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Cross-City Inequalities: Determinants of Rental Housing Quality in Bloomington, IL

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Cross-City Inequalities: Determinants of Rental Housing Quality in Bloomington, IL

Abstract

It seems that every city has a “bad side of town.” In Bloomington, Illinois, a community more affluent than average, does this bad side still exist? The city’s historical Westside, once a thriving working class area has now deteriorated into a blighted area. This area suffers from building code violations, inadequate public infrastructure, vacancies, etc. In addition, the area suffers from decaying rental properties. This study builds on previous literature to test the comparative effects of property characteristics, neighborhood characteristics, and landlord characteristics on the quality of rental housing on the Westside and in the city as a whole. Using data from the US Census and City of Bloomington, this study utilizes an ordered probit model revealing the stark difference on the city’s Westside.

CROSS-CITY INEQUALITIES: DETERMINANTS OF RENTAL HOUSING QUALITY IN BLOOMINGTON, IL

Lindsey Haines

Abstract: *It seems that every city has a “bad side of town.” In Bloomington, Illinois, a community more affluent than average, does this bad side still exist? The city’s historical Westside, once a thriving working class area has now deteriorated into a blighted area. This area suffers from building code violations, inadequate public infrastructure, vacancies, etc. In addition, the area suffers from decaying rental properties. This study builds on previous literature to test the comparative effects of property characteristics, neighborhood characteristics, and landlord characteristics on the quality of rental housing on the Westside and in the city as a whole. Using data from the US Census and City of Bloomington, this study utilizes an ordered probit model revealing the stark difference on the city’s Westside.*

INTRODUCTION

Every city has its so-called “bad side of town.” The question is why. Why have some areas deteriorated while others have thrived? Compared to the country as a whole, Bloomington, Illinois has a high median income. However, this relative prosperity does not prevail across all areas of the city. Bloomington’s Westside, a once stable working class area, has deteriorated into a blighted neighborhood. This area suffers from building code violations, inadequate public infrastructure, vacancies, high business turnover, lack of commercial facilities, and a high crime rate. In addition, the area suffers from decaying rental properties. What were once large Victorian single-family homes were divided into rental properties during the 1930s. Although these properties violated the building code, for many years they were well maintained by owner-occupant landlords. During the 1970s, due to the introduction of cheap repair materials and building trade standards, many of these properties began to deteriorate. At the same time, many owner-occupant landlords sold off their properties to absentee and resident landlords.¹ Today, the quality of the Westside’s properties is much lower than the City of Bloomington as a whole. The rental market literature points to several important determinants of rental property quality such as property characteristics, neighborhoods, tenants, and landlords. Thus, in order to correct the deficiencies in West Bloomington’s rental properties and in the city as a whole, knowing the source of the problems is critical. Fortunately, with the City of Bloomington’s Rental Inspection Program and organizations like the West Bloomington Revitalization Partnership, these deficiencies can be corrected with the proper policy enactments. This study will build on previous literature using regression analysis and descriptive statistics to discover which characteristics have the greatest effect on rental property quality in order to inform appropriate policy recommendations.

¹ “West Bloomington Neighborhood Plan,” West Bloomington Task Force, (2008).

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LITERATURE REVIEW

Because they do not own their dwellings, renting tenants have only partial control over the quality of their housing. Therefore, understanding the decision-making process of landlords is essential to understanding rental property quality. Although little empirical literature deals specifically with the effects of landlords on the qualities of their properties, a great deal of theoretical literature deals with landlord maintenance decisions. Most of the literature explains landlord decision making as a function of economic incentives.

According to the widely cited model developed by L. L. Dildine and F. A. Massey, housing quality is a dynamic process driven principally by owner maintenance decisions.² Furthermore, in this model, the rationally acting property owner seeks to maximize the present value of the property, which is a function of rents, expenditure on maintenance, and scrap value. Here, maintenance costs depend both on the amount of inputs purchased and on the initial quality of the building. This theory indicates that landlords decide how much to invest in their properties by equating discounted future benefits from maintenance with the current cost of the maintenance. Therefore, conditions that decrease returns to investment, like the age of the property, can account for declining property quality. However, through maintenance expenditure, landlords can arrest this depreciation due to age. The landlord's choice is whether to allow their property to deteriorate or to maintain its current state. Landlords will choose the option that maximizes the expected present value of the property. Therefore, the probability of maintenance depends on the profitability of the alternative, which is no maintenance.

D. S. Elliot, M.A. Quinn, and R.E. Mendelson build on the Dildine and Massey model by incorporating neighborhood quality as well as inputs and initial housing quality.³ They use the aforementioned model to study housing deterioration in St. Louis. This study focuses on the how neighborhood conditions affect the profitability of investments. First of all, the condition of a neighborhood affects the rent a landlord can charge for their properties. Therefore, a landlord must consider the rent charged for surrounding substitutable units when deciding what to charge tenants. These considerations create rent ceilings, wherein a landlord's rent cannot exceed a certain price without sacrificing competitiveness. This ceiling means landlords will only improve their properties to the point where the maintenance costs equal this maximum rent.

Furthermore, Robin Dubin studies the maintenance decision of landlords, building on the previous two studies, but incorporating an uncertain expectations framework.⁴ Rather than assuming future rents, input prices, and deterioration rates are known for certain, Dubin makes the more reasonable assumption that landlords take uncertainty into consideration. Specifically,

² L.L. Dildine and F.A. Massey, "Dynamic Model of Private Incentives to Housing Maintenance," *Southern Economic Journal* 40, no. 4 (1974): 631-639.

³ D.S. Elliot, M.A. Quinn, R.E. Mendelson, "Maintenance Behavior of Large-Scale Landlords and Theories of Neighborhood Succession," *Real Estate Economics* 13, no. 4 (1985): 424-445.

⁴ R.A. Dubin, "Maintenance Decisions of Absentee Landlords under Uncertainty," *Journal of Housing Economics* 7 (1998): 144-164.

because property quality depends on neighborhood quality, which changes over time, landlords must consider some level of uncertainty regarding future neighborhood quality. Dubin explains that neighborhood quality is exogenous and is beyond the individual landlord's control. For example, the socioeconomic characteristics of the residents affect neighborhood quality. Other attributes such as crime, schools, vacant buildings, etc. affect neighborhood quality as well. Therefore, drawing on the original Dildine and Massey model, since future neighborhood quality is uncertain, future revenues are uncertain as well. This uncertainty means the profitability of maintenance depends on the probability of neighborhood decline. She finds that because neighborhood quality and property quality are intertwined, landlords' pessimism regarding neighborhood deterioration will become a self-fulfilling prophecy. As landlords chose not to invest because they predict that a neighborhood will decline, their decision not to invest contributes to the problem.

In a more empirically motivated study, Frank Porell looks at differences in housing quality based on landlord type.⁵ The focus of his study is to differentiate between the quality of owner-occupant landlord properties and absentee landlord properties. Porell hypothesizes that owner-occupant landlords maintain their units in better condition and provide higher quality services than their absentee counterparts. The paper offers several theories to support this hypothesis. First of all, owner-occupant landlords may be more aware of deficiencies, making them more disposed to make repairs. On the other hand their constant presence may also serve a police-like function by deterring physical abuse by tenants. Also, the "pride in dwelling" theory suggests that owner-occupant landlords may internalize the negative externalities associated with poorly maintained units. Specifically, ill-kept properties may make the community less appealing. Owner-occupant landlords may also have a comparative advantage in tenant selection: They may be able to choose tenants with a lower propensity to damage property. The study uses an ordered probit model, incorporating building, neighborhood, tenant, and landlord characteristics. Overall, the study finds that landlord residency does affect property quality, except in multi-unit structures.

George Sternlieb offers another look into the influence of specific landlords characteristics on the quality of rental properties, taking an in-depth look at tenement landlords in Newark, NJ.⁶ In this study, the main goal was to define the optimum bundle of "carrots and sticks" with which to secure the upgrade of slum properties. First of all, the study finds that the weakened market structure of rental housing in slum areas has created high vacancy rates, reduced maintenance, and weak resale values. He also focuses a great deal on how different landlord types make decisions. The study finds that landlords' residency affects the quality of rental properties. The results of this study, similar to Porell, show that owner-occupant landlords are far superior to their absentee counterparts. Sternlieb says, "It is the only factor that produces the degree of close supervision

⁵ F.W. Porell, "One Man's Ceiling is Another Man's Floor: Landlord/Manager Residency and Housing Condition," *Land Economics* 61, no. 2 (1985): 106-117.

⁶ George Sternlieb, *The Tenement Landlord* (New Brunswick: Rutgers University Press, 1966).

required for good maintenance of properties.”⁷ Furthermore, the study finds that the degree of non-involvement between landlord and property increases with the geographic distance between the landlord and the property. The study also finds that many absentee landlords acquire their properties through inheritance, meaning they have little economic connection to the properties. Analyzing the scale of a landlord’s operation, he finds mixed results. On one hand, many large-scale landlords tend to specialize in slum-ownership. In essence, the worst housing areas have the highest concentration of major owners. Anecdotally, he finds that many large-scale landlords have an impersonal connection to their properties. One slum-lord says:

As soon as I bought the parcel, and I bought it as part of a package, I looked around to try to get rid of it. It was in lousy condition, and simply wasn’t worth keeping. It took me the better part of four years to sell the parcel in question...It wasn’t worth my while to improve the parcel since I planned on selling it.⁸

On the other hand, large-scale landlords also have economies of scale when it comes to maintenance. Sternlieb finds that many professional landlords employ a full-time maintenance crew. Furthermore, the study finds that large-scale landlords also have better access to financing. Thus overall, the scale of a landlord could affect property quality in either a positive or negative way.

However, the literature also suggests that non-economic factors may also play a role in landlord maintenance decisions. H. S. Anderson reviews many studies from Denmark and several other countries. He finds that many landlords have non-economic ties to their properties as well as the obvious economic incentives.⁹ Landlords may feel what Anderson calls “social motives” that make landlords feel morally obligated to appease their tenants. Furthermore, a Danish survey shows that social motives alongside economic motives affect rehabilitation decisions. Anderson finds that landlords most likely to cite moral obligations as a maintenance motives are small-scale, non-professional landlords.

John Gilderbloom finds similar results to Anderson when analyzing the U.S. rental housing market.¹⁰ He divides landlords into two distinctive categories: the large-scale professional and the small-scale amateur. He justifies distinguishing landlords by scale saying, “Another way of looking at the importance of scale is to identify the point at which an investor must cease being a part-time landlord and concentrate full-time on his holdings” (158). The study finds that the cost of doing business is generally higher for professionals, as the scale of operations requires hiring a full-time work force to manage and make repairs. However, small-scale landlords may also face high operating costs if they contract maintenance rather than doing it themselves. Furthermore,

⁷ Ibid., xiii.

⁸ Ibid.

⁹ H.S. Anderson, “Motives for Investments in Housing Rehabilitation among Private Landlords under Rent Control,” *Housing Studies* 13, no.2 (1998): 177-200.

¹⁰ John Gilderbloom, “Social Factors Affecting Landlords in the Determination of Rent,” *Urban Life* 14, no. 2 (1985): 155-179.

the study finds that small-scale amateurs tend to give great weight to social and personal considerations, whereas their large-scale counterparts respond to economic incentives. Small-scale landlords are more influenced by face-to-face contact with tenants because they often know their tenants. Large-scale landlords, on the other hand, may never meet their tenants, as many of them hire management companies. Gilderbloom also looks at tenant qualities. He finds that income level and employment are the most important qualities for tenants: higher income and employed tenants have a lower probability of missing payments and can better adjust to rent increases.

THEORETICAL MODEL

Following the literature, and specifically, Porell's model, property quality should depend on property characteristics, neighborhood characteristics, tenant characteristics, and landlords characteristics: *Quality = Property + Neighborhood + Tenant + Landlord*.¹¹

Property Quality

Due to the complex aspects of housing, quality can be considered an unobservable variable. We can observe indicators that are associated with quality levels, but the concept itself is immeasurable. However, many studies justify the use of quality indexes.¹² A housing quality index weights and compiles quality indicators such as plumbing, heat source, wiring, paint, appearance, etc.

Property Characteristics

As implied by multiple studies, age is an important factor in property quality.¹³ Again, as a property ages it becomes more expensive to maintain. For example, repairs in a ten year old property may entail a new coat of paint, while repairs in a seventy year old property may entail new siding.

Controlling for capital inputs is an important consideration as well. Porell and Sternlieb use rooms per dwelling, units per structure, and square footage to proxy for capital inputs.¹⁴ However, the literature provides no indication of the predicted effect of these inputs on quality.

Neighborhood Characteristics

Beginning with Sternlieb and Elliot et al, neighborhood characteristics are also an important factor in housing quality. Generally, landlords do not maintain their properties in decayed areas because they do not see returns to their investments, as suggested by the literature.¹⁵ According to Sternlieb, the racial composition of the neighborhood also tends to negatively impact rental

¹¹ Porell, "One Man's Ceiling," 106-117.

¹² Porell, "One Man's Ceiling," 106-117; Dubin, "Maintenance Decisions," 144-174; J.L. Goodman "Causes and Indicators of Housing Quality," *Social Indicators Research* 5 (1977): 195-210.

¹³ Porell, "One Man's Ceiling," 106-117; Dubin, "Maintenance Decisions," 144-174; Elliot, "Maintenance Behavior," 424-445; Dildine and Massey, "Private Incentives," 631-639.

¹⁴ Porell, "One Man's Ceiling," 106-117; Sternlieb, "The Tenement Landlord."

¹⁵ Sternlieb, "The Tenement Landlord"; Elliot, "Maintenance Behavior," 424-445.

quality, keeping in mind however, that this study was completed before the Housing Discrimination Act of 1968.¹⁶

Tenant Characteristics

Following Porell (1985) and Gilderbloom (1985) tenants' characteristics are also an important consideration. Both studies cite tenant income and employment status as important factors. To investigate instances of housing discrimination, Porell also includes the race and number of children as important tenant characteristics.

Landlord Characteristics

As the literature suggests, landlord characteristics are very important indicators of property quality. First of all, the residency of the landlord may affect how they maintain their properties. Resident landlords may be more aware of deficiencies and may internalize the externalities of poor property quality. Porell and Sternlieb both find that owner-occupant landlords maintain their properties better than absentee landlords.¹⁷ However, only about 15% of landlords nationwide are owner-occupants, a large decrease from decades past (US Census). Therefore, the more common residency distinction of a landlord is residency, inside or outside the community, a factor that may affect quality in a similar way.

Moreover, Sternlieb, Gilderbloom, and Anderson find that the scale of a landlord may also affect the quality of their properties.¹⁸ However, the literature predicts mixed results. On one hand, large-scale landlords may benefit from economies of scale and therefore be more efficient in maintaining properties. On the other hand, small-scale landlords maybe more in-tune with the needs of their tenants and feel a moral obligation to maintain their properties.

EMPIRICAL MODEL

Model Specification

Following the empirical design of Porell, this study uses an ordered probit model.¹⁹ Because the dependent variable is ordinal and multichotomous an ordered probit model is used. The general specification is: use subscripts to make the math more clear $link(\gamma_{ij}) = \theta_j - [\beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip}]$ where $link()$ is the link function, θ_j is the cumulative probability of the j th category for the i th case, q_j is the threshold for the j th category, p is the number of regression coefficients, $x_{i1} \dots x_{ip}$ are the values of the predictors for the i th case, and $b_1 \dots b_p$ are the regression coefficients. Because the dependent variable, housing quality, is skewed towards higher values, this model uses the complimentary log-log link function to correct for the skew. Importantly, the coefficients given by the regression are hard to interpret because the model predicts cumulative probabilities that are influenced by the link function. However, the model will indicate the significance level and sign of the variables, the two most important pieces of information for the purposes of this study.

¹⁶ Sternlieb, "The Tenement Landlord."

¹⁷ Porell, "One Man's Ceiling," 106-117; Sternlieb, "The Tenement Landlord."

¹⁸ Sternlieb, "The Tenement Landlord"; Anderson, "Motives for Investments," 177-200.; Gilderbloom, "Social Factors," 155-179.

¹⁹ Porell, "One Man's Ceiling," 106-117.

This study will use the model to compare two different data sets. The first model uses a random sample of 300 rental properties from the entire City of Bloomington. The second model includes all 225 rental properties in the West Bloomington Plan Area. In the model, housing quality is a function of property characteristics (age, square-footage per unit, and attached/detached), neighborhood characteristics (median household income and racial composition), and landlord characteristics (residency and scale):

$$Quality = Property + Neighborhood + Landlord$$

Ideally, the model would also include proxies for individual tenant characteristics; however individual tenant data was not available for this study. Furthermore, the model for the West Side will not include neighborhood characteristics in the equation, as all of the observations are from the same homogenous block group. Specifically, the model takes the following form:

$$\text{Bloomington Model: } Q_n = \beta_0 + \beta_1 AGE + \beta_2 SQFT_{perUNIT} + \beta_3 TYPE + \beta_4 HHINC + \beta_5 RACE + \beta_6 RENT + \beta_7 LLRES + \beta_8 LLUNITS + E$$

$$\text{Westside Model: } Q_n = \beta_0 + \beta_1 AGE + \beta_2 SQFT_{perUNIT} + \beta_3 TYPE + \beta_4 HHINC + \beta_7 LLRES + \beta_8 LLUNITS + E$$

Wherein, Q_n is the quality of the property n (1 is the lowest, 4 is the highest), $\beta_1 AGE$ is the age of the property as of 2009, $\beta_2 SQFT$ is the square-footage per unit of the property, $\beta_3 TYPE$ is the type of property (1 if attached, 0 if detached), $\beta_4 HHINC$ is the median household income of the property's respective block group, $\beta_5 RACE$ is the proportion of white residents in the property's respective block group, $\beta_7 LLRES$ is the residency of the property's landlord (1 if in Bloomington-Normal, 0 if outside Bloomington-Normal), $\beta_8 LLSCALE$ is the scale of the property's landlord (1 if they own multiple properties, 0 if they own a single property) and E is the error term with a mean of zero.

The dependent variable measuring housing quality is the City of Bloomington's Rental Inspection Program Index as defined in Table 1.

TABLE 1
Specification of Dependent Variable

<i>Class</i>	<i>Value in Model</i>	<i>Definition</i>
A	4	The building is in excellent condition and has minor or no violations of applicable city codes.
B	3	The building is in good condition and has minor violations of applicable city codes and the violations do not pose an immediate threat of danger to life, health, and safety of the occupants.
C	2	The building is in sound condition and has major or minor violations of applicable city codes that do not pose an immediate threat of danger to the life, health, and safety of the occupants.
D	1	The building has critical violations and is either unsafe, contains unsafe equipment, is unfit for human occupancy or is unlawful.

Source: Registered Rental Property Class and Date of Issue City of Bloomington Rental Inspection Program. 18 Aug 2009. 10 Oct 2009. <<http://www.cityblm.org/library/bs/pdfs/rptActiveRRCurrentClass.pdf>> .

The independent variables come from both the Bloomington Assessors' Office and the 2000 United States Census.²⁰ Looking at Table 2, based on theory, the age of the property, the residency of the landlord (outside the community), the scale (large-scale), and the type (attached), should negatively impact quality. The median household income and race (percent white) should positively impact quality. The literature does not provide a predicted sign for square-footage per unit. The property and landlord characteristics were obtained from the Bloomington Assessor and the neighborhood characteristics were obtained from the 2000 US Census.

TABLE 2
Specification of Independent Variables

<i>Variable</i>	<i>Definition</i>	<i>Expected Sign</i>	<i>Source</i>
AGE	Age of the structure (as of 2009)	-	Bloomington Assessor
SQFT	Square footage per unit (as of last inspection)	?	Bloomington Assessor
RACE*	Proportion of white residents in unit's respective block group (2000)	+	US Census
HHINC*	Median household income of unit's respective block group (2000)	+	US Census
TYPE	Type of unit 1 if attached, 0 if detached	-	Bloomington Assessor
LLRES	Residence of unit's landlord (as of last inspection) 1 if in Bloomington-Normal, 0 if not	-	Bloomington Assessor
LLSCALE	Number of properties owned in sample 1 if multiple, 0 if single	-	Bloomington Assessor

* Not included in West Bloomington model

²⁰ "City of Bloomington Property Assessment," Property Database Assessor's Office. City of Bloomington Township 10 Oct 2009. <<http://www.wevaluebloomington.org>>; American Factfinder, "Housing Indicators" United States Census. 10 Oct 2009. <http://factfinder.census.gov/home/saff/main.html?_lang=en>.

RESULTS

Looking solely at the descriptive statistics in Table 3, there are clear differences between the City of Bloomington and the Westside. First of all, the Westside is of lower income, a higher minority composition, and is less educated. Strikingly, the average age of the housing stock on the Westside is seventy-five years older than that of Bloomington as a whole. Furthermore, the quality of Westside rental properties is clearly lower than Bloomington as a whole. Although the majority of properties in both areas are of either A or B quality, the Westside has nearly 30 percent less A quality rental properties.

TABLE 3
Descriptive Statistics

<i>Variable</i>	<i>Bloomington</i>	<i>Westside</i>
Median HH Income	\$46,496/year	\$23,845/year
HS Diploma	92%	57%
Density of Minority Population	15%	29.5%
Avg. Age of Housing Stock	35 years	110 years
Quality A	69.4%	41.9%
Quality B	19.8%	35.2%
Quality C	6.0%	17.4%
Quality D	4.8%	5.5%
Condemned Properties	26	11
LL Res in BN	69.8%	80.4%
LL Res out BN	30.2%	19.6%
LL Owning Single Unit	57.5%	36.2%
LL Owning Multi Units	42.5%	63.8%
Attached Unit	53.6%	44.2%
Detached Unit	46.4%	55.8%

Source: American Factfinder. "Housing Indicators" United States Census. 10 Oct 2009.
<http://factfinder.census.gov/home/saff/main.html?_lang=en>.

This finding means that almost 60 percent of properties on the Westside are in need of repair work. Furthermore, of the twenty-six condemned properties in Bloomington, eleven of the properties are on the Westside. Looking at landlord characteristics, although theory predicts that a blighted area like the Westside should have more non-resident landlords, actually, the Westside has more resident landlords than the city as a whole. Also contrary to theory, the Westside has more large-scale landlords than the city as a whole and has more attached units than the city as a whole.

TABLE 4
Regression Results

<i>Variable</i>	<i>B_{Bloomington}</i>	<i>B_{Westside}</i>
AGE	-.016*	-.015**
SQFT	.000	.000
TYPE	-.031	.484*
RACE	.044*	-
HHINC	-6.233E-6	-
LLRES	.220	.176
LLSCALE	-.044	.081
Pseudo R ²	.163	.065

*Correlation is significant at the 0.1 level

**Correlation is significant at the 0.05 level

***Correlation is significant at the 0.01 level

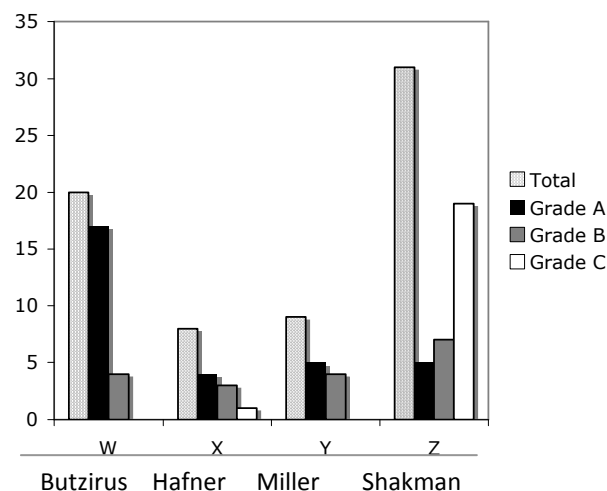
Looking at the regression results, as shown in Table 4, the model neither for Bloomington nor for the Westside have high explanatory power. However, when dealing with an ordinal model, it is important to note that the pseudo R² values are more useful for the fits of models than for dictating their explanatory power. Therefore, in this case, the Bloomington model explains more than the Westside model. Both models are significant at the .001 level. Looking at the coefficients, the age of a rental property has a significant negative effect on quality for both Bloomington and the Westside. Specifically, older properties have a higher probability of being in a poorer category of housing quality. Furthermore, the type of property, whether attached or

detached, has a significant positive effect on quality on in the Westside model. This coefficient indicates that if a property is attached, the probability that the property is in a higher quality category is higher. However, property type is not significant for Bloomington as a whole. The race variable is also significant: properties in block groups with a higher proportion of white residents have a higher probability of being in a higher category of quality. Importantly, neither landlord residency nor landlord scale significantly impacts housing quality, disproving the initial hypotheses.

Because the Westside is classified as a slum/blighted area, according to the literature, there may be “slumlords” that own a large share of the properties. Looking at the breakdown of the landlords on the Westside as illustrated by Figure 1, four landlords control 30.2 percent of the properties. Furthermore, all of these landlords are local landlords. From Chart 1, it is clear that only Shakman Enterprises have a great concentration of low quality properties. Shakman owns 13.8 percent of the properties on the Westside and 46 percent of the grade C properties. A difference of means test shows that the average quality of Shakman’s properties (2.54) is significantly different from the mean of all the Westside properties (3.24).

FIGURE 1

Frequency of Property Types of Westside Landlords



This result shows that Shakman Enterprises’ properties are of significantly lower quality than those owned by other Westside landlords.

CONCLUSIONS

Overall, the model yields interesting results. First of all, neither hypothesis holds: both landlord residency and landlord scale are insignificant. This finding indicates that neither landlord characteristic (residency nor scale) significantly affects the quality of their properties. Although the hypotheses are incorrect, the model yields other important findings.

As predicted, the age of a property negatively impacts its quality. Clearly, in Bloomington and on the Westside, landlords are choosing not to maintain older properties. This finding follows the previously stated theories of neighborhood decline and disinvestment. As previously mentioned, as a property ages, repair work becomes more intense and thus more expensive. For example, whereas maintenance on a ten-year-old property may only entail a new coat of paint, maintenance on a one hundred-year-old property could entail entirely new plumbing. However, because age and rent are highly correlated at a significant r -value of $-.5$, in general, tenants are in fact paying less for older units. Thus the lower quality caused by age is reflected in the rental price.

For West Bloomington, attached properties are of a significantly higher quality than detached units. This finding refutes the literature, which predicts that attached units should be of lower quality. Perhaps in the case of Bloomington's Westside landlords owning multiple-unit properties can exercise economies of scale and purchase cheaper inputs than landlords owning single-unit structures can.

Most importantly, the significance of the race variable indicates the presence of discrimination in Bloomington, as the proportion of white residents in a block group positively affects the quality of the rental properties. Because the model controls for property characteristics and the median household income of the property's block group, this effect is purely due to race. Housing theory offers several explanations for this phenomenon. First of all, Bloomington landlords may be discriminating against minority tenants, by either refusing to accept them as tenants for higher quality units, or by failing to maintain properties in higher-minority areas. Either practice is a form of housing discrimination, which is illegal under the Fair Housing Act of 1968.

In addition, a difference of means test reveals the possible presence of a "slumlord" in West Bloomington. Although most of the larger-scale owners have sufficiently maintained properties, Shakman's properties are of a significantly lower quality than the other landlords.

In the beginning, this study aimed to explain the how landlord characteristics affect the quality of rental properties. However, after examining the data, the model finds that property characteristics (age and attachment) and neighborhood characteristics (racial composition) overwhelm landlord characteristics in the case of Bloomington, IL. Moreover, the findings offer several policy suggestions. First of all, because older properties are of significantly worse quality, the local government and community organizations such as the West Bloomington Revitalization Partnership (WBRP) should encourage the rehabilitation of older properties. An important step for the WBRP should be to establish the organization as a Community Housing Development Organization, a designation through the Department of Housing and Urban Development. This designation would allow the WBRP to use HUD block grant funds to purchase and rehabilitate deteriorating housing. Furthermore, the City of Bloomington should also take action to improve their rental inspection program. Perhaps more frequent inspections or harsher penalties would encourage landlords to fix problems with grade C and D properties. The City should also work to enforce the Housing Discrimination Act. This study implies that minority tenants are being

segregated into lower quality properties than their white counterparts of the same income level, an illegal practice. Furthermore, the City should also investigate why Shakman's properties are of such a low quality compared to the other Westside landlords. Considering the large number of properties this landlord owns, improving their holdings alone would have an enormous impact on the housing quality on the Westside.

In all, although Bloomington as a whole is a more affluent community than average, pockets of blight still exist. Using the results of this study, perhaps the City of Bloomington and other community organizations will take the necessary steps to improve the quality of the rental housing stock throughout the city in general, and specifically on the Westside. After all, regardless of a person's race or income, everyone deserves to have a roof over their head, a safe, well-maintained roof that is.

APPENDIX 1: *Source of Property Characteristics***Property Characteristics**

[Assessment Page](#)
[Ownership History](#)
[Assessment History](#)
[Permit History](#)
[Picture](#)
[New Search](#)
[Home](#)

ID: 41 14-33-358-002

Name: BUTZIRUS, BRAD L & MARTHA E

Landlord

Address: 706 W GRAHAM

Bldg No: 1

Lot Size	50 X 109	Grade	D
Foundation	Brick	Year Built	1910
Basement	Part Crawl	Eff Age	43
SF Fin Bsmnt	0	Phy Dep	50
SF Crawl	617	Funct Obs	0
SF Slab	0	Econ Obs	0
SF Fin Attic	0	Porch	0FP
Air Conditioning	0	Porch SF	80
Fireplaces	0	# Decks	0
Total Rooms	0	Deck SF	0
Bedrooms	0	Pool	No Pool
Baths	1 Bath	Pool SF	0
GFLA	822	Year Pool Blt	0
Total SF	822	# Tennis Cts	0

Story Type	1 Story	Amenities	None
Ext Walls	Alum/Vinyl	Garage Type	No Garage
Roof	Roll	Garage SF	0
Lot SF	5429		

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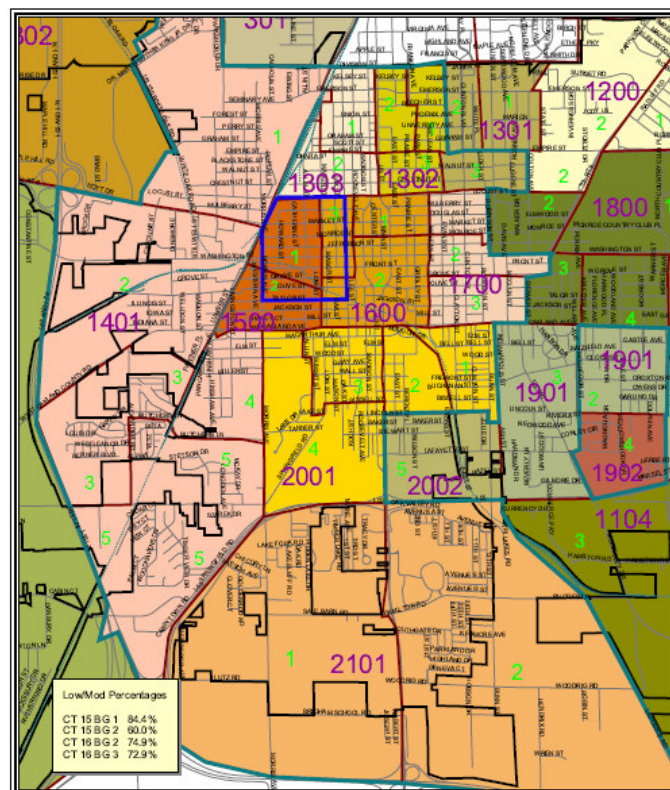
APPENDIX 2: RENTAL PROPERTY REGISTER SAMPLE PAGE

Registered Rental Property Class and Date of Issue			
As of 11/10/2009			
ABBY LN		ARCADIA DR	
1505 ABBY LN	ClassA -- 07/24/2008	606 ARCADIA DR, BLDG 2	ClassA -- 09/07/2006
AIRPORT RD		606 ARCADIA DR, BLDG 2	ClassA -- 09/07/2006
1304 AIRPORT RD	ClassA -- 04/26/2005	703 ARCADIA DR	ClassA -- 06/07/2006
1304 AIRPORT RD	ClassA -- 04/26/2005	704 ARCADIA DR, N	ClassA -- 03/20/2007
ALLIN ST (NORTH)		704 ARCADIA DR, S	ClassA -- 03/20/2007
104 N ALLIN ST	ClassA -- 11/16/2007	705 ARCADIA DR	ClassA -- 06/07/2006
203 N ALLIN ST	ClassB -- 08/18/2008	706 ARCADIA DR	ClassA -- 06/07/2006
205 N ALLIN ST	ClassB -- 04/11/2007	707 ARCADIA DR	ClassA -- 06/07/2006
206 N ALLIN ST	ClassA -- 02/28/2006	708 ARCADIA DR	ClassA -- 06/30/2006
405 N ALLIN ST	ClassA -- 01/26/2005	709 ARCADIA DR	ClassA -- 06/07/2006
601 N ALLIN ST	ClassA -- 03/29/2007	710 ARCADIA DR	ClassA -- 05/04/2006
601 N ALLIN ST	ClassA -- 03/29/2007	711 ARCADIA DR	ClassA -- 06/07/2006
606 N ALLIN ST	ClassA -- 11/14/2006	712 ARCADIA DR	ClassA -- 04/27/2006
ALLIN ST (SOUTH)		712 ARCADIA DR	ClassA -- 04/27/2006
104 S ALLIN ST	ClassA -- 01/24/2008	713 ARCADIA DR	ClassA -- 06/07/2006
302 S ALLIN ST	ClassC -- 08/18/2009	714 ARCADIA DR	ClassA -- 09/08/2008
304 S ALLIN ST	ClassB -- 08/12/2009	715 ARCADIA DR	ClassA -- 06/07/2006
314 S ALLIN ST	ClassA -- 01/09/2007	716 ARCADIA DR	ClassA -- 05/09/2006
405 S ALLIN ST	ClassA -- 02/26/2007	716 ARCADIA DR	ClassA -- 05/09/2006
501 S ALLIN ST	ClassA -- 08/08/2006	717 ARCADIA DR	ClassA -- 06/07/2006
505 S ALLIN ST	ClassA -- 06/20/2006	719 ARCADIA DR	ClassA -- 06/07/2006
506 S ALLIN ST	ClassA -- 04/12/2007	802 ARCADIA DR	ClassA -- 03/19/2008
506 S ALLIN ST	ClassA -- 04/12/2007	806 ARCADIA DR	ClassA -- 05/17/2006
803 S ALLIN ST	ClassA -- 08/15/2006	808 ARCADIA DR	ClassC -- 09/26/2008
804 S ALLIN ST	ClassB -- 09/28/2009	810 ARCADIA DR, 2	ClassA -- 05/06/2008
808 S ALLIN ST	ClassA -- 06/20/2006	810 ARCADIA DR, 4	ClassA -- 05/06/2008
808 S ALLIN ST	ClassA -- 06/20/2006	902 ARCADIA DR	ClassB -- 09/26/2008
901 S ALLIN ST	ClassA -- 03/30/2007	904 ARCADIA DR	ClassA -- 05/04/2006
903 S ALLIN ST	ClassA -- 02/07/2006	904 ARCADIA DR	ClassA -- 05/04/2006
907 S ALLIN ST	ClassB -- 10/01/2009	906 ARCADIA DR	ClassA -- 09/25/2006
909 S ALLIN ST	ClassB -- 10/30/2007	906 ARCADIA DR	ClassA -- 09/25/2006
ANCHOR DR		908 ARCADIA DR	ClassA -- 12/01/2008
2316 ANCHOR DR	ClassA -- 03/31/2005	ARLENE CT	
2319 ANCHOR DR	ClassA -- 11/09/2006	1002 ARLENE CT	ClassA -- 11/10/2005
2412 ANCHOR DR	ClassA -- 06/18/2009	1003 ARLENE CT	ClassA -- 12/07/2005
		1005 ARLENE CT, A	ClassA -- 11/10/2005

APPENDIX 3: Map of West Bloomington Plan Area



APPENDIX 4: Map of Block Group Divisions



APPENDIX 5: *List of Condemned Properties*

The properties listed below have been “condemned” by the City of Bloomington for various types of code violations. A listing of “condemned” properties is updated on a monthly basis. If you are interested in obtaining more information about the condemned properties, you may request a copy of the monthly listing by requesting it through the “Freedom of Information Act” process. This process includes the completion of a form available at the City Clerk’s office, in City Hall at 109 East Olive Street, Bloomington.

DATE CONDEMNED	ADDRESS	OWNER
01/09/2008	305 W. Chestnut St.	Betty Bier
04/18/2007	407 W. Chestnut St.	AC Colburn LLC
10/03/2008	611 S. Clayton	Gene Cunningham
04/17/2007	406 Douglas St.	AC Colburn LLC
09/09/2008	801 S. East St.	Charles While
01/17/2008	705 E. Front St.	Christopher Witte
11/21/2008	504 W. Grove St.	William Alexander
04/02/2008	506 W. Grove St.	William Alexander
02/11/2003	915 W. Grove St.	Donna Gaston
1/02/2009	601 W. Jefferson	Jeff & Kimberly Lovins
12/29/2008	603 W. Jefferson	Federal National Mortgage
04/18/2007	614 N. Lee St. Upper	AC Colburn LLC
10/06/2007	318 E. Locust St.	AC Colburn LLC
05/23/2008	508 W. Mulberry	Jeffery Gordon
11/19/2008	1103 W. Olive	Eugene Long
04/24/2008	814 N. Prairie St.	Anita Born
07/16/2007	411 N. Roosevelt Ave	National City
04/17/2007	708 N. Roosevelt Ave.	John Groller
02/10/2009	404 E. Washington St.	Jean Alvarado