

Project HOME confounds property-value naysayers

By Daniel Rubin
Inquirer Columnist

One day last summer Sister Mary Scullion promised me a heart-warming Man Bites Dog story. We were standing outside Project HOME's offices at 1515 Fairmount Ave., and she was noting with some satisfaction how properties in the next block were going for \$900,000.

"I think real estate values actually *increase* when we put a facility for the homeless in a neighborhood," she said, eyes twinkling.

That would be news if you could prove it, I told her. Patience, she counseled.

Well, now it can be told. After a year of study, Econsult is about to release an analysis of the way Project HOME's 15 facilities affect local real estate values.

The summary: Where homes in Philadelphia have risen in value an average of 5 percent since 1993, they have risen 6.8 percent within a quarter mile of Project HOME sites.

How could this be?

Every one of those facilities attracted neighborhood opposition, none louder and uglier than at 1515 Fairmount, where federal judges twice had to order the city to stop its obstruction.

Property values would plunge, residents predicted, and crime would rise. One neighbor, a lawyer, prophesied that "crudeness and evil" would visit the good citizens of Fairmount and Spring Garden.

Econsult's findings don't chart crudeness and evil, although there is a lot of talk about hedonic regression and dummy variables.

Sharper eyes

Eager for expert opinion, I called the Wharton School of Business at the University of Pennsylvania. A research fellow there named Kevin Gillen called me back. The name rang a bell.

"Aren't you the author of the report?" I asked.

"I am," he replied. "I wear two hats. I'll be the first to admit, and on the record, that even I was surprised by the results."

Gillen, an Econsult vice president, said he warned Sister Mary during their first conversations that she might not like the results of the study. Then the numbers started coming in.

While Econsult found some initial dips in property values, they quickly recovered, then rose higher than in the rest of that zip code.

The reason, Gillen said, is that Project HOME typically moves into economically distressed neighborhoods and improves the buildings, which often had sat vacant.

Better than the alternative

"No one necessarily wants a recovering homeless person or a recovering drug addict in their neighborhood, but the alternative might be an active crack dealer."

Wanting another view, I found Dennis Culhane, a social policy professor at Penn who has studied the effect of public housing on Philadelphia real estate prices. He said Econsult's findings were similar to what he'd found looking at property values and public housing.

Culhane credits Project HOME's savvy in selecting neighborhoods to invest in. "Even if these sites alone are not driving the better-than-average property-value increases, they certainly are not dragging these property values down," he said.

"Sister Mary has some acumen when it comes to real estate investment."

So heads up, speculators. You might want to be buying where Project HOME buys.

What would happen in pricey Chestnut Hill, where an opponent of housing for a few homeless families last summer said approval of the project would make him feel as if he'd written a \$100,000 check? Gillen said he isn't sure.

He says there aren't enough data to gauge the effect of Project HOME's three Center City facilities. But Sister Mary notes that across the street from Kate's Place, a shelter for low-income people at 18th and Sansom, an Irish developer bought a vacant lot for \$36.7 million.

"What I know is that since we've been there, we've had a very positive impact. Maybe the rise in property values is all coincidence. Maybe we do have a good record picking neighborhoods. What matters is that everyone is on board to pitch in and improve quality of life.

"It doesn't matter if you're wealthy or poor. It's are you really committed to improving the quality of life?"

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