

PHILADELPHIA'S HOUSING CHALLENGES: WHY WE NEED A HOUSING TRUST FUND

Philadelphia's housing needs are immense. There are tens of thousands of families in the city who do not have affordable housing. Philadelphia suffers from abandoned housing, a declining population, and disinvested neighborhoods. The aging housing stock across the city challenges homeowners. Additionally, while the city's housing needs have grown, the available resources to address housing and neighborhood revitalization issues have declined dramatically. A Housing Trust Fund would provide much needed investment and leverage for additional funds to reverse these alarming trends.

Families in Philadelphia desperately need affordable housing.

According to a recent study, almost 130,000 households in Philadelphia, or one out of every five households in the city, have an annual income below \$20,000 and pay more than they can afford on housing. More than 31,000 households live in overcrowded conditions and nearly 60,000 more affordable units of rental housing are needed in Philadelphia to meet this housing crisis. Furthermore, 17 percent of Philadelphians pay more than half of their income on housing, according to the 1999 American Housing Survey. Additionally, the *Philadelphia Inquirer* reported in May 2003 that homeless families now stay in shelters for an average of two years because of the lack of permanent affordable housing.

Philadelphia suffers from aging housing and population decline.

Half of the housing in the city was built before 1956. As Philadelphia's houses age, their maintenance needs increase. Compounding this problem, the city's population is aging as well. Thirty percent of homeownership units are owned by people 65 or older, many of whom are low-income. Older residents are less able to maintain their homes, and an accumulated backlog of deferred maintenance often leads to abandonment.

Our neighborhoods continue to experience from blight.

While median home prices in Philadelphia are increasing, prices remain stagnant in many neighborhoods, particularly in our lower-income communities. A recent *Inquirer* study found that homes in ten Philadelphia neighborhoods have lost between 2 percent and 30 percent of their value over the past five years. Our population decline has led to a calamitous rise in abandonment and disinvestment. Our problem with vacant lots and buildings remains overwhelming - Philadelphia has almost 60,000 abandoned properties, more per capita than any other city in America.

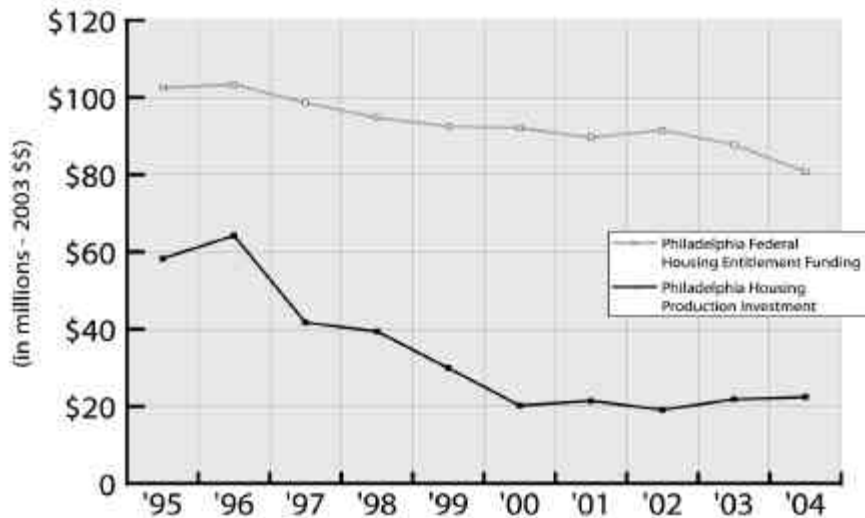
Revitalization and reinvestment can make our neighborhoods communities of choice.

The work of Philadelphia's CDCs shows that there are solutions to these problems. Neighborhoods as diverse as Frankford, Eastern North Philadelphia, and West Philadelphia have seen that a comprehensive approach to revitalization, including building new housing, can increase the economic diversity of a neighborhood and sustainably increase neighborhood values.

Existing resources are inadequate to address Philadelphia's housing needs.

In the last decade, the federal entitlement resources Philadelphia receives have fallen from \$97 million in 1994 to \$81 million in 2004 (in constant 2003 dollars). Historically, Philadelphia has relied almost exclusively on outside, mostly federal, resources to support housing production. During the past decade, the city's shrinking entitlement funding has led to a reduction of more than 60 percent in the city's housing production investment (see graph).

HISTORY OF PHILADELPHIA'S FEDERAL HOUSING FUNDING AND INVESTMENT IN HOUSING PRODUCTION



As Philadelphia's federal entitlement funding has contracted, the amount of money the City has been able to invest in housing production has fallen by more than 60%.

In the fourth year of the Neighborhood Transformation Initiative to eliminate blight and to prepare land for redevelopment, it is increasingly clear that we must find a way to devote additional resources to housing production in order to build on the vacant land being acquired and prepared for redevelopment.

Lack of housing investment costs Philadelphia outside funding.

The lack of investment costs the city opportunities to leverage additional private and public resources. In 2002, the Pennsylvania Housing Finance Agency had over \$6 million in Low-Income Housing Tax Credits that were not distributed because of a lack of tax credit applications from strong projects with other funding in place. This \$6 million would have generated about \$45 million in private investment for affordable rental housing. State funding for PHFA's Homeownership Choice Program was recently doubled to \$15 million a year. Leveraging these resources will require additional local matching funds. Additionally, because Philadelphia does not have a Housing Trust Fund, the city is denied access to Pennsylvania's Brownfields for Housing program, used to match Act 137 County Affordable Housing Trust Funds.

Many other cities have Housing Trust Funds.

Los Angeles, Chicago, and San Diego all have Housing Trust Funds. New York has invested more than \$631 million of its own resources in housing production over the past decade, representing 0.2 percent of the total NYC budget. In comparison, Philadelphia has only invested 0.03 percent of its budget in housing production – a rate seven times less than New York's. Of the seven largest cities in the country, Philadelphia and Houston are the only two that do not put significant local revenues toward housing production.