



Fewer vacants, fewer crimes? Impacts of neighborhood revitalization policies on crime



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ARTICLE INFO

Article history:

Received 18 January 2016

Received in revised form 3 July 2016

Accepted 7 July 2016

Available online 9 July 2016

Keywords:

Crime

Foreclosures

Demolition

Neighborhood revitalization

ABSTRACT

The relationship between neighborhood physical environment and social disorder, particularly crime, is of critical interest to urban economists and sociologists, as well as local governments. Over the past 50 years, various policy interventions to improve physical conditions in distressed neighborhoods have also been heralded for their potential to reduce crime. Urban renewal programs in the mid-20th century and public housing redevelopment in the 1990s both subscribed to the idea that signs of physical disorder invite social disorder. More recently, the federal Neighborhood Stabilization Program (NSP) provided funding for local policymakers to rehabilitate or demolish foreclosed and vacant properties, in order to mitigate negative spillovers—including crime—on surrounding neighborhoods. In this paper, we investigate the impact of NSP investments on localized crime patterns in Cleveland, Chicago and Denver. Results suggest that demolition activity in Cleveland decreased burglary and theft, but do not find measurable impacts of property rehabilitation investments—although the precision of these estimates are limited by the number of rehabilitation activities.

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1. Introduction

In the fourth season of the television show, *The Wire*, an emerging gang leader (Marlo Stanfield) murders two dozen rival gang members and hides the bodies in vacant rowhouses throughout West Baltimore. The police do not find the hidden bodies for several months, and thus miss an opportunity to intervene in the escalating gang war. In this fictional example, viewers are left to wonder: if Baltimore had had fewer vacant buildings in which to hide the evidence, could Marlo's nefarious activities have escaped detection for so long? This example mirrors a more general policy question faced by policymakers in many U.S. cities troubled by distressed neighborhoods: can interventions to demolish or rehabilitate vacant buildings decrease nearby crime rates?

The hypothesis that neighborhood physical environment can affect the incidence of crime and other types of social disorder has been explored in several strands of academic research. Becker's (1968) classic theory models an individual's decision to engage in criminal activity as a function of various costs and benefits, including the income available from legal activities, the expected gains from crime, the probability of being caught and the disutility of punishment.

Within this framework, the local physical environment is most likely to affect the expected gains from crime and the probability of getting caught. For instance, a neighborhood with high-value houses or cars will offer more potential theft targets, while the presence of vacant buildings provides locations in which to carry out crimes unobserved. The important deterrent effect of observation by non-criminal bystanders has been emphasized by urban planners and criminologists. Jacobs (1961) discusses "eyes on the street" as a component of neighborhood safety, and routine activity theory posits the absence of "capable guardians" as a necessary condition for crime (Cohen and Felson, 1979). More generally, the "broken windows" hypothesis argues that signs of physical disorder send visible signals that an area lacks the social infrastructure to deter or catch criminals, thereby inviting more criminal activity (Wilson and Kelling, 1982). The intuition behind the "broken windows" theory underlies several important urban policies, including large-scale urban renewal programs in the mid-20th century and HOPE VI redevelopments of troubled public housing projects in the 1990s (Popkin et al., 2012).

In this paper, we examine the impact of a recent neighborhood revitalization policy, the Neighborhood Stabilization Program (NSP), on localized crime. NSP is a series of three related programs that provided federal funding to state and local governments and non-profit organizations, in order to mitigate negative spillovers from concentrated foreclosures onto surrounding neighborhoods. Totalling nearly \$7 billion across three rounds of funding, NSP was by far the largest public policy

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intervention aimed at helping local areas hard hit by the housing crisis, and represented a substantial influx of funds for many localities.¹ NSP offers an interesting institutional setting to test the impacts of different neighborhood revitalization strategies, because local grantees could use funds both for demolition and rehabilitation of foreclosed and vacant properties. As discussed in more detail below, these activities have the potential to alter nearby crime through several mechanisms. Using data on NSP investments in Chicago, Cleveland, and Denver, we examine how the incidence of crime changed over time in the immediate vicinity of properties that were demolished or rehabilitated under NSP. We explore variation in impacts across types of crime, particularly between violent, property and public disorder crimes, and discuss how variation in each city's underlying physical conditions and approach to NSP might change the effectiveness of revitalization activity.

Because NSP is still quite new, evidence on its effectiveness is only beginning to emerge. A small literature has begun to examine the impact of NSP activities on housing market outcomes, including prices, future foreclosures, and vacancy rates (Bak, 2015; Ergungor and Nelson, 2012; Schuetz et al., 2015a, 2015b). Most of these studies find little evidence that NSP impacted local housing markets, and attribute the lack of impacts in part to the small scale and spatial diffusion of most NSP investments. In the only related study of crime outcomes, Plerhoples (2012) uses quasi-experimental variation in the timing of demolitions in Saginaw, Michigan—including both demolitions prior to the start of NSP and demolitions conducted during the first months of the NSP program—to estimate short-term impacts on crime. The results are mixed, finding that demolitions are associated with reductions in property crime at the block level and increases in violent crime at the block group level. A larger literature exists regarding previous housing and neighborhood revitalization policies that were primarily aimed at improving the physical environment of distressed neighborhoods, with a secondary goal of improving safety and other social conditions (Joyce, 2011; Newman, 1972; Popkin et al., 2012). Aliprantis and Hartley (2015) demonstrate that HOPE VI demolitions of large, highly concentrated public housing projects in Chicago caused significant and substantial decreases in violent crime, notably homicide, shots fired, vice and prostitution. Freedman and Owens (2011) conclude that new LIHTC developments produced county-level reductions in violent crime. By contrast, Lens (2013) does not find consistent evidence that affordable housing rehabilitation and redevelopment in New York City impacted crime. Each of these studies focuses on the impacts of large-scale multi-family properties, while most properties treated through NSP were single-family or small multi-family buildings.

A broader literature also exists regarding the relationship between local crime patterns and several dimensions of neighborhood physical environments. Phillips and Sandler (2015) find that the availability of public transportation increases the ability of criminals to access targets in other parts of the city. Teh (2007) analyzes the impacts of openings and closings of liquor stores in Los Angeles, and finds that new alcohol outlets in low SES neighborhoods increase both violent and property crimes nearby. Similarly, Twinam (2015) concludes that commercial activity is associated with lower crime levels, controlling for density, although liquor stores and late-night bars contribute to assaults and robberies. Most immediately relevant to our analysis, there is a growing empirical literature examining the relationship between foreclosed properties and crime. Clark and Teasdale (2005) and Immergluck and Smith (2006) provided initial evidence of the association between foreclosures and increased crime using cross-sectional data. Multiple subsequent studies have similarly examined data aggregated to the block

group, tract, county, or metropolitan area (Williams et al., 2014; Baumer et al., 2012; Jones and Pridemore, 2012; Kirk and Hyra, 2012; Wallace et al., 2012; Goodstein and Lee, 2010). Four additional studies have used research designs with data aggregated to geographies smaller than a census tract (Cui and Walsh, 2015; Ellen et al., 2013; Laco and Ellen, 2015; Stucky et al., 2012). With the exception of Kirk and Hyra (2012), each of these studies finds that a relationship exists between foreclosures and increased crime.²

In this analysis, we use geographically and chronologically precise data on crime and NSP investments in three cities to examine whether crime levels changed within close proximity to demolitions or rehabilitations of formerly vacant and distressed properties. We construct treatment and control areas at small geographic proximity to NSP investments, and apply a difference-in-difference approach to compare changes in crime levels before and after NSP activity, defined by quarter-year from 2008 to 2013. The results provide robust evidence that property demolitions in Cleveland reduced the incidence of burglary and theft, with the impact persisting for four quarters following the demolition before dissipating. Conversely, we do not find consistent evidence that the property demolitions in Chicago or the rehabilitation activities in Cleveland, Chicago, or Denver impacted crime outcomes on or near the NSP properties—although the precision of these estimates are limited by the number of NSP properties in each category.

The remainder of this article is organized as follows. Section 2 provides some background on NSP implementation in the three study cities and develops specific hypotheses for how NSP activities may impact crime. Section 3 discusses the data and empirical approach. Section 4 presents results, and Section 5 concludes.

2. Context: NSP investments and crime

NSP offers an interesting institutional setting to examine the impact of revitalization activities on crime, because of several key features that distinguish NSP from previous policies. Although NSP funds had to be spent in distressed areas, most investments were made in relatively low density, single-family neighborhoods, quite different from the concentrated public housing developments targeted by HOPE VI. Similarly, most properties treated by NSP were single-family houses or small multifamily buildings, scattered throughout eligible neighborhoods. NSP grantees had considerable flexibility in how they designed and implemented neighborhood stabilization strategies that responded to the needs of their local communities, including the choice of activity, location and concentration of investments, type of properties targeted, and more nuanced measures such as the quality of rehabilitation work. Therefore neighborhood “treatment” from NSP is fairly heterogeneous. Each of these programmatic elements raises implications for NSP's potential effects on crime. Additionally, the prevalence and composition of crime in NSP neighborhoods differed substantially across the three study cities, which may also affect the likelihood that revitalization activities will impact crime.

2.1. NSP background and implementation in study cities

NSP was intended to help stabilize neighborhoods with high concentrations of foreclosed and vacant properties, through targeted demolition and rehabilitation.³ By intent, all census tracts that received NSP investments were economically, socially, and physically distressed

¹ The first round of funding provided \$3.9 billion as part of the Housing and Economic Recovery Act of 2008. The second round, totaling \$2 billion, was part of the 2009 American Recovery and Reinvestment Act. The third round of \$1 billion was issued under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (HUD 2010).

² An important caveat is that foreclosure-related vacancy may drive this relationship. For example, Cui and Walsh (2015) do not find a significant impact of foreclosures on crime among all foreclosures in their sample, finding impacts only when isolating periods of foreclosure-related vacancy.

³ NSP provided financing for five eligible activities: rehabilitation, redevelopment, demolition, land-banking and financing. In this paper, we concentrate on rehabilitation and demolition, because they comprise the overwhelming majority of properties treated.

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