COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON HOUSING, NEIGHBORHOOD DEVELOPMENT, AND THE HOMELESS

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, June 9, 2014
11:15 a.m.

PRESENT:

COUNCILWOMAN JANNIE BLACKWELL, CHAIR
COUNCILWOMAN CINDY BASS
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA

BILL 140274 - An ordinance amending Chapter 21-1600 of The Philadelphia Code, entitled "Housing Trust Fund," to provide annual operating support for affordable rental units that are developed using the 4% federal Low Income Housing Tax Credit...

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COUNCILWOMAN BLACKWELL: Good morning. Thank you for your patience. We're very happy to have you here. This will begin the Committee on Housing and Neighborhood Development, the Committee's hearing with regard to Bill No. 140274.

Will the Clerk please read the title of the bill.

THE CLERK: Bill No. 140274, an ordinance amending Chapter 21-1600 of The Philadelphia Code, entitled "Housing Trust Fund," to provide annual operating support for affordable rental units that are developed using the 4 percent federal Low Income Housing Tax Credit; all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

I beg your indulgence. I'll make an opening statement.

Again, we thank you for coming out today and look forward to your testimony on this bill. As all of you know, there is an affordable housing crisis in America, in Pennsylvania, and in our city. If you don't believe me, just Google the topic.

As a former Commissioner of the Philadelphia Housing Authority and a Councilperson whose office is deluged by constituents with housing problems, I am acutely aware that this is not a new crisis. However, an uneven economic recovery following the Great Recession has brought income inequality into sharp relief across the country, including in Philadelphia, and the stagnate growth in wages has compounded this issue. Adding to this housing crash, which spurred the recession, many regions in the country are grappling with the critical shortage of affordable housing. This crisis can be seen in cities, suburbs, and rural areas and is found not just in large municipalities like New York City and San Francisco, but in smaller cities such as Carsbad, New Mexico and Fort Collins, Colorado.

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Just a few facts about the crisis in Philadelphia:

The Philadelphia Housing Authority (PHA) has closed its waiting list for affordable public housing units as the list exceeds 110,000 applicants and the current average waiting time for someone on the list is ten years.

Point: The federal Department of Housing and Urban Development (HUD) has established a benchmark to determine housing affordability, which states that a household should spend no more than 30 percent of household income. In 2014, in Philadelphia, in order for a household to afford the median rent for a two-bedroom apartment, they need to be earning $21.83 per hour, which is three times the federal minimum wage.

Next point: The Office of Housing and Community Development in its report on the impediments to fair housing choice documents the fact that over 116,000 Philadelphia renter households are moderately burdened, paying between 30 percent and 50 percent of their household income for rent, and over 70,000 Philadelphia renter households are severely burdened, paying over 50 percent of their income for rent.

Next point: The tightening of mortgage underwriting guidelines is preventing many households from qualifying for mortgages, to the point that many households are locked out of homeownership, which in many cases is less expensive than renting.

Against this stark background, we have seen a decline in federal and state resources that our city has traditionally used to build and preserve affordable housing. Just ten years ago the federal Community Development Block Grant program provided Philadelphia with over 63 million in funding. Adjusted for inflation, we should be receiving over 79 million this year to stay even. Instead, we are receiving just a little over 39 million, creating an inflation-adjusted gap of nearly $40 million.

At the same time we have been facing the federal cuts, the current Administration in Harrisburg zeroed out the Housing and Redevelopment Assistance program, which on average provided the City with $5 million per year.

The only saving grace has been the establishment of the Philadelphia Housing Trust Fund, which has averaged about $10 million a year in revenue. However, this revenue does not nearly offset the loss of federal and state resources.

Therefore, I will be introducing a resolution on Thursday that would authorize City Council's Committee on Housing, Neighborhood Development, and the Homeless to hold hearings on increasing resources to expand the production and preservation of affordable housing.

The Committee will work this

summer with all parties interested in affordable housing to strategize ways and means to increase resources, which will culminate in formal hearings this fall.

Thank you very much. Thank you for your patience. And now we will note that we have a quorum. To my left, Councilman Bill Greenlee. To his left, Councilwoman Maria Quinones-Sanchez, who is Vice Chair. To my right, Councilman Mark Squilla.

We will now ask the first panel, Deb McColloch, Director of Housing and Community Development, to come forward. Once Ms. McColloch is done, Panel 2 will be Beth McConnell, PACDC; Maria Gonzalez, HACE; Angel Rodriguez, Asociacion Puertorriquenos en Marcha; and the last one, Majeedah Rashid, Executive Director, Nicetown CDC. Thank you.

(Witness approached witness table.)

MS. McCOLLOCH: Good morning, Councilwoman Blackwell and other members of the Housing, Neighborhood Development, and Homeless Committee and any other members of City Council. I am Deborah McColloch, Director of Housing. I will present testimony on behalf of the Administration on Bill No. 140274 based upon the proposed amendment circulated previously.

This bill, as I understand it to be amended, amends Chapter 21-1600 of The Philadelphia Code, entitled "Housing Trust Fund," to include the following provision: On a yearly basis, up to 5 million of Housing Trust Fund earnings may be segregated into an account to provide annual operating support for affordable rental housing units that are developed using the 4 percent federal Low Income Housing Tax Credit wherein the provision of such funds is necessary to make the development feasible.

This amended bill proposes the use of Housing Trust Fund earnings as one funding option to utilize the

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Philadelphia Housing Authority's Annual Contributions Contract, known as ACC, rental subsidies with 4 percent tax credit financing to create 1,000 new affordable rental units as presented in City Council's Building an Affordable Future plan.

The Administration shares Council's commitment to create a wide range of affordable housing opportunities and to strengthen Philadelphia's low- and moderate-income neighborhoods. We also share Council's goal to maximize all the available City, state, and federal resources to transform vacant public and private properties into affordable rental and homeownership units. The proposed amendment to Bill No. 140274 allows for flexibility in how Housing Trust Fund earnings are utilized to create and preserve affordable housing opportunities. For this reason, the Administration supports Bill No. 140274, as amended.

Over the last month, we have met with City Council staff to discuss strategies to incorporate ACCs with all available public resources - HOME, Community Development Block Grant funds, PHA capital funds, 811 accessible housing funds, and 9 percent Low Income Housing Tax Credits. We are also meeting with representatives from PHA to discuss how best to coordinate proposals for the ACCs, PHA's capital financing, and City subsidies.

The City is also committed to continued collaboration with City Council to convene meetings with affordable housing stakeholders to examine the rental gap financing model.

Thank you for the opportunity to present testimony today. I'll be happy to answer any questions that the Committee may have.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions?

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Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Good morning. What have been our experiences in the past in the difficulty in using these tax credits? What do you think has been the missing pieces and how do you think this plan kind of moves them forward in our ability to use the 4 percent?

MS. McCOLLOCH: Well, the 4 percents are very difficult to use because they don't provide a deep enough subsidy, and so the places in which we've been able to use 4 percent tax credits, the City has had to provide a deeper -- the City has had to provide a subsidy. In some cases that subsidy has been used to support an operating subsidy and in some cases that subsidy has been used to support construction, a capital subsidy.

So the 4 percent tax -- the fundamental problem is that the 4 percent tax credits don't raise as much equity as the 9 percent tax credits, and so there's still a gap that has to be found someplace.

COUNCILWOMAN SANCHEZ: Do we have an average of what that gap is per unit?

MS. McCOLLOCH: Well, the gap --

COUNCILWOMAN SANCHEZ: The difference between the 5 percent -- per unit. We have a per-unit cost.

MS. McCOLLOCH: Well, it depends on the particular deal, because you have a cost to do the deal, right? I'm completely making it up. It's $12 million to do the deal. Okay? And so if you can raise -- again, I'm just making these numbers up. If you can raise $6 million through tax credits and then you get $500,000 from the federal Home Loan Bank, you can get some capital funding from PHA, you add it all up and you've got to get resources that total $12 million because that's the cost of the deal.

The problem, the concern, the challenge is that 4 percent tax credits don't raise as much money as 9 percent. So unless the deal can work with 4 percents without a subsidy, then you're still in the same place you are, no matter what you're raising, and most of them need the equity that's raised by 9 percent.

So the challenge is to figure out always this is the cost of the deal and how do we get the resources meshed to meet the cost.

COUNCILWOMAN SANCHEZ: I think one of the important things about this particular plan -- and I'd like us as we work and we move towards this, we know that a tax credit deal, there's a minimal amount of units before it becomes a viable deal, anywhere between 25 and 30, all of the development. It would be nice to get to a place where we can say this is how much a per-unit development costs us. This is how much the 4 percents are going to get us. This is how much PHA -- what is the formula so that as we move forward in this, we can monitor the cost per unit and what makes sense, because I think one of the things that we're trying to develop is what are the models that lead us to the highest number of unit creations potentially. And so I think this is an important model in that tool around where do we get there.

But what I've seen is, having worked on my CDCs, is every person has a different per cost, per-unit cost, and I think if we're going to work towards this, I think we need to narrow that scope down, because I've seen projects in my district where the unit subsidy is very high in comparison to someone else.

And so I think as we move forward, because there is limited resources, I think we need to figure out what that scale needs to look like, so that if someone is doing development and their per-unit subsidy is 300,000 and someone is doing housing and their per-unit subsidy is 150, we need to start being smarter about who should be doing this based on the end result, and the only way we're going to get there is if we come up kind of with that formula. And I don't know what that is, because land acquisition buys into it, but at least we have a formula of land should only be 10 percent of the cost or range.

I think as we move forward, clearly for all of us, there is a huge interest in making sure that changing neighborhoods and neighborhoods feeling the gentrification, that we're very deliberate in the type of affordable and accessible housing we build there, but even moving forward from that, there should be a scale. I just feel like there should be a scale.

And so this is a great opportunity to begin that from the very beginning, to look at what that model is and what it should be, so that everybody is operating in those ranges, so that the public sector, CDC, and the private sector, we're looking at monitoring what the cost is per unit irregardless of that. Okay?

MS. McCOLLOCH: Okay.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

Any other questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you, Ms. McColloch.

We will now call on Panel 2.

Panel 3 is Nancy Salandra, Disabled in Action; Marcus Presley, Women's Community Revitalization Project; Lynette Correa, Women's Community Revitalization Project; and Thomas Earle, Liberty Resources.

(Witnesses approached witness

table.)

COUNCILWOMAN BLACKWELL: Good morning. Thank you. You may begin in any order.

MS. McCONNELL: Good morning. Good morning, Chairwoman Blackwell and other members of Council. My name is Beth McConnell. I'm the Policy Director for the Philadelphia Association of CDCs. Thank you for the opportunity to testify.

As you know and spoke about, our need for affordable homes is enormous. We need about 60,000 more units to meet the needs of residents at or below 30 percent area median income here in the City, and that's, of course, why the work that CDCs do is so critical. Providing quality, affordable housing for our most vulnerable populations and in some of our most disinvested neighborhoods is at the core of the work of many of PACDC's members. So policies that lead to more resources for affordable housing production, preservation, and homelessness prevention is always at the top of PACDC's agenda.

So we want to applaud Council President Clarke for looking at innovative ways to leverage resources for this work that are currently underutilized, the 4 percent Low Income Housing Tax Credit program and PHA's underused Annual Contributions Contracts, which provide per-unit rental operating subsidies. And we agree that the City needs to better maximize the number of units created and resources leveraged and better coordinate with PHA while advancing equitable development in our neighborhoods.

We also applaud Council President Clarke and Councilwoman Blackwell for working together to amend Bill No. 140274 to read that "up to" 5 million in Housing Trust Fund revenues each year could be set aside to support affordable housing projects that leverage the 4 percent tax credits administered by

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PHFA. The amended version of the bill will ensure that the City can evaluate all of the competing requests received and decide how best to allocate the very limited subsidies that are available without diverting resources from other projects.

But as you know, the Housing Trust Fund budget is only about 12 to 13 million per year and about 4 to 5 million of that is already allocated to the development of affordable units, and each time -- each year the City receives three times more proposals for worthy affordable home development projects than it has the resources to support.

The Housing Trust Fund also supports the Basic Systems Repair Program, BSRP. The waiting list for that is now closed because it grew too large and is many years long. OHCD was also forced to eliminate funding for targeted housing preservation in prior years due to budget constraints, although we want to applaud OHCD for allocating a small amount of Housing Trust Fund resources to those programs in FY15. But as you discuss the new Affordable Housing Units plan, we urge Council to recognize that production and preservation of affordable homes really go hand in hand.

And so we want to applaud Councilwoman Blackwell for announcing plans for Council to hold hearings this fall on ways we can generate more resources for the Housing Trust Fund so we can really invest in the new initiative and other ongoing home development and do more to preserve existing affordable homes that are in desperate need of repair.

Just, for example, as a candidate for Mayor in 2007, Mayor Nutter promoted the idea of capturing a portion of revenue from expiring ten-year tax abatements for the Housing Trust Fund and also proposed capturing incremental increases in revenue from the real estate

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transfer tax in a policy position when candidate for Mayor.

Similarly, as our housing market and -- well, as our housing market and economy improve, those are ideas that are worth revisiting. Similarly, we could look at other options such as investigating a surcharge on Sheriff Sales to fund affordable housing and the Housing Trust Fund. And just for a context, if there were a $2 surcharge on hotel room bookings, $2 per stay, Philadelphia could raise more than $5 million a year for affordable homes.

So it's time to look at those and many other creative ideas that could be brought to the table, and we look forward to working with you. PACDC and our members want to be at that table and look forward to working with you, ready, willing, and able to make sure that every Philadelphian has an affordable place to call home.

Thank you for the opportunity

to testify.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

Next.

MS. GONZALEZ: Good morning.

COUNCILWOMAN BLACKWELL: Good morning.

MS. GONZALEZ: Good morning, Council. My name is Maria Gonzalez. I'm the President of HACE. We're a non-property community development corporation serving the Fairhill and St. Hugh neighborhoods in eastern North Philadelphia since 1982. HACE's mission is to combat community deterioration through economic development initiatives that address commercial development, employment opportunities, and the creation of safe, affordable housing and the provision of support services to meet the needs of our residents towards rebuilding the neighborhood's economic base.

HACE owns and manages over 400 units of affordable rental housing for families and seniors. Of that, 50 percent represent our multi-family rental portfolio that was developed with the support from the Low Income Housing Tax Credit program to serve families at 50 percent and below of area median income.

In recent years, it has become more difficult to serve households earning less than 30 percent of median, because they do not have sufficient income to pay Low Income Housing Tax Credit rents as established by the Pennsylvania Housing Finance Agency. In addition, our target neighborhoods are significantly underserved by Section 8 and other rental subsidy programs, which makes it more difficult for extremely low-income households to afford rental housing.

HACE supports policies that lead to more resources for affordable housing production and preservation of existing affordable housing stock. That's why we're in support of Bill No. 140443, which will provide an estimated $750,000 to the Housing Trust Fund by raising the mortgage and deed recording fees by $5.

At a time when funding is decreasing at every level of government, we agree with Council that we need to explore ways to leverage additional resources for affordable housing creation and preservation. In our experience, using 4 percent tax credits for affordable housing development and preservation is very challenging, because this resource provides limited equity, requiring CDCs to leverage other funding to make housing deals work. Traditional affordable housing developments require anywhere from three to five different financing sources to be shovel-ready.

Leveraging additional resources from state, federal, and private sectors to match the 4 percent Low Income Housing Tax Credits is key for making this funding stream viable and sustainable in our most disadvantaged neighborhoods.

We are appreciative to Council for exploring ways to leverage resources for affordable housing to include PHA's underused Annual Contribution Contracts, which provide per-unit rental operating subsidies, which are very much needed to serve extremely low-income households. Rental subsidies are critical for sustaining affordable housing developments and to leverage FHA financing and other resources for development and preservation of units. HACE is a strong supporter for the use of PHA's ACCs to serve our most vulnerable households.

We applaud Council for working together to amend Bill No. 140274 to read "up to" $5 million in Housing Trust Fund revenues each year could be set aside to support affordable housing projects that leverage 4 percent Low Income Housing Tax Credits. The amended version of the bill will ensure that the City can evaluate all the competing requests received and how to best allocate limited resources.

We thank Council for all their work over the years in advocating for policies and programs to end homelessness, address affordable housing needs, and advance equitable development. As a Board member of PACDC, HACE would like to be at the table to make the Building an Affordable Future plan work to help our most vulnerable households.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Maria, since you're so good at these tax credit deals, is there a formula that you guys have internally created that says in this tax credit deal for this to work, this is how much should be spent on land, this is how much we need? Do you guys have a scale of that?

MS. GONZALEZ: It's very challenging because it depends from deal to deal. For new construction, it depends on the land, how much of acquisition. If we're getting from the City, it's less expensive. If we buy from a private investor, it's going to be more expensive. In addition to that, there's environmental costs that have to be calculated in, which vary from site to site.

As far as brick and mortar, on new construction it's easier to estimate, because you have means that are available based on the construction industry, so you can determine that, but there's other factors that play that is very difficult to come up with a formula.

I know with a 4 percent tax

credit, that only gives you anywhere between 30 to 40 percent of resources for the deal. So that means you're going to have to either borrow or get other grants to fill in the gap.

COUNCILWOMAN SANCHEZ: Is there any way -- so you're saying new construction. What's the square footage cost right now on new construction?

MS. GONZALEZ: New construction, the last deal that we did, which is individual housing, was about $290,000, and that acquisition for the land was at a dollar, but we had environmental conditions, we had to build a lot of infrastructure for stormwater management. In addition to that, we had to build sanitary lines, because we created a new street. So there were a lot of costs involved.

COUNCILWOMAN SANCHEZ: But normally new construction is what per square foot? What do you guys do? 70?

MS. GONZALEZ: I would say

based on union -- see, that's another thing. Based on prevailing wage and union, I would say per unit it would be about $200,000, based on our experience.

COUNCILWOMAN SANCHEZ: Per unit?

MS. GONZALEZ: Per unit.

COUNCILWOMAN SANCHEZ: All right. Thank you. But you don't see -- I mean, I understand outside of the environmentals and acquisition, but is there a way that we can come up with a scale that says what makes the deal work? So that you're saying whatever that is, brick and mortar is one thing, and then the contingency, which is supposed to be where some of your environmentals, if you do phase one and then you have to do -- particularly for repurposing and reusing the buildings, I know the environmental is huge, because you have lead, you have asbestos, you have some of those things.

But I would be interested to see if there's a way that we can start scaling this, because we are trying to scale up. And so the issue is, is there at least a range that we can say to folks this makes sense or this doesn't make sense, or sometimes what doesn't make sense makes sense because there's a community good to it, but then at least we're making a decision based on a broader piece as opposed to -- I just see that -- my experience in the last six or seven years has been that the scale is kind of all over the place. And so at some point, particularly with this, now we're going to be looking at more in-fill, other things, I think we need to come up with a model for it.

MS. GONZALEZ: And I think we can if we just don't include site conditions. If we're from the ground up, we can control those costs, and we can use a range that's determined to determine what those costs are. Anything underground is really what throws the budget out of whack.

COUNCILWOMAN SANCHEZ: So we want to be able to follow that and monitor that, because, for instance, in communities that I represent in Kensington where you have a lot of old stuff, there might be a lot of environmental issues, and we need to monitor that, because then we need to build that in as part of the repurpose, particularly if we're repurposing. The in-fill stuff is not as much, but repurposing, I think we need to look at those things just to kind of get a handle on them as we move up. I mean, obviously this is 1,500 units. PHA is looking at 6,500 units. If we're ever going to be able to scale up to a point where we're filling the 60,000 number that Beth used, that's a lot of work.

MS. GONZALEZ: Yes, it is.

COUNCILWOMAN SANCHEZ: Thank you.

MS. GONZALEZ: Thank you.

COUNCILWOMAN BLACKWELL: Fine.

Next.

MS. RASHID: Good morning, everybody.

COUNCILWOMAN BLACKWELL: Good morning.

MS. RASHID: Good morning, Chairwoman Blackwell and other esteemed members of Council. I am Majeedah Rashid, Chief Operating Officer of the Nicetown CDC, and our organization is a member of PACDC. I want to thank you for allowing my colleagues and myself to testify this morning on Bill No. 140274.

The Nicetown CDC was founded in 1999 with a mission to dynamically improve the quality of life in Nicetown and surrounding communities. Our holistic and sustainable approach prioritizes goals and objectives that include community organizing through reeducation and training, neighborhood planning, public health and safety, affordable housing development, commercial corridor revitalization, land management, and arts and culture.

Along with our appeal and thanks to you regarding efforts to establish funding sources for the Housing Trust Fund, I want to also convey the need to secure adequate resources for housing preservation. We also want to acknowledge and thank OHCD for allocating new preservation resources to HTF preservation in Fiscal Year '15. However, I emphatically encourage Council to remember that housing production and preservation of existing homes must be jointly planned and implemented.

For example, the redevelopment of the historic Wayne Junction in our Nicetown Court I and II affordable housing developments total nearly 75 million in leveraged neighborhood investment. In a neighborhood that had not been on any meaningful plan for more than 20 years, this has made a tremendous impact visibly and to the economy. Our neighborhood housing development plan and strategy includes phases of housing preservation on the connecting residential blocks adjacent to these developments.

Planning and new development often brings to light the tremendous need to stabilize and preserve the existing housing stock adjacent to it. Our neighborhood residents often ask, Now what are you going to do with that, referring to the blighted homes and properties so close to our new developments. While the Nicetown CDC remains ever diligent, what most of our constituents don't know is that the BSRP waiting list was closed and OHCD was forced to eliminate funding for the Targeted Housing Preservation Program, also known as THPP, due to budget limitations. The Nicetown CDC has completed 19 THPP projects on the residential blocks surrounding Nicetown Court I and II. Now with minimal resources for preservation, the Nicetown

CDC is not able to continue implementation of our affordable housing development and preservation plans without interruption.

This scenario is not just in Nicetown but in many neighborhoods where our fellow CDCs are working diligently to revitalize communities. This is why PACDC is advocating at the state and federal level for more resources, including the aforementioned efforts of Senators Kitchen and Vogel to direct up to 25 million annually in new revenue collected from the state realty transfer tax to PHARE and the bill from Representative Killion to expand the NAP.

I join my colleagues in support of this, and we applaud Council President Clarke for considering the 4 percent Low Income Housing Tax Credit program and PHA's underused Annual Contribution Contracts.

But we do have to pay attention with what was said by Maria and Deborah in regards to the difficulties in that 4 percent program.

This will also assist the much-needed Affordable Housing Units initiative and do more to preserve and improve existing homes that are so desperately in need of repair. Other options such as surcharges on Sheriff Sales and hotel bookings potentially could raise more than 5 million per year. These are all new and innovative ways to help establish more funding to support sustainability with affordable housing development and preservation.

Sincere thanks to Council President Clarke, Chairwoman Blackwell, and all of Council for your hard work advocating for implementation of policies and programs to advance equitable development over the years. PACDC would like to join you at the table to make the Building an Affordable Future plan work. We are also willing to work with you over the summer to explore ways to ensure that all Philadelphians have affordable, stable, and preserved housing.

Any questions?

COUNCILWOMAN BLACKWELL: Thank you.

Are there any questions?

(No response.)

COUNCILWOMAN BLACKWELL: The Chair also notes that Councilwoman Cindy Bass on this Committee is also present.

Thank you.

Mr. Rodriguez.

MR. RODRIGUEZ: Good morning, Councilwoman Blackwell and Councilmembers. Thank you for the opportunity to testify. I am Angel Rodriguez, Vice President of Asociacion Puertorriquenos en Marcha. I am here in support of Bill 140274.

I have submitted written testimony, so I'll keep my testimony brief, and my colleagues here fully vetted the whole issue for you, other than to say thank you for listening to us and working with us to change the language to say -- reading "up to" $5 million in housing. APM stands ready to work with Council, the Administration, PACDC, various intermediaries, and the state on trying to reach the goal of 1,500 units a year. We recognize that maintaining the funding for preservation, adaptive modifications and services that provide for homeless prevention is essential to a holistic approach for rebuilding our neighborhoods and preserving affordable housing and creating new houses to meet the needs of our communities. Creating healthy communities and sustainable communities equitably is a challenge, and this bill will assist us in achieving that goal of equitable development so that our communities serve all residents, no matter what the income may be.

I would like to close in saying that myself -- my fellow CDC directors I'm sure will agree with me -- that it's a fine line when you start developing and creating a market and then have to deal with market forces while there's still a need for our existing residents that deserve equitable and quality housing in the City.

So thank you for the bill and thanks for the opportunity to work with you.

COUNCILWOMAN BLACKWELL: Thank you. And we absolutely agree. Definitely a challenge.

Are there any questions for anyone on this panel?

(No response.)

COUNCILWOMAN BLACKWELL: All right. We thank you very much.

Panel 3.

(Witnesses approached witness table.)

COUNCILWOMAN BLACKWELL: Thank you very much. You may begin in any order.

MR. EARLE: Good morning,

Council and good morning, Chairperson Blackwell. Thank you for the opportunity to testify today. My name is Thomas Earle and I am the Executive Director of Liberty Resources, which is the Center for Independent Living in Philadelphia that provides community-based advocacy and services and supports to over 4,000 residents with disabilities who live in our great city. We are also members of the Philadelphia Coalition for Affordable Communities, a group of community-based stakeholders with a long history in Philadelphia that has successfully helped pass the Housing Trust Fund, inclusionary zoning and, most recently, the City's first Land Bank ordinance. I am here to testify today in support of Bill No. 140274.

We applaud the City for recognizing the continuing housing crisis that working families in Philadelphia face as well as many residents with physical disabilities who are on very low

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fixed income, monthly income.

We are very happy that the Building an Affordable Future plan calls for using the newly established Land Bank to set aside vacant land in gentrifying neighborhoods. LRI and the Campaign to Take Back the Vacant Land advocated strongly for the specific inclusion of the equitable development language that is in the bill and passed under Councilwoman Sanchez's leadership, and we're encouraged to see that this is part of the current plan.

Specifically, leveraging the 4 percent federal Low Income Tax Credit will help and go a long way to making sure that we're not diverting HTF dollars away from critical projects and programs that are currently being financed by the Trust Fund, such as the 9 percent tax rental credit as well as the basic home systems and repair and the adaptive modification program.

Specifically, we have ongoing

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concerns about the adaptive modification program. That currently has about a three- to four-year waiting list for folks to receive help improving the accessibility of their existing apartment or homes in the City of Philadelphia.

LRI and its housing development corporation, Liberty Housing Development Corporation, have directly benefited from the Housing Trust Fund in the past, and securing the Housing Trust Fund's future is very important to us. We've been blessed to receive two grants to develop 18 units of accessible and affordable one-bedroom housing that's specifically used to help people with disabilities in Philadelphia move out of nursing homes like Philadelphia Nursing Home and begin living independently in a community. And with the success of the Housing Trust Fund, we would continue to work in that manner to increase accessible and affordable housing so that seniors and people with disabilities can live with dignity in their communities and live independently with their family and friends instead of unnecessary and expensive nursing home facilities. So optimizing the use of available Low Income Tax Credits is very important, and we applaud City Council on this effort.

Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Hi, Tom. How are you doing?

MR. EARLE: Hi, Councilwoman.

COUNCILWOMAN SANCHEZ: You heard me earlier asking about the cost of this. In addition to the normal cost of a unit in terms of making it affordable and accessible, have you guys looked at a scale at what you think -- and you don't have to answer this right now, but I'd be interested to see what the additional costs are so that we can be as proactive as we possibly can.

MR. EARLE: We have generally found that in new construction projects when the accessibility is designed in from the get-go at the design stage, that the incremental increased costs for accessibility features is pretty de minimis. I can circle back to you and we do have an average square foot price for new construction as well as rehabbing. So definitely will forward that information to you.

COUNCILWOMAN SANCHEZ: You alluded to the three, four-year waiting list for Basic Systems Repair. What's that number?

MR. EARLE: I'm not sure of the waiting list for Basic Systems Repair, but --

COUNCILWOMAN SANCHEZ: The modification one.

MR. EARLE: The waiting list for --

MS. SALANDRA: 399.

COUNCILWOMAN SANCHEZ: 399 people? And how many do we do a year? Do you know how many? Well, we can ask later. We'll get that later.

MS. SALANDRA: It can be anywhere from 100 to 200. It depends on what they're doing, what they're --

MR. EARLE: Per year.

MS. SALANDRA: Yeah, per year. On what they're doing.

COUNCILWOMAN SANCHEZ: I think we want to make sure that as we start scaling this stuff up, we are as deliberative as possible in looking at the numbers and making sure that equitable development means that we are making sure there's a certain amount of units that are accessible.

MR. EARLE: That's great.

COUNCILWOMAN SANCHEZ: So sometimes if you guys don't call it to our attention, you know, we'll get caught up in the --

MR. EARLE: We'll definitely remind you. Thank you.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCILWOMAN BLACKWELL: Nancy. She will introduce herself and she is the one who has made comments for the record.

MS. SALANDRA: So you already have -- I handed in my comments. I'm Nancy Salandra with Disabled in Action and I want to thank you today for being able to testify on Bill 140274, as amended. We're in favor of that. We're in favor of the thousand units, though it's far short of what's needed.

Disabled in Action has been advocating and working for over two decades on this issue. We're well aware of that. The people we serve are on SSI, and they're at 10 percent of area median income. So they're some of the lowest of the low.

We'd like to see affordability be able to say not for 10 or 20 or 30 or 40 years but 99 years, because a lot of things, before you know it, they're not affordable anymore. That's a big issue for us.

We've also been working since 2000 with other groups in coalitions, and as Tom said, we're now part of the Philadelphia Coalition for Affordable Communities and we're beginning to work on development without displacement. So we would really like to be able to work with City Council and the Administration in creating new policies that bring in new resources into the City.

In my day job as working on nursing home transition, we transition people out of Philadelphia, 44 nursing homes. We at all times have 100 people on our waiting list, and with a minimal stamp, we're able to move between 36 and 40 people out a year. So we understand tremendously the need, especially to bring people out of institutions and back into the community as taxpayers.

Thank you again for letting me testify.

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. PRESLEY: Thank you very much for the opportunity to testify today. My name is Marcus Presley. I'm currently the Organizing Director at the Women's Community Revitalization Project. We operate about 250 units of affordable housing in eastern North Philadelphia that we've developed as well.

I really want to thank City Council. We really applaud City Council for this effort to combat the affordable housing crisis in Philadelphia. Leveraging untapped resources such as the 4 percent tax credits are an extremely important way to do new affordable housing development. So we're very happy with this effort.

We're also very happy with the,

as Tom had mentioned, with the fact that the Land Bank bill, which we did a lot of advocacy for and who Councilwoman Sanchez was a very big champion for, is going to be used to really target a development of affordable housing in gentrifying communities. So we applaud Council for that.

Leveraging 4 percent tax credits is a great idea, and the amendments that were introduced last week will go a long way towards making sure that the bill is not diverting resources away from critical projects.

WCRP has used 9 percent Low Income Housing Tax Credits and Trust Fund dollars to facilitate the development of over 70 units of affordable homes, and as a development organization, we're very excited about the possibility of testing out this new program in terms of the 4 percent tax credits.

The one thing that we do want to make sure happens is that the Housing

Trust Fund Oversight Board continues to have a strong role in overseeing the use of Housing Trust Fund dollars, including dollars that are going to be allocated to the Building Affordable Futures plan.

We do believe that in order to meet the tremendous demand of affordable housing in Philadelphia, we also need to generate additional revenue for the Housing Trust Fund, as Councilwoman Blackwell said in her opening remarks. We are also ready to stand with Council and have conversations with Council to figure out how that can happen. WCRP is beginning to work right now with a group of organizations, as mentioned earlier, called the Philadelphia Coalition for Affordable Communities, and we really want to work with Council to figure out how to do development without displacement.

We're in the process of researching some policies that have worked in other places such as mandatory inclusionary zoning, increased penalties for holding residential buildings vacant, limiting tax abatements in gentrifying neighborhoods, and anti-speculation taxes on flipping houses. We're going to be analyzing these to see how they might be able to work in Philadelphia's markets and, again, we're very interested in meeting with Councilmembers to discuss how we could join forces to increase resources and ensure that long-term residents and businesses and institutions aren't pushed out of communities.

So thank you very much for the opportunity to talk today, and we're looking forward to having this be really the beginning of a dialogue around increasing resources for affordable housing.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Presley.

Yes.

MS. CORREA: Good morning. My name is Lynette Correa. Thank you for having me. I volunteer at the Women's Community Revitalization Project, WCRP. We are a non-profit organization aligned with the PACDC and the Philadelphia Affordable Housing Coalition. Our organization has a long history of working with coalitions that win land and resources for affordable housing. Through the Campaign to Take Back Vacant Land, we successfully won equity language in Philadelphia's first Land Bank bill.

Our next goal is to introduce legislation that would increase funds for equitable development in the City. Balanced development comes without displacement, and we must dedicate funding to the City's Housing Trust Fund. The Development Without Displacement campaign will work to secure the use of existing HTF dollars and Land Bank parcels for the development of mixed-income communities. More community oversight by the HTF Board is also crucial to the balanced approach that has been recognized by Councilman Clarke. Our coalition is willing to be a test case for this.

Regardless of the booms and busts of the housing market, we need to create affordable homes for people in their communities. Some options we can use to obtain more money for affordable housing are mandatory inclusionary zoning, which requires a portion of affordable new construction to be granted to people with low to moderate incomes, limits on tax abatements in gentrifying neighborhoods and surcharges to transfer taxes, as well as anti-speculation taxes on flipped houses.

In the last decade, thousands of new homes have been built across the City of Philadelphia. While this has been a boon to our neighborhoods, many of the City's long-term residents are not able to afford the tax increases attached to these quarter million-dollar-plus properties. A perfect example of this can be seen on the 100 block of Ellsworth Street in the Pennsport section of South Philadelphia where one dilapidated row house built in the 1920s sits among over a dozen state-of-the-art modern structures. A photocopied article hangs inside its paint-chipped window with the headline that reads "House Poor: If a new real estate bubble goes pop, taxpayers will crackle and snap."

We invite Council to work with us and open up dialogue about increasing resources to ensure that gentrification does not push people out of their own neighborhoods.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions?

(No response.)

COUNCILWOMAN BLACKWELL: We thank you all for your testimony.

We note that the Building Industry Association of Philadelphia has

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submitted testimony. That will be made part of the record. We want to say a special thank you to not only Councilwoman Sanchez but President Darrell Clarke and Herb Wetzel who worked very, very hard on this legislation.

Is there anyone -- yes, sir. Mr. Earle.

MR. EARLE: Councilwoman Blackwell, just one quick answer that I found out to Councilwoman Sanchez's question, and this is particular to a recent project that involves 13 accessible units. The average square -- the square footage cost was $255 per square foot, which came out to about 175,000 per unit. And these are fully accessible, state-of-the-art units with roll-in showers, grab bars and all the things that people need to live independently.

COUNCILWOMAN SANCHEZ: Can you repeat that.

MR. EARLE: Yes. The square

foot price was $255 for a per-unit cost of 175,000 for the wheelchair-accessible unit with a roll-in shower and other full accessibility features.

COUNCILWOMAN SANCHEZ: Thank you, Tom.

MR. EARLE: Just keep in mind that on some of the rehab work, including making a unit of housing visitable, not necessarily accessible, those costs could probably be even cheaper.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you.

Is there anyone else to testify?

MR. ALI: I'd like to testify.

COUNCILWOMAN BLACKWELL: Yes, sir.

Thank you very much.

MR. EARLE: Thank you.

(Witness approached witness

table.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. ALI: Good morning, Councilwoman, Chairwoman and other distinguished members of City Council. My name is Jihad Ali. I am a citizen. I like to lead with that, because that's the most important thing to me. I'm also a founding member of the Contractors Roundtable, and I have experience in Low Income Housing Tax Credits because I was a co-developer in Councilwoman Blackwell's district with one of our leading African American developers in the City of Philadelphia, Mr. Harold Thomas.

One of the things that I heard in the conversation was that, Councilwoman Sanchez, when you talk about a formula, one thing to keep in mind, we're talking about two different things here. We're talking about this bill, which I fully support, and then we're talking about the thousand units.

Now, those thousand units based on what Council has presented so far, they're going to be associated with the Annual Consolidated Contract, and also there is going to be a requirement that that be prevailing wage. So there's going to be some certain costs that some non-profits when they're dealing, they're dealing with an open shop. Mostly all the non-profits that I'm familiar with that testified today, most of them deal with union contractors anyway. But when you start looking at those costs of $142 to $255 a square foot, those are all union-based costs. When you look at non-union, they're down to like $50 to $70 a square foot, but that's going to be impossible in a thousand units because of the 15-year, the first 15-year Annual Consolidated Contract.

So sometimes it's best to get some things out of the way early so we don't waste time on something that's not going to be possible.

The other thing that I would like this Committee to think about, there's no reason why -- you're really tasked with thinking 30 years out in the future. The first 15 years you're really thinking about 2029 right now, because the Annual Consolidated Contract based on the presentation that was made is going to be awarded for a 15-year cycle the first 15 years, with a renewable cycle 15 years later. There's no reason why at the end of that first 15-year period the entire 1,500 units will not be able to be homeownership units, because you'll be able to elect that the right of first refusal goes to the tenant after the first 15-year compliance period is over, because that's really the period of the credits.

And also, Councilwoman Sanchez, you know, there's a movie out now called Now You See It, Now You Don't, and there's a comment made in the movie where the magician says, The first trick to magic is being the smartest guy in the room, and I would just like to modify that. The first thing about tax credits is you can't only have one smart guy in the room. You have to know these tax credits. And the thing the -- as I said earlier, we're talking about two different things, because when you talk about accessibility, visitability, all those regulations are mandated by the qualified application plan, which is set by the state allocating agency. In our particular situation, that's PHFA. So PHFA in the qualified application plan talks about the affordability being 20 percent of units being people making less than 40 percent, 60 percent of the median, and then it talks about all the other qualifications. So the qualified application plan will tell you everything about visitability, accessibility that you need and it also indicates what projects you'll be able to mandate.

Thinking about as I started was, if you think 30 years out, my particular concern is -- the non-profits spoke. So my concern is about the for-profit developers, because when you look at our communities that are blighted, there's a historical fact why our communities are blighted, and it really goes back to 1934. And in 1934, that's when FHA mandated the Federal Housing Administration with President Roosevelt, I believe, and in that period of time, which was the time period where we had the ability to amortize mortgages over 30 years, African Americans and Latinos was excluded from that almost for 34 years, back to 1968. And because we missed that opportunity to create wealth, we're still playing catchup. And now all the other things that happened between '68 -- up until '65, we didn't have civil rights.

So thinking about this program that you are all mandating, we have an opportunity to impact that wealth creation in the future, because some of these programs are going to be done by non-profits, but some are going to be done by for-profit developers.

So I would just like you to consider in the future that you have to look at that. We have to make sure that when we talk about equitable distribution, when I talk about it, it might be something different from what you talk about. When I talk about it as an African American man, I'm talking about African Americans participating. I'm sure, Councilwoman Sanchez, you're talking about Latinos and other people participating. And then we have to be fair, we want to see the Asians and everybody else participate. So we're talking about -- when I'm saying that, I'm talking in terms of race, and we want to help create that wealth.

I want to thank you. I support Councilwoman Blackwell, and you know, Councilwoman, I've been an advocate on inclusion, and I know that you are too. And keep in mind in this program, typically one of the ironies of what we're talking about is in the Low Income Housing Tax Credit program, there is no requirement that there be inclusion. Although this Council has done tremendous work on inclusion, EOP plans, most of the time in Low Income Housing Tax Credits, that can be something that is not an enforceable item. Sometimes when we have a Councilwoman like Councilwoman Blackwell, she may encourage the developer to do that, but he's not required to. So we really don't get that strength from the ordinance that we really should.

In this particular case when you talk about those thousand units, because of that Annual Consolidated Contract, well, that's going to trigger PHA's regulations, federal regulations. So we're going to -- by law, we're going to have -- I believe they're at 20 and 10. So we're going to get that participation. So that's a good thing about this on that.

So I just want to caution you that as you go forward, just have people on your staff that when you're sitting down with those developers, because everybody is only looking after their interest, and you have to be as knowledgeable as them, as they're going to be on this side of the table.

Thank you for giving me the opportunity to speak.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Ali.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you. Thank you very much.

If there's no one else to testify, we will conclude our hearing portion of this meeting and go into our public meeting.

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The Chair recognizes Councilmember Greenlee for a motion on the amendment to Bill No. 140274.

COUNCILMAN GREENLEE: Thank you, Madam Chair. I offer an amendment to Bill No. 140274. A copy of the amendment has been circulated to the Committee, and I move the adoption of that amendment.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and properly seconded that the amendment to Bill 140274 be approved.

All those in favor of the motion will signify by saying aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Those opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it. The motion carries, and the amendment to Bill No. 140274 has been approved.

The Chair now recognizes Vice

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Chair Sanchez for a motion on Bill No. 140274, as amended.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair. I move that Bill 140274, as amended, be moved out of Committee with a favorable recommendation and further move that the rules of Council be suspended to allow first reading at our next public session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 140274, as amended, be reported out of Committee with a favorable recommendation and a recommendation for a suspension of the rules so as to permit first reading at our next session of Council.

All in favor, aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it, and so the bill is passed.

Let me thank you all for coming, and let me thank the Committee for their cooperation and their attendance as well.

Thank you all.

(Committee on Housing, Neighborhood Development, and the Homeless concluded at 12:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY

RPR-Notary Public

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