

CONFISCATED MAFIA ASSETS OFFER OPPORTUNITY FOR URBAN RENEWAL

An Italian law allows the confiscation of real estate properties previously belonging to mafia groups and their reallocation to local communities. New research that assesses the impact of this policy demonstrates that reallocations of confiscated assets increase the monetary value of buildings located in the neighbourhood in which reallocations take place.

The results of the study by **Filippo Boeri**, **Marco Di Cataldo** and **Elisabetta Pietrostefani**, to be presented at the annual congress of the European Economic Association in Manchester in August 2019, suggest that an effective and rapid implementation of this policy may favour the revitalisation of urban areas characterised by a stronger presence of criminal organisations.

In an effort to tackle criminal organisations, the Italian state allows for the possibility of confiscating real estate properties previously belonging to mafia groups. This policy, widely considered as a fundamental tool to undermine the power of organised crime in deprived local areas, not only acts as a crucial device allowing legal institutions to appropriate relevant resources from criminal activities, but also allows their reallocation to local communities.

The aim of this law is to tackle criminal organisations in the areas where they are most rooted, while also providing new opportunities for the residents of neighbourhoods plagued by the mafia. The buildings reassigned to the citizenry, in the intention of the legislator, should promote the revitalisation of local territories and increase their economic value.

This study is the first to examine empirically the extent to which the reallocation of confiscated buildings contributes to such processes of urban regeneration. So far, qualitative and quantitative research has focused on describing the characteristics of the confiscated assets, measuring the actual value of the seized buildings and analysing best practices with respect to reallocation.

This analysis diverges from the previous work, assessing whether and how the policy affects the value of the neighbourhood in which reallocations take place. More specifically, the study analyses the impact of reallocations on the value of real estate properties located in the surrounding areas.

The analysis, which is performed at different geographical levels and uses extremely detailed geo-referenced data, unveils a robust relationship positively linking reallocation episodes with the property price of neighbouring buildings.

Such an effect is visible in the range of up to 350m from each episode of reallocation, and it is mainly driven by the conversion of formerly-owned mafia real estate assets into so-called 'buildings for social use', that is, public amenities mainly conceived for improving the conditions of the most disadvantaged groups in society (such as anti-mafia/non-for-profit associations, senior centres, under 18 centres, health care centres, centres for employment-seekers, sport centres, green spaces).

Each reallocated building is estimated to increase the value of neighbouring real estate assets by 0.6% to 1%, corresponding to an average increase of €75 per square metre per building in the aftermath of reallocations.

This finding suggests that, as hypothesised, reallocations lead to significant spillover effects, adding value to the broad territory where they are implemented. The capitalisation of reallocations into higher house prices of surrounding buildings appears to be benefiting particularly poorer urban areas.

While the policy is not only intended for poor neighbourhoods, its primary application has been in places characterised by high unemployment and deprivation. The effect of the policy is found to be comparatively larger in cities where the presence of organised crime is stronger.

Moreover, distinguishing buildings by original use from criminal groups reveals that real estate chosen for investment/business by criminal organisations have a larger effect on neighbouring properties, when reallocated, than personal-use assets not directly related to criminal activities.

Finally, the analysis provides some evidence of a negative effect of confiscations on the value of neighbouring buildings, possibly explained by the fact that seized assets, in the long period before reallocations, are generally left uninhabited or exposed to vandalism.

Overall, the study suggests that an effective and rapid implementation of the reallocation policy may favour the revitalisation of urban areas at higher disadvantage characterised by a stronger presence of criminal organisations.

Moreover, with respect to the new use, local governments should exploit the strategic location of the assets in deprived neighbourhoods and prioritise social organisations, police stations and business services, to maximise the policy externalities.

ENDS

Filippo Boeri, Marco Di Cataldo and Elisabetta Pietrostefani
Department of Geography and Environment, London School of Economics

Contact:
Marco Di Cataldo
ERC Post-Doctoral Researcher
Department of Geography and Environment STC.318b London School of Economics
Houghton St WC2A 2AE
m.di-cataldo@lse.ac.uk
marcodicataldo.wixsite.com/marcodicataldo