

Campaign for Vibrant and Safe Neighborhoods

Proposal to Triple the Philadelphia Housing Trust Fund to \$45 Million Per Year

Background

Established in September 2005, the Philadelphia Housing Trust Fund is designed to expand access to affordable homes and spur sustainable neighborhood revitalization through the production of new homes, repair of existing homes, and homeless prevention assistance.

Through September, 2007, the Trust Fund has generated over \$30 million in new resources to address these needs. These funds are being used to directly assist more than 2,200 families with their housing needs, and are leveraging an additional \$222 million in private and public investment in our neighborhoods.

In order to more effectively address the growing need, the Campaign for Vibrant and Safe Neighborhoods—a broad-based coalition of over 40 organizations—is calling for the tripling of the Philadelphia Housing Trust Fund to \$45 million per year.

Why Now?

With the strengthening of the local real estate market, the cost of buying or renting a home in Philadelphia has increased considerably in the past five years. While these increased home values can generate wealth for existing homeowners, others are being priced out of the market—estimates are that 60,000 Philadelphia families are still in need of affordable homes. In addition, Philadelphia has a significant population of long-term homeowners who do not have the resources needed to adequately maintain their homes, and has nearly 15,000 homeless on an annual basis struggling to find a safe place to stay.

While a number of neighborhoods have seen significant new investment, others have an excess of vacant and abandoned properties and a high concentration of households living in poverty. In order for these neighborhoods and the City overall to flourish again, we need to attract new investment and residents in a way that will benefit long-term residents and create mixed-income communities that can be sustained over time.

In order to more effectively address the City's housing demand and better manage neighborhood change, we need to significantly expand locally available resources. This point was made abundantly clear during the most recent round of funding requests to the Philadelphia Housing Trust Fund earlier this year, when requests for funds to support the development of new homes outpaced available Trust Fund dollars by 3 to 1.

Philadelphia as a Model

The Philadelphia Housing Trust Fund was specifically designed to help ensure a more coordinated and equitable approach to neighborhood revitalization. Above and beyond the tangible achievements of building new homes at a range of income levels, repairing existing homes, and preventing homelessness, the Trust Fund is a model of best practices. By working with the community and taking a systemic approach, the Trust Fund is being implemented in a flexible way that allows it to address a broad range of affordable housing needs *and* respond to changing needs over time, is transparent in its decision-making, proactive in getting resources onto the street, and able to contribute to the long-term viability of neighborhoods and the City overall. Not only is it innovative in the range of people it helps, the Trust Fund represents the largest infusion of local dollars dedicated to affordable homes in the City's history.

Sustaining What Works

With a new Mayor and City Council taking office in 2008, now is the time to work collaboratively to build on the progress achieved thus far. Not only can we solidify gains, but the Philadelphia model can become a national example of successful innovation, best practices, and an effective response to housing needs. By increasing the fund to \$45 million annually we can amplify the accomplishments of the Trust Fund's first two years.

IMPACT OF TRIPLING THE PHILADELPHIA HOUSING TRUST FUND TO \$45 MILLION ANNUALLY MEANS WE CAN:

- Build 1,200 new homes each year
- Assist 1,500 homeowners with home repairs each year
- Prevent over 1,200 families from becoming homeless each year
- Leverage tens of millions in additional private and public investment each year
- Improve neighborhood quality of life, create jobs, and expand our tax base

How Can We Fund this Investment?

Successful Housing Trust Funds from around the country utilize dedicated and ongoing funding sources that produce a predictable revenue stream to support affordable homes. The Philadelphia Housing Trust Fund currently taps one such source—mortgage and deed recording fees—which is generating approximately \$14 million per year. Additional realistic and viable funding sources that could support expansion to a \$45 million per year Trust Fund include:

- Expiring Tax Abatements: To encourage residential construction, in 1998 the City began providing homebuyers with 10-Year Tax Abatements on property being redeveloped. The first of these tax abatements begin to expire in 2008, resulting in new tax revenue from hundreds of properties that previously paid little taxes. Within ten years these expiring abatements will be generating over \$50 million a year, with 60% of property tax revenue going to the School District and 40% to the City. The City's portion of this new revenue is an ideal source to dedicate to the Trust Fund.
- Realty Transfer Tax: This is an existing tax of 4% that gets paid to the City (3%) and State (1%) every time there is a real estate transaction. With the significant increased home values in the local real estate market, the revenue generated from this tax has more than doubled in the last five years to \$200 million per year. A portion of the growth in this revenue stream should be dedicated to the Trust Fund.
- Inclusionary Housing Payments: The City is currently exploring the creation of an Inclusionary Housing ordinance to leverage market rate development for affordable housing opportunities. Typically, such ordinances include an in lieu of payment option where a developer can opt-out of building affordable homes as part of their development by making a payment into a Housing Trust Fund.
- Additional Sources include matching funds from the proposed State Housing Trust Fund, and a portion of the City's revenues from the proposed slot parlors, among others.

For more information, contact:

Campaign for Vibrant and Safe Neighborhoods
c/o Philadelphia Association of Community Development Corporations
1315 Walnut Street, Philadelphia, PA 19107; (215) 732-5829