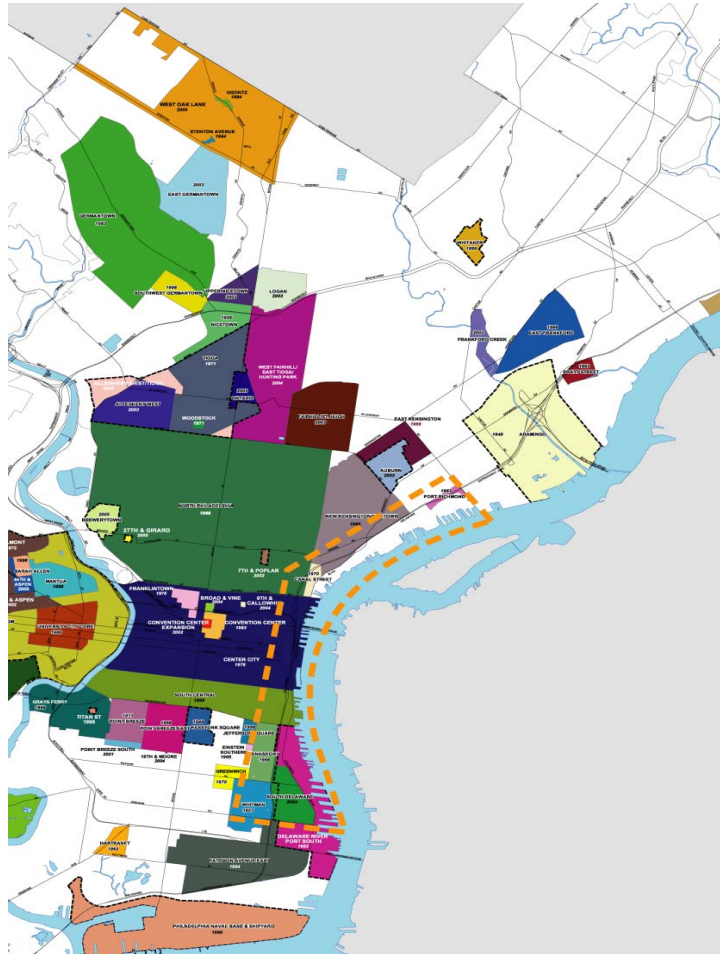


# CENTRAL DELAWARE RIVERFRONT PLAN WORKING PAPER PHILADELPHIA CITY PLANNING COMMISSION



## THE RIVERFRONT REDEVELOPMENT PROCESS FEBRUARY 2007



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**TABLE OF CONTENTS**

Executive Summary	1
Background	2
Existing Conditions	4
Opportunities and Constraints	5
Recommendations and Next Steps	8
Resources/Bibliography	9

## EXECUTIVE SUMMARY

Approximately 60% of the riverfront study area is eligible for redevelopment – meaning that 60% of the area is covered by an approved Redevelopment Area Plan. There are eleven Redevelopment Areas covering portions of the study area.

However, major portions of the study area are not currently certified for redevelopment. In those areas, the redevelopment process would not be available to move development forward, if needed. Ineligible areas include some of the most important territory – namely the river frontages and river piers north of Spring Garden St. and the area to the south of Washington Avenue. In these areas, new blight certifications and/or redevelopment area plans would need to be established to enable redevelopment as a tool for renewal.

### **Opportunities and Constraints**

#### *Opportunities:*

The changing economy has left major areas vacant and underutilized. This is an opportunity for blight removal, redevelopment, physical improvement and beautification. In addition, the strength of the real estate market on the riverfront increases the possibility that redevelopment tools will be needed to help with the transformation of the area.

#### *Constraints:*

- Some sections of riverfront are not currently certified for redevelopment.
- Most of the existing redevelopment area plans need to be updated.
- Recent changes in the blight law will make it more difficult to perform new blight certifications.
- Public outcry against the use of local government's power of Eminent Domain.
- High costs associated with redevelopment and relocation

### **Recommendations and Next Steps**

Ideally the entire Central Delaware study area should be re-certified as blighted and a Central Riverfront Redevelopment Area should be created. However because of the new blight law stipulating that more than 50% of properties be physically blighted, this approach may not be possible. Several other measures can be used as an alternative:

- Re-certify areas that are already certified as blighted, to strengthen the City's legal position
- Amend existing redevelopment plans so that land use recommendations and development controls are up to date.
- Be prepared to create new redevelopment areas along the riverfront on a project-by-project basis.
- Zoning remapping, in conjunction with redevelopment plans
- Redevelopment plans should include open space and greening recommendations, as per the forthcoming GreenPlan Philadelphia.
- The new Central Delaware Riverfront Plan could encompass all these goals within the same document.

## BACKGROUND

The redevelopment process may be needed to implement some of the recommendations of the new riverfront plan. Redevelopment is a tool that can help overcome impediments that might stand in the way of development along the riverfront.

What is “redevelopment?” In the generic sense, redevelopment refers to the replacement of old, obsolete facilities with new buildings and different uses. In the legal sense and from a planning perspective, redevelopment refers to government-guided and assisted development that replaces aging and obsolete uses, utilizing the power of Eminent Domain to condemn property for purposes of site acquisition and site assembly. The redevelopment process is carried out by the Redevelopment Authority (RDA), which earmarks properties for condemnation, purchases the properties and performs relocation where needed. The RDA works closely with the City Planning Commission (PCPC), which makes communities eligible for redevelopment by preparing blight certification and redevelopment area plan reports. The City Planning Commission also reviews and approves all subsequent plans and proposals prepared by the RDA. The redevelopment process is governed by Pennsylvania Urban Redevelopment Law (53 P.S. Section 1710).

When is condemnation used? If property needs to be acquired for redevelopment, the first step is private negotiation aimed at completing a normal real estate transaction without any governmental assistance. However condemnation can be useful in certain situations. Sometimes the owner of an abandoned property cannot be contacted to begin purchase negotiations. Other times the owner is willing to sell, but for a price that far exceeds market value. Another common situation is where an owner is unwilling to sell, but the property sits in the middle of a major vacant tract -- meaning that the one small property is blocking development of a much larger site. In these scenarios, condemnation can be used to move development forward and overcome obstacles that may be preventing redevelopment. Implicit in all these condemnation scenarios is the assumption that the ultimate project is consistent with area plans and achieves an important public benefit that is supported by the City.

Many of Philadelphia’s neighborhoods have been redeveloped and improved using the redevelopment process. Community leaders have worked the City and for-profit and non-profit developers to acquire property for community renewal and revitalization. The RDA reports that from 1992 to 2006, 232 residential renewal projects containing 7,028 units of affordable housing were created with condemnation assistance, representing more than \$1 billion in total development cost. Many of Philadelphia’s landmark projects benefited from condemnation (Penn Center, Market East, the Commuter Tunnel, Pennsylvania Convention Center, for example). In order for change and redevelopment to take place in the Central Delaware Riverfront, it is almost a certainty that potential new developments will need some redevelopment assistance.



## EXISTING CONDITIONS

Approximately 60% of the riverfront study area is eligible for redevelopment (meaning that 60% of the area is covered by an approved Redevelopment Area Plan). There are 11 Redevelopment Areas covering portions of the study area. The map on previous page shows these areas. From north to south, they are:

- Port Richmond Redevelopment Area
- New Kensington/Fishtown Redevelopment Area
- Canal Street Redevelopment Area
- North Philadelphia Redevelopment Area
- Center City Redevelopment Area
- South Central Redevelopment Area
- Pennsport Redevelopment Area
- South Delaware Redevelopment Area
- Whitman Redevelopment Area
- Delaware River Port South Redevelopment Area
- Pattison Avenue East Redevelopment Area

However, major portions of the study area are not eligible for redevelopment, and in those areas, the redevelopment process would not be available to move development forward, if needed. Ineligible areas include some of the most important territory – namely the river frontages and river piers north of Spring Garden Street. In these areas, new blight certifications and/or redevelopment area plans would need to be established to enable redevelopment as a tool for renewal.

### **Redevelopment Areas Requiring Updates**

Most of the redevelopment areas (9 out of 11) will need to be updated because the blight certification data and land use recommendations are more than 10 years old. The two redevelopment areas that are relatively new are (1) New Kensington- 1996, and (2) South Delaware- 2003). The remaining nine redevelopment areas are recommended for blight re-certification and a review of land use plans. Redevelopment reports pertaining to the river piers and river frontages below Washington Avenue will require updating.

## OPPORTUNITIES AND CONSTRAINTS

### **Opportunities**

Because Philadelphia's economy has changed, the conditions left behind from the "old industrial economy" along the riverfront have also left behind some real opportunities for new development. Many riverfront areas are characterized by vacancy, underutilization and obsolescence. This is an opportunity for blight removal, redevelopment, physical improvement and beautification.

The strength of the real estate market and new interest in the riverfront is a major opportunity for Philadelphia. There is demand for new residential, retail, tourism, and recreational land uses along the riverfront. The resulting development pressures can be viewed in a positive light in terms of economic development, jobs and renewal; it also increases the possibility that redevelopment tools will be needed to help with the transformation of the area.

### **Constraints**

Some sections of the riverfront study area are not eligible for redevelopment. This means that a valuable tool is not available where needed.

Most of the existing redevelopment areas need to be updated so the City can better withstand legal challenges in the event of condemnation.

Recent changes in state laws governing blight certification will make it more difficult to perform new blight certifications. It will be difficult to make new areas eligible for redevelopment and renewal assistance. The new law requires that inside a certified area, more than 50% of properties must be physically blighted. This is a much more stringent standard than before. However within previously-certified areas, the old rules can still be used in Pennsylvania for the next 6 years. Approximately 60% of the study area is previously-certified.

The new blight law limits the taking of property for use by private enterprise, with a number of exceptions. When the exceptions are considered, this clause does not appear to be significant in its impact.

There is often a public outcry against the use of Eminent Domain powers by local government. Across the United States, civic groups and activists are worried that the use of Eminent Domain is excessive and abusive. Many elected officials do not want to be associated with redevelopment plans that require the condemnation of land and the relocation of existing residents. As a result, many communities view urban redevelopment in an unfavorable light.

Information on urban renewal areas is not complete. The City Planning Commission keeps an inventory of redevelopment areas and the City Planning Commission is responsible for preparing Redevelopment Area Plans. However the RDA is responsible for creating Urban Renewal Areas and Urban Renewal Plans, which contain more specific recommendations and controls and which earmark specific properties for condemnation. The RDA does not have a map and list of urban renewal areas, and the information is not geo-coded for GIS mapping. This information is needed for the riverfront plan and city-wide.

When citizens hear the term Eminent Domain, they are fearful of displacement. Early in the history of redevelopment, there were large numbers of persons and businesses relocated so that properties could be acquired and the land redeveloped. This caused a high level of fear and concern among residents. In some cases, and to make matters worse, planned redevelopment did not occur in a timely manner and the property remained vacant for 10 or 20 years or more. This

creates distrust and frustration in the communities, possibly creating a constraint affecting the riverfront planning process. More recently, using condemnation to take occupied properties has become a major national issue because of the highly publicized *Kelo vs. New London* decision of the US Supreme Court (2005). In many states, including Pennsylvania, the *Kelo* decision caused a public backlash against condemnation and relocation. In response, state legislatures have enacted more stringent rules that limit the use of Eminent Domain.

During the past two decades in Philadelphia, relocation has only been used when absolutely necessary and the number of relocations has been minimal in comparison to the early days of urban renewal. Under the NTI program, more than 6,300 condemnations have been authorized and less than 5% will require relocation. In the riverfront plan, displacement and relocation should be recommended judiciously and only when absolutely necessary.

### **The Cost of Redevelopment**

The high cost of redevelopment and relocation is a constraint. When government seeks to condemn property, especially when relocation is involved, the cost can often be prohibitive. By law, all property owners must receive fair market value plus expenses, and relocation is extraordinarily expensive for government to carry out.

In riverfront redevelopment areas, it is recommended that the provisions of the Uniform Relocation Act be used to govern relocation. This federal relocation legislation requires relocation assistance whenever federal money is used (CDBG funds, HOME, HOPE VI, PHA). Some relocation does not involve federal money, such as NTI blight removal and land assembly projects. However HUD has established a policy that the Act applies to all relocation in Philadelphia. It is possible that a private developer may agree to pay administrative salaries for a specific acquisition project. In these cases, the Act need not apply, but the City Planning Commission recommends that the Uniform Relocation Act be followed regardless.

Costs associated with relocation are summarized below.

#### *Relocation of Owner Occupied Residential Properties*

The owner-occupant receives fair market value for the old home, plus moving expenses, temporary storage (if necessary) and utility connection fees and other miscellaneous expenses. The relocatee also receives the Replacement Housing Payment (RHP), representing the difference between the value of the existing home and the cost of the replacement home. The owner-occupant purchases the new home, but the RDA staff assists in several ways:

- examining the old home to determine space needs
- researching available replacement homes (comparable homes that meet Code)
- taking the owner to see available homes
- accompanying the buyer at settlement
- paying settlement fees
- assisting the homeowner throughout the process

#### *Relocation of Renter Occupied Residential Properties*

The displaced renter receives moving expenses and a payment representing the difference between the old monthly rent and the new monthly rent, for 42 months. The payment can cover up to 60 months for lower income households.

*Relocation of Commercial Properties*

Payments for the relocation of commercial properties by the RDA include:

- 1) Moving expenses for all movable equipment;
- 2) Reimbursement of the cost of searching for a new location (up to \$1,000). The business performs the search;
- 3) Re-establishment Payment (maximum \$10,000). This can be used for permits, utilities, rent differential, signs, and painting;
- 4) Machinery and Equipment Payment: this is for fixed equipment that cannot be moved. The relocatee receives the replacement value minus depreciation. This can be a substantial payment covering the cost of a luncheonette counter or even a liquor license, for example.

## RECOMMENDATIONS AND NEXT STEPS

Ideally the entire Central Delaware study area should be re-certified as blighted and a Central Riverfront Redevelopment Area should be created. However because of the new blight law stipulating that more than 50% of properties be physically blighted, this approach may not be possible. Several other measures can be used as an alternative, as described below.

- Re-Certify areas that are already certified as blighted. New documentation of vacancy and deterioration will put the City in a much stronger legal position in the event condemnation is needed to implement an important project. The new blight law does not apply in this situation.
- Amend existing redevelopment area plans so the land use recommendations, zoning and development controls are consistent with the new riverfront plan.
- Be prepared to create new redevelopment areas along the riverfront, to the north of Spring Garden Street and south of Washington Avenue. Because of the new blight laws, this will probably need to be done on a project-by-project basis.
- Zoning Re-mapping of the riverfront study area.
- Redevelopment Area Plans are required to address existing and proposed zoning. The zoning should be updated along the riverfront.
- Redevelopment plans should include recommendations for improving and/or creating green space and/or open space (as per Green Plan Philadelphia).
- The new Central Delaware Riverfront Plan could encompass all these goals within the same document.

## RESOURCES

60 Redevelopment Area Plans and blight reports have been published over the last seven year, and copies can be downloaded from the City Planning Commission's website at <http://www.philaplanning.org/plans/areaplans/areaplans.html>.

A list of redevelopment areas is also available on the PCPC website at <http://www.philaplanning.org/plans/areaplans/certified05.pdf>.

Redevelopment Authority land inventory – the RDA has a written list of all the parcels it owns. For information, contact Michael Koonce, Executive Director, RDA

PA Urban Redevelopment Law (three sources):

- Bucks County, PA: <http://www.bcrda.com/rdalaws2.html>
- Johnstown, PA: <http://www.johnstown-redevelopment.org/>
- LexisNexis: <http://www.lexisnexis.com/>

Description of the new blight law in Pennsylvania:

<http://www.gtlaw.com/pub/alerts/2006/0507.pdf>.

or –

<http://www.state.pa.us/papower/cwp/view.asp?A=11&Q=452448>.

The text of the new Pennsylvania blight law is available at

<http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2005&sind=0&body=S&type=B&BN=0881>.