bring illegal uses into compliance	**Prime** City/Codes

RICKTOWN INVESTMENT STRATEGY

1. Design investment strategy

a. Complete initial planning
(note: "Ricktown Arts District" refers to the group convened by Mayor McMahon to conduct initial planning for Ricktown

Prime
Ricktown Arts District

Supportive
City/Planning
Consultant

b. Engage the community

Prime
Ricktown Arts District

Supportive
Community organizations and institutions
Subrecipients

2. Create management structure

a. Designate CHDO to manage reinvestment program.

Prime
City/CD

Supportive
Ricktown Arts District

b. Organize governing board

Prime:
Ricktown Arts District

Supportive:
Community organizations and institutions
Subrecipients

3. Promote housing preservation

Prime
City/CD

Supportive:
Ricktown Arts District
Subrecipients

4. Produce quality homeowner and rental

Prime:

housing options	City/CD **Supportive:** RRA Reading-Berks Association of Realtors
5. Install streetscape and street-level amenities	**Prime:** Foundations **Supportive:** City/CD Community organizations and institutions Subrecipients

C. Organization and Management of Codes Division.

The Codes Division should remain a part of the city's Community Development Department and should be supervised by a deputy commissioner within this department.

As indicated above, the core inspection staff consists of nine property maintenance inspectors assigned to carry out citywide rental inspections and three property maintenance inspectors to conduct ticketing.

VI. Outcomes and Performance Measurement

A. Phasing and Anticipated Outcomes

Based on planning completed to date, phasing of housing activities is anticipated to be as follows.

Phasing of Housing Activities

Activity	Number of Units Year 1	Year 3	Year 5
CODE ENFORCEMENT AND HOUSING PRESERVATION			
1. Abate hazards and public nuisances on privately-owned properties	10	40	60
2. For blighted properties in worst condition, use BPRC process to acquire or bring into compliance.	50	200	200
3. Inspect properties designated "Do Not Enter" by Reading Fire Department and take action to achieve Compliance	100	250	250
4. Address quality of life violations through ticketing.	750	550	450
5. Inspect rental units	3,750	11,250	18,750
6. Complete pre-sales inspections	800	2,400	4,000
7. Bring illegal uses into compliance	1,500	2,250	2,650
Totals	**6,960**	**16,940**	**26,360**

Activity	Number of Units Year 1	Year 3	Year 5
RICKTOWN INVESTMENT STRATEGY			
3. Promote housing preservation			
a. Housing counseling/purchase financing	40	55	65
b. Home repairs	15	25	30
c. Home improvement loans	25	30	35
4. Produce quality homeowner and rental housing options			
a. Acquire property through direct purchase from foreclosure sales inventory.	10	15	15
b. Rehabilitate vacant houses and develop infill housing.	13	15	20
5. Install streetscape and street-level amenities			
a. Curb and sidewalk reconstruction	6	6	6
Totals	**109**	**146**	**171**

B. Progress Monitoring and Reporting

Progress in code enforcement and housing preservation is to be documented in a monthly report, to be posted on the city's web site. For each activity, the report is to document the number new cases opened, the number of units in process, and the number of units for which the activity was completed, during the month-long reporting period and the year to date.

The Ricktown management organization is to produce an annual plan prior to the start of each program year. In addition to a description of planned activities, the annual plan should document the number of units to be completed during the year in each area of activity. The organization is also to publish an annual report following the completion of each program year, in which accomplishments are documented through the publication of quantitative data on each activity. Both the plan and the report are to be posted on the organization's web site. The plan is to be prepared in draft form and discussed at one or more general community meetings in order to obtain community comments and recommendations, and to revise the plan as needed to be responsive to them, before the plan is finalized.

C. Measuring Performance and Quantifying Success.

Performance can be measured in part through the publication and evaluation of the metrics described in the preceding subsection. Because of the need to monitor the city's progress and make adjustments as needed on an ongoing basis, evaluating performance measurement and directing related follow-up is an important responsibility of the leadership team described in Section VII.

Attention should also be devoted to three more subtle indicators of success.

Reduced transience in classrooms. As illegal housing units are eliminated through more systematic and comprehensive code enforcement, transience within public-school classrooms—the extent to which students do not complete a full school year within a particular classroom due to change in family residence-- should decrease. Some classrooms currently experience a one hundred percent student turnover over a period of months within the school year. As indicated in Section IV, the initiation of a more comprehensive code enforcement approach in and near Ricktown during 2010 caused a significant reduction in classroom turnover at Lauers Park Elementary School.

Shorter rental inspection cycle. The initial cycle of activity in which all rental units in the city are inspected is likely to be protracted, due to the need for Codes Division staff to devote time to ensuring that serious health and safety violations are corrected. Some of these violations will be found at properties that were never inspected previously and, for that reason, are likely to take a long time to bring into compliance with codes. However, after the completion of the first citywide inspection cycle, code violations at most of these worst-case properties will have been addressed. As a result, the second inspection cycle is likely to be completed in a shorter period of time, making it possible for the city to reassign some inspection staff to other Codes Division activities. In Allentown, the first citywide inspection cycle took eight years to complete; the city estimates that the second cycle, currently in progress, will be completed within five years.

Improved communication with residents. In Baltimore, where housing preservation initiatives have brought significant improvements to the city's neighborhoods in recent years, property maintenance inspection staff operate primarily on a proactive basis within the city's most deteriorated areas and operate largely on a reactive basis within the city's more stable areas. This approach is based on the fact that community members within the more stable areas have developed working relationships with code enforcement staff and, as a result, can alert code enforcement staff of a problem with a reasonable expectation of a timely response. Reading's more stable neighborhoods will achieve comparable status when the Codes Division and community members have established a similarly strong working relationship and when the city's routine responses to calls for assistance are timely and reliable.

Exhibit

Memorandum
A Longer-Term Housing Strategy for Reading

During the months in which the five-year *Act 47 Economic Development Strategy* was being drafted and reviewed, a number of people commented on the need for Reading to have a comprehensive, longer-term citywide housing strategy that could guide constructive investment in the city's residential areas. The following comments and recommendations describe how a broader, long-term comprehensive housing strategy could be structured and organized.

Context

During the late twentieth century and the early years of the twenty-first century, many of the most profitable opportunities in the Berks County housing market were associated with 1) homeownership, 2) new construction, and 3) large-scale development on cleared land, and government policies favored the pursuit of these opportunities. During the coming decade, some of the most profitable opportunities in the Berks County housing market will be associated with 1) quality rental housing, 2) the rehabilitation and improvement of existing structures, and 3) smaller-scale development, and some government policies are likely to be adjusted in recognition of these different market conditions.

These changes are taking place for several reasons.

- Many owner-occupants whose homes have been foreclosed upon are now renters and will not be able to re-enter the sales housing market for the foreseeable future.

- An oversupply of sales housing exists, due to continuing foreclosure activity and a weak economy.

- Tight credit, as well as concerns about the economy, job security, and the possible decline in the market value of owner-occupied properties have influenced many families who would have considered homeownership a decade ago to opt for rental housing now.

- In part because of concerns about energy efficiency and the cost of gasoline, a significant number of housing consumers, particularly younger housing consumers, prefer houses of smaller size in higher-density, walkable neighborhoods to the large-house, large-lot products of suburban and exurban development that were popular a decade ago.

- In many metropolitan regions, all of the available "green field" development sites have been acquired and built out. Green-space preservation policies and suburban "NIMBY" opposition to new development will continue to make it difficult for developers to find profitable opportunities in suburbs and exurbs, even after the real estate market improves.

These changing trends strongly favor older cities, where many parcels that are suitable for housing development can be found and where many existing houses have characteristics that a significant number of the new consumers entering the housing market prefer. During the coming years, Reading can benefit substantially from these changes—but only if the city is better organized for future success.

Market

Five factors that have influenced favorable housing market trends in some older cities similar to Reading are 1) the presence of academic and health care institutions, 2) the ability to travel from home to college classes or to retail and employment centers on foot, by bicycle, by public transportation or via a shuttle service, 3) the availability of low-cost, energy-efficient housing, 4) proximity to a special services district (such as Reading's Downtown Improvement District service area), and 5) location within the catchment area of a good-quality public elementary school.

Although Philadelphia and Reading differ from each other in some important respects, the following examples of housing market transformation in Philadelphia are worthy of note.

- In two formerly high-vacancy, row house communities, one located adjacent to the downtown business district, the other adjacent to Temple University, a high level of privately-financed vacant house rehabilitation and infill new construction activity has taken place during the past decade, including the recession years. In one of these areas, Southwest Center City, 553 vacant houses could be found in 1998. By 2010, more than two-thirds of these houses had been rehabilitated and were occupied or were under rehabilitation.

- In West Philadelphia, the sales price for a house located within the catchment area of the Penn Alexander School (a new neighborhood public school developed in coordination with the University of Pennsylvania)—a relatively weak sales housing market during the early and mid-1990s--now exceeds the price of an identical house outside the catchment area by $100,000. This price differential reflects the value of living in an area with access to quality education for young children.

A number of Reading neighborhoods possess several of the five characteristics identified above, and supporters of the city need to be better organized to promote the advantages associated with these neighborhoods. If, for example, more participants in the Centre Park Christmas house tours, in the Berks Jazz Fest, and in programs offered at GoggleWorks were exposed to more information about Reading's best public elementary schools (in part through the scheduling of some related programming, such as a concert, exhibition, or reception at these schools), then better public awareness of these assets could be promoted to prospective housing consumers.

Immediately before and during the period in which the *Economic Development Strategy* was being completed, one of the most profitable opportunities in the Reading housing market was the opportunity to buy and convert formerly single-family homes in the vicinity of Albright College to student-occupied group homes, creating new housing supply to make up for the

undersupply of student housing on campus. This activity, however, was not in the best interests of the city or the Albright-area neighborhoods. Having acted to prevent or limit such conversions in the future, the City should now take the next step: identifying places in the city where private investment in rental housing for students should be actively promoted.

In this way, the city' s rental market can be strengthened in areas that are suitable for rental investment, while the homeowner housing market in the immediate vicinity of the college can be stabilized and strengthened. Private investment in student-oriented rental housing is occurring now in cities as disinvested as Camden, where a private developer is currently building apartments on a downtown block for Rutgers students who want to live in the city. Is there an opportunity to convert one of the vacant or nearly-vacant office buildings in Reading's downtown area for a reuse of this kind? While safeguarding the Albright area from future student group-home conversions, Reading should not miss the opportunity to respond to the student-rental demand segment of the housing market with available housing supply.

Vacant Housing

Ten years from now, most of the vacant houses in Reading that had been originally developed for homeownership will either remain vacant, will become cleared land as a result of demolition, or will be rehabilitated for rental housing. The prospects for returning a substantial number of these vacant houses to owner-occupancy by residents at and above median income is likely to be low during most of this decade. Although some opportunities to develop vacant properties for sales housing at price levels attractive to median-income buyers may emerge during the coming years, the best short-term opportunity associated with the sales housing market is the opportunity to improve the marketability and increase the value of existing housing by upgrading the quality of the neighborhoods in which this housing is located.

While marketing strategies for existing sales housing are being pursued, suitably located vacant properties can be rehabilitated for reuse as quality rental housing designed to attract consumers who are seeking a stable neighborhood environment with good access to education and job centers in and near the city. Increasing the number of quality rental housing units available for tenants at or above median income will increase middle-income residency, reduce vacancy, and repopulate formerly disinvested areas.

Building from strength. The rehabilitation of vacant houses to produce marketable rental units should be based on a strategy of "building from strength" to upgrade disinvested areas that are adjacent to relatively stable neighborhoods, as the Ricktown area is adjacent to the Centre Park neighborhood. Such a strategy should involve the following sequence of actions.

- Inspection of existing rental properties and enforcement of quality of life ordinance (as currently being undertaken in Ricktown and Centre Park).

- Scheduling of meetings between representatives of neighborhood constituencies and representatives of agencies on the "city team" (the latter is described on page 6).

- Upgrading of existing occupied rental units to comply with codes.

- Organization and launching of marketing campaigns to promote existing for-sale housing.

- Rehabilitation of well-located vacant properties for rental reuse at rent levels attractive to the median-income workforce.

- As the area improves, assessment of potential for developing some vacant properties for median-income owner-occupancy.

Strategic planning by area. Most of the recommendations contained in the 2004 Fels Institute report, *Vacancy Inventory and Reinvestment Strategies for Reading, PA* (http://www.readingpa.gov/documents/fels_report.pdf) are still timely, and recent improvements in the City of Reading's organizational infrastructure have substantially improved the city's capacity to act on these recommendations, particularly the following.

- Acquire and demolish undersized, deteriorated houses on narrow streets with high vacancy (example: Hudson Street).

- Determine appropriate future land uses and a future identity for deteriorated mixed-use retail corridors (example: Schuylkill Avenue and several of the numbered streets between the river and City Park).

- Upgrade high-vacancy "inner-ring" neighborhoods immediately adjacent to the downtown business district (examples: Ricktown, through a continuation of the improvement planning currently under way; and the residential blocks between Penn and Chestnut, from 2nd to 5th Streets).

- Promote housing repair and improvement and the promotion of for-sale housing in more stable outlying residential markets located near city boundaries (example: College Heights).

Neighborhood planning that includes the completion of a block-by-block analysis and a house-by-house evaluation of deteriorated and vacant buildings and lots needs to be undertaken in areas where the conditions identified above can be found. Planning currently under way for Ricktown should include this analysis and evaluation, and this planning should be extended north of Ricktown, from Buttonwood to Spring Streets between Front and 4th Streets. As an outcome of this activity, decisions should be made about which vacant properties to demolish, how to reuse vacant land, and which deteriorated properties should be acquired by local government for subsequent conveyance to responsible developers.

Wells Fargo Regional Foundation has sponsored a well-funded program of neighborhood planning grants (https://www.wellsfargo.com/about/regional-foundation/neighborhood-planning-grants). Assuming that a 2102 funding cycle is scheduled for this program, a grant proposal should be submitted to support strategic planning in one of the Reading neighborhoods characterized by the conditions described above.

Targeting

Although it would be desirable to create a plan for every neighborhood in the city at once and to allocate available resources equally to each area of Reading, the selection of certain areas of the city for targeted investment that is most likely to produce positive short- and mid-term results will benefit the city as a whole.

- The Ricktown/Centre Park area is already proposed for targeted investment, and a master plan for Ricktown is being completed.

- Based on a building-from strength approach, other examples of areas suitable for targeting include (but are not limited to) residential areas adjacent to the Albright campus and the Penn's Common area.

- In light of the attention being given to investment in the "gateway" area of Penn Street from the river to Penn Square, consideration should also be given to targeting the residential blocks between Penn Street and Cherry Street from 2nd and 5th for housing improvements.

The above are not the only locations suitable for targeting but are illustrations of locations where planning and investment could be undertaken with strong potential to produce successful results.

City-Community Collaboration

Targeted investment in selected neighborhoods will not be successful unless it is supported by an interagency team of city officials who are committed to working together to achieve investment goals. The city team should include representatives of the Community Development Department, the Community Development Department's Codes Division, the Redevelopment Authority, and the police and fire departments. These city officials should participate in both the design and the implementation of investment plans.

For each targeted area, the city team should take action to ensure that

- All rental properties are inspected and steps are taken to bring all rental units into compliance with codes.

- Vacant properties that are infeasible for rehabilitation are demolished and, in coordination with the community, reuse plans are established for the resulting vacant lots.

- Vacant properties suitable for rehabilitation are acquired and conveyed to developers that meet City experience and qualifications standards.

- Community members form a public safety committee to interact with designated representatives of the police and fire departments and to serve as an "early warning

system" to notify the Codes Division of problems with vacant or investor-owned properties.

In areas scheduled for investment activity, all agencies on the city team should be represented at general meetings held in each area twice a year to deliver progress reports, respond to questions and comments, and describe plans for the coming months.

In return for the commitment of the city agencies to collaboratively support the investment program, neighborhood constituencies should make a commitment to participate in meetings, provide information about neighborhood conditions, and support city agency actions as needed to advocate for funding, legislative action, or judicial decisions associated with activities that are mutually supported by the city and community.

Housing and Economic Development

All of these housing-related activities should be viewed as part of a broader economic development strategy that is designed to 1) attract more residents at or above median income to live in Reading as homeowners or renters and 2) to stabilize the city's affordable housing base to benefit Reading residents whose incomes are lower than median but who have the potential to move up into the middle class by competing successfully for good jobs in the mainstream economy.

During the past decade, programmed facilities such as the Sovereign Center, GoggleWorks, and the IMAX theatre have demonstrated the capability to attract many non-residents to Reading's central core—and have been more successful in doing so than some residents and businesspersons had believed possible. The challenge for the next decade is to convince more median- and middle-income households to move to Reading as homeowners and renters through the effective promotion of attractive, safe neighborhoods that offer a variety of housing choices.

As important, housing improvements for below-median income households should be better coordinated with education, job readiness, and workforce development programs. Good-quality neighborhood schools should be surrounded by well-maintained housing on stable blocks. Successful graduates of workforce development programs who have competed successfully for private-sector jobs should be made aware of opportunities to obtain housing assistance and, to the extent possible, should receive such assistance on a priority basis.

If housing and economic development are linked in this way, then the *proportion* of poverty-level households will decline, as median- and middle-income people move into the city, while the *number* of below-poverty households decreases, as unemployed or underemployed individuals are hired at salaries above the minimum wage.

During the industrial age, Reading grew up and prospered as a socially and economically diverse city. Through the actions described above, Reading now has an exceptional opportunity to move to stability and toward future prosperity during the coming years while achieving greater social and economic diversity, to the benefit of the city and region.