

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 100518)

RESOLUTION

Approving the annual Program Statement and Budget for the expenditure of the Neighborhood Transformation Initiative (NTI) Bond Proceeds for Fiscal Year 2011.

WHEREAS, Pursuant to Bill No. 010694, as amended by Bill No. 020036, Council must approve, by resolution, an annual Program Statement and Budget for the expenditure of proceeds of Neighborhood Transformation Initiative (NTI) bonds; and

WHEREAS, Council now wishes to approve the annual Program Statement and Budget for Fiscal Year 2011; now, therefore

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, THAT The annual Program Statement and Budget for the expenditure of the Neighborhood Transformation Initiative (NTI) Bond Proceeds for Fiscal Year 2011, attached hereto as "Exhibit A," is hereby approved.

BACKGROUND

The Neighborhood Transformation Initiative Program Statement and Budget describes the programs and activities that the City will fund using bond proceeds issued under the previous Administration's Neighborhood Transformation Initiative and the interest earned on those bond proceeds.

The Neighborhood Transformation Initiative (NTI) is an effort created in 2001 to rebuild and restore Philadelphia's neighborhoods. Funding for NTI came from three primary sources: tax-exempt bonds, taxable bonds and qualified redevelopment bonds (QRBs) totaling \$296 million. These bonds were all issued by the Redevelopment Authority (RDA). See Figure 1 for details.

Figure 1

Sources

	May 2002	March 2005	TOTAL
Tax-Exempt	\$ 124,100,000	\$ 83,400,000	\$ 207,500,000
Taxable	\$ 18,500,000	\$ 25,000,000	\$ 43,500,000
Qualified Redevelopment	\$ -	\$ 45,000,000	\$ 45,000,000
TOTAL	\$ 142,600,000	\$153,400,000	\$ 296,000,000

Note: These amounts reflect the face value of the bonds and not their ultimate sales price. See Figure 4 for that detail.

When it issued the tax-exempt and Qualified Redevelopment bonds, the RDA agreed to follow specific usage requirements that would give the bonds a lower interest rate and ensure the bondholders that the bonds would retain their tax-exempt status. The agreed upon usage requirements follow as does a description of the taxable bonds. (Note: any interest earned on the bonds carries with it the same restrictions as the original bond proceeds.)

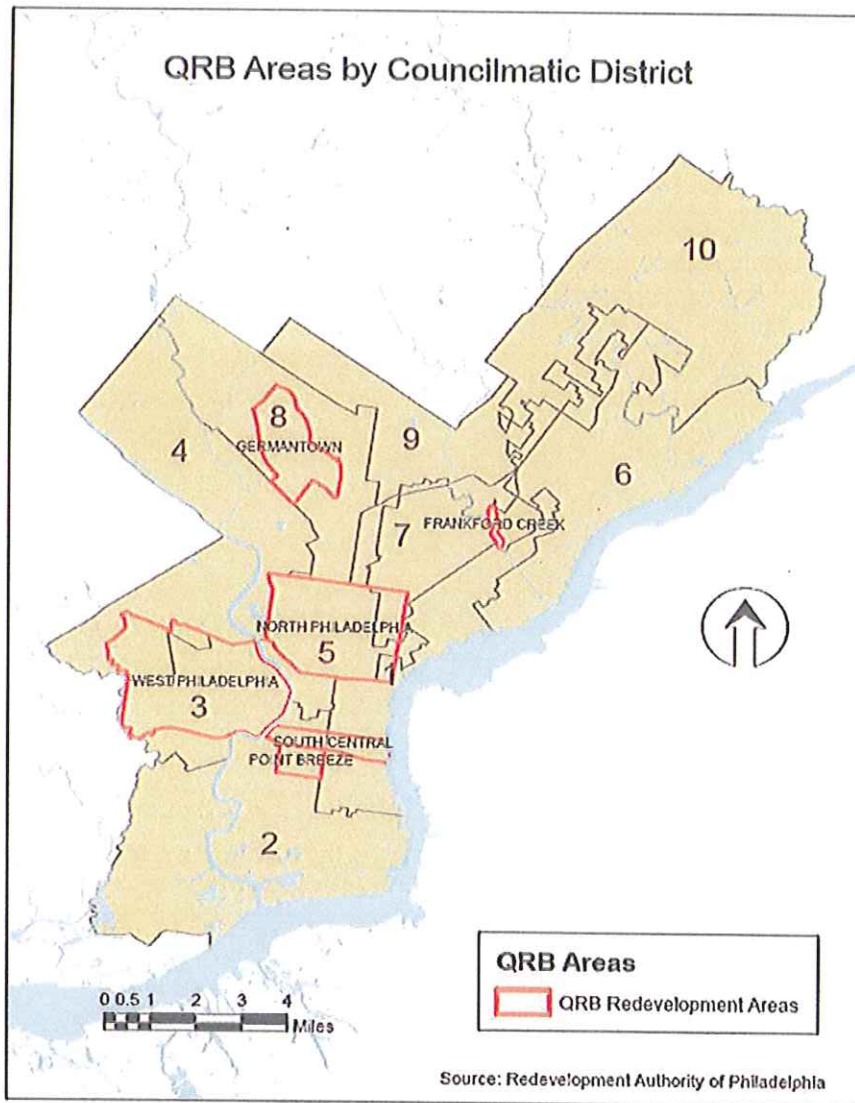
Taxable Bonds: Taxable bond money, which can be used for many NTI program with few restrictions, has been expended on programs such as the PHIL Loan, the Targeted Basic Systems Repair, and the Home Ownership Rehabilitation Loan programs. More than \$29 million in taxable bond funds was spent on land acquisitions. \$278,133 remains to be drawn down and will be used for an anti-predatory loan loss reserve.

Tax-Exempt Bonds: Bond proceeds may only be used for activities that protect the health, safety and welfare of the public. Most of the tax-exempt money spent to-date has been on the demolition, stabilization and encapsulation of vacant, dangerous buildings. \$12,982,569 remains to be drawn down.

Qualified Redevelopment Bonds: Spending is restricted to specific activities (land acquisition, site preparation, rehabilitation and relocation expenses) in designated geographic areas of the city that were agreed to by City Council before the bonds were issued in March 2005. (See Figure 2) Any property purchased using this money must then be disposed of at fair market value (unless the purchaser is a government entity). \$45,020,488 remains to be drawn down. Bond counsel has opined that these funds are to be spent by March 2011. Given this fast-approaching

deadline, RDA and Nutter Administration staff are exploring options that would help assure that these bonds are spent as originally intended—namely to reduce blight and spur development in Philadelphia’s most distressed communities.

Figure 2



In April 2010, City Council approved the FY10 Program Statement and Budget. The following Figure 3 represents that budget as adjusted herein for discrepancies.

Figure 3 FY10 Program Budget—City Council

NTI Bond Proceeds Activity	FY10 Budgeted Bond Amounts	Cumulative Draw Downs	NTI Bonds Remaining for Drawdown
Demolition			
Demolition	142,736,192	(142,466,692)	269,500
Vacant Property Stabilization	5,892,855	(2,428,000)	3,464,855
Land Acquisition			
	79,660,995	(34,640,507)	45,020,488
Housing and Neighborhood Preservation			
Retaining Wall Reconstruction	2,670,000	(2,180,783)	489,217
Expanded Home Rehabilitation Program	6,000,000	(6,000,000)	0
Philadelphia Home Improvement Loan Program	3,800,000	(3,800,000)	0
Anti-Predatory Loan Program	931,967	(653,834)	278,133
Employer Assisted Housing- HomeBuy Now	2,560,944	(1,635,000)	925,944
Targeted Basic System Repair Program	3,000,000	(3,000,000)	0
NSP—Enhancement Basic Systems Repair	1,500,000	0	1,500,000
Basic System Repair Program	31,877,924	(30,775,000)	1,102,924
SHARP Home Repair Program	525,000	(525,000)	0
Settlement Grant Assistance	4,300,000	(3,700,000)	600,000
Preservation Development Initiative	250,000	(250,000)	0
Adaptive Modification Program	11,750,000	(10,050,000)	1,700,000
Historic Property Repair Program	1,207,500	(1,207,500)	0
Affordable Rental Development	250,000	(250,000)	0
Housing Trust Fund	1,500,000	(1,500,000)	0
Equitable Development Strategy	1,600,000	(1,600,000)	0
Commercial Corridor Support Initiative	1,953,861	(1,953,861)	0
Homelessness Prevention Program	1,600,000	(1,600,000)	0
Vacancy Prevention (Tangled Title Program)	100,000	(50,000)	50,000
Foreclosure Prevention	2,000,000	(125,000)	1,875,000
Management Information Systems			

Land Tracking System	1,005,012	0	1,005,012
Vacant Property Management Information System	5,700,000	(5,700,000)	0
Unified Land Records System	3,095,133	(3,095,133)	0
Totals	317,467,383	(259,186,310)	58,281,073

From 2002 until May 2010, the City of Philadelphia drew down \$259,486,310 worth of bonds and interest earned on those bonds to spend on a variety of NTI-related programs (See Figure 4). \$546,629 in tax-exempt bonds were drawn down in FY10 for the Foreclosure Program. This draw down is reflected in both Figure 4 and Figure 6.

It should be noted that the bond amounts stated in Figure 4's "Deposits to Trustees" reflect the bonds' actual sale price. When bonds are issued, they often command a market price that is higher or lower than their face value—this occurred with three of the NTI bond issuances and the amount of money deposited with the Bond Trustee differed from the face value.

As of 5/31/10, just under \$58 million worth of bonds and interest remain to be drawn down. Some of this money represents interest previously unbudgeted. The FY11 budget reflects these additional funds.

Figure 4

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>QRB</u>	<u>Total</u>
Deposits to Trustee				
2002 Series	\$125,228,569	\$18,185,700		\$143,414,269
2005 Series	\$83,371,915	\$25,000,000	\$45,000,000	\$153,371,915
Interest Earned	\$13,188,671	\$2,172,038	\$5,020,488	\$20,381,314
2003A Issuance Cost				(\$300,000)
Cumulative Draw Downs	(\$209,353,332)	(\$45,079,605)	(\$5,000,000)	(\$259,732,937)
Funds Remaining	\$12,435,823	\$278,133	\$45,020,488	\$57,734,444

DECLARATION OF TAKING OBLIGATIONS

In 2008, City Council requested an audit of the NTI land acquisition funds to determine how money had been spent to-date and how much money remained for future property purchases. Despite having spent or committed tens of millions of dollars from 2002 to 2008 on land acquisition projects, the prior administration had never detailed to City Council how those monies had been specifically spent.

In the summer 2008, the City Controller's office, with support from the accounting firm of WithumSmith+Brown, began to examine the accounting and property transaction records maintained by the Philadelphia Redevelopment Authority (RDA). The Controller's Office issued its final report on October 14, 2009.

The audit found that \$13 million in taxable bond money had been over-committed as of June 30, 2008. That amount has since decreased to \$11.8 million, as of August 30, 2009, as court payments that were already in process were made or owners of properties that had received Declarations of Taking filings decided to make settlements with the RDA.

The \$11.8 million represents “declaration of taking” (DOT) filings made by the RDA with the Municipal Court for approximately 1,500 properties. The RDA is legally obligated to make the Payments into Court (or settle directly with the property owner) for these acquisitions. An analysis of the DOT properties was conducted by RDA staff to determine the source of funds that could be used to satisfy the obligation. One goal of this effort was to maximize the amount of QRB dollars that could be used (QRB funds being the most restricted source of land acquisition funds). It has made the following preliminary allocations, which are likely to change upon final documentation. It should also be noted that the total amount of Payments into Court and settlements may also change.

Figure 5

QRB	CDBG	DCED	Flexible
\$ (6,829,796)	\$(3,239,701)	\$ (614,000)	\$ (1,167,208)

FREEING UP LESS-RESTRICTIVE LAND ACQUISITION DOLLARS

Given the difficulties that might be encountered in finding eligible uses for QRB money in certain Council districts, the Administration and RDA staff have worked over the winter and spring on several efforts that address this problem.

RDA staff has examined the thousands of land acquisition expenses that were made using taxable bond proceeds to determine if the transaction might be reallocated to QRB bond proceeds. Bond counsel has opined that this is possible if three conditions are met: (1) the purchase was made in a QRB area; (2) the acquisition took place after the March 2005 QRB issuance date; and (3) the land was or will be sold at fair market value.

Based on its analysis, RDA staff determined that \$2.4 million of prior land acquisitions were QRB eligible. As a result, in May 2010, necessary paperwork was signed by the Finance Director and RDA Executive Director to substitute \$2.4 million in QRB dollars for taxable bond dollars.

PROPOSED FY2011 BUDGET

Since the FY2010 Program Statement and Budget was approved by City Council, limited expenditures have been made. As noted above, \$546,629 in tax-exempt bonds were drawn down for the Mortgage Foreclosure program.

The Nutter Administration proposes the following budget for FY2011.

Figure 6 – Cumulative NTI Drawdown and FY2011 Budget

NTI Bond Proceeds Activity	NTI Budget FY2010	Cumulative Drawdown	Bond Balance	Proposed Reallocation Of Bond Funds	Proposed Budget FY2011
Demolition					
Residential Demolition	142,736,192	(142,466,692)	269,500		142,736,192
Vacant Property Stabilization	5,892,855	(2,428,000)	3,464,855		5,892,855
Land Acquisition					
Land Acquisitions	79,660,995	(34,640,507)	45,020,488		79,660,995
Housing and Neighborhood Preservation					
Retaining Wall Reconstruction	2,670,000	(2,180,783)	489,217	(250,000)	2,420,000
Expanded Home Rehabilitation	6,000,000	(6,000,000)	0		6,000,000
Philadelphia Home Improvement Loan Program	3,800,000	(3,800,000)	0		3,800,000
Anti-Predatory Loan Program	931,967	(653,834)	278,133		931,967
Employer Assisted Housing-HomeBuy Now	2,560,944	(1,635,000)	925,944		2,560,944
Targeted Basic System Repair	3,300,000	(3,000,000)	300,000		3,300,000
Basic System Repair Program	30,775,000	(30,775,000)	0		30,775,000
SHARP Home Repair Program	525,000	(525,000)	0		525,000
Settlement Grant Assistance	4,300,000	3,700,000	600,000		4,300,000
Preservation Development Initiative/Historic Property Repair Program	1,457,000	(1,457,000)	0	250,000	1,707,000
Adaptive Modification Program	11,750,000	(10,050,000)	1,700,000		11,750,000
Affordable Rental Development	250,000	(250,000)	0		250,000
Housing Trust Fund	1,500,000	(1,500,000)	0		1,500,000
Equitable Development Strategy	163,221	(163,221)	0		163,221
Commercial Corridor Support	1,953,861	(1,953,861)	0		1,953,861
Homeless Preservation	1,600,000	(1,600,000)	0		1,600,000
Vacancy Prevention	100,000	(50,000)	50,000		100,000
Foreclosure Prevention	2,000,000	(546,629)	1,453,371		2,000,000
Management Information Systems					
Land Tracking System	1,005,012	0	1,005,012		1,005,012
Vacant Property MIS	5,700,000	(5,700,000)	0		5,700,000
Other MIS	3,095,133	(3,095,133)	0		3,095,133

Demolition and Vacant Property Stabilization

In FY08, the budget allocations and money available for targeted residential demolitions, large

vacant building demolitions and vacant property stabilization became fungible.

Also during FY08, the City of Philadelphia's Department of Licenses & Inspections assumed management of residential demolitions.

The City has adhered to the following principles when carrying out demolition:

- Elected officials, community leaders, and neighborhood residents are given notice of planned demolition activities;
- The demolition of vacant structures is conducted in a safe, orderly and environmentally sound manner that minimizes community disruption; and,
- The City structures bid documents to lower costs and meet the City's economic opportunity goals for the NTI.

The Administration is committed to working with City Council on NTI's demolition activities. District councilpersons will continue to have the opportunity to:

- Review, comment and participate in the selection and prioritization of dangerous and vacant properties for demolition bid packages and stabilization work within the districts;
- Participate as one of the City's representatives during pre-bid inspection tours and conferences with contractors and vendors for demolition and stabilization work;
- Review and comment on any relocation plans, except in those cases where an emergency relocation is required due to dangerous conditions; and,
- Review, comment and recommend interim treatments of vacant properties after demolition.

Any bid package for demolition work funded with bond proceeds must be submitted to and approved, in writing, by the district councilperson whose district is affected directly by such work.

In spending millions of dollars on demolition projects, the City worked closely with the Technical Assistance Center (TAC), an organization spun-off by the African American Chamber of Commerce and Philadelphia Revitalization Education Program (PREP) Inc., to address the training needs of disadvantaged firms and individuals seeking business and employment opportunities.

The Vacant Property Stabilization Program was created to seal and protect vacant buildings that are suitable for future rehabilitation. Stabilizing a recently-vacated property increases the likelihood that it will be acquired and rehabilitated. The program prioritizes for stabilization those properties that are in stronger real estate markets, on blocks with low vacancy rates and lack significant environmental or soil problems. Since the beginning of the NTI program, 481 properties have been stabilized.

The demolition and vacant property stabilization budget allocations by City Council District are described in Figure 7 and will be covered with tax-exempt bond funds remaining to be drawn down (\$3,369,500 total) and money previously drawn down and not yet been spent by L&I.

Figure 7**Demolition & Vacant Property Stabilization Budgets by Council District**

Council District	Total Budget	Total Spent	Total Available
1	\$ 11,344,393	\$ (8,680,451)	\$ 2,663,942
2	\$ 10,822,810	\$ (10,635,865)	\$ 186,945
3	\$ 12,872,078	\$ (12,717,184)	\$ 154,894
4	\$ 6,720,724	\$ (6,508,546)	\$ 212,178
5	\$ 23,237,357	\$ (23,228,144)	\$ 9,213
6	\$ 808,733	\$ (192,644)	\$ 616,089
7	\$ 12,511,709	\$ (12,250,453)	\$ 261,256
8	\$ 12,337,363	\$ (12,337,363)	\$ -
9	\$ 4,600,875	\$ (4,247,100)	\$ 353,775
10	\$ 410,000	\$ (45,145)	\$ 364,855
TOTAL AVAILABLE			\$ 4,523,147

Land Acquisition

The City uses bond funds to acquire land for development projects when those projects fall squarely within the principles that have guided NTI for the past half-decade and will continue to do so going forward. Requests for acquisition funds to support specific development projects will be evaluated by an Interagency Acquisition Review Team (IART) to ensure they are consistent with NTI's principles. Proposals are evaluated favorably if the development projects:

- Conform with strategic neighborhood plans supported by the City Planning Commission;
- Facilitate economic growth by building on market strengths and encouraging market-rate investments;
- Leverage City resources to the fullest extent possible by maximizing private investment, minimizing public subsidies and making investments that are linked to other public and private investments in an area; and
- Comply with the legal and financial requirements of the funding source, particularly when QRB bonds are used.

When evaluating requests for acquisition funds to support specific development projects, the IART also considers criteria such as the developer's capacity and track record; the project's feasibility, budget and timeline; the source and amount of public subsidy, if any; leverage; and neighborhood context (e.g., consistency with neighborhood plans, suitable strategic reuse of the site, and likelihood of stimulating investment activities by others).

The RDA is responsible for permanent relocations due to land acquisition and redevelopment activities. The RDA adheres to and abides by all federal and state relocation statutes, regulations and standards, and offers residents all relocation benefits to which they are entitled. In addition, the RDA will collaborate with the Housing Support Center, the Office of Housing and Community Development (OHCD), District Council staff and others as needed to enhance community outreach, notification and relocation support. Recognizing the disruption of lives and the high costs associated with relocation, the City makes every effort to keep relocations to a

minimum.

Land acquisition funds are also used for the following activities: advertising for public hearings, title searches, appraisals, and relocation costs.

Role of City Council

The acquisition and disposition of vacant property will be carried out in accordance with applicable federal, state and local laws, including, but not limited to: Section 5-900 of the Philadelphia Home Rule Charter, Section 16-400 of the Philadelphia Code, the Urban Redevelopment Authority Law and Redevelopment Cooperation Law, and the Uniform Relocation Act.

Because the highest concentration of vacant properties is located in certified urban renewal and redevelopment areas, the aggregation of land for redevelopment will be subject to City Council review. For example, in order for the RDA to exercise its powers of eminent domain, the Urban Redevelopment Law requires City Council approvals for the following:

- Creation or modification of Redevelopment Areas;
- Redevelopment Proposal Plans to support condemnation of the property by the RDA, including the number of properties that will be condemned and the proposed reuse;
- Selling, leasing or transferring of any real property in a Redevelopment Area to a developer, regardless of the means of acquisition by the RDA.

Last fall, the RDA and Office of Housing and Community Development (OHCD) met with each District Councilperson who has requested acquisition funds in order to discuss the projects' development strategy. In addition, City Council has created an Oversight Committee that includes Council leadership along with representatives from the City Controller's and Mayor's offices to provide addition input and advice. The Controller's representative is serving only in an advisory capacity.

Interagency Acquisition Review Team (IART)

Based upon City Council's legislative calendar, NTI established a process to review and approve requests for land acquisition. This process, which evaluates requests for acquisition funds on their individual merits and in relationship to one another to ensure the limited acquisition funds are spent in a manner that brings the highest value to the City, will continue going forward. The inter-departmental team includes RDA, OHCD, Finance Department, Commerce Department, Planning Commission and Mayor's Office staff who will make recommendations for requests for property acquisition based on the above described acquisition categories and principles.

Community Outreach, Notification and Relocation Services

Over the past five years, the City strengthened the review process for projects seeking condemnation assistance. For example, it revised the letters sent by the RDA to those owners who would be potentially relocated and changed its outreach strategy to include personal visits to each residence at the beginning of the process. In addition to the public notification requirements mandated in the federal Uniform Relocation Act, the RDA has worked closely with District Council members to engage and alert residents far in advance of the City Council public

hearings. Efforts include meetings that included the directly affected residents, RDA staff and the District Council member to discuss the proposed project and the rights of the individual or household in the relocation process. Through these meetings a working relationship was established between the City and neighborhood residents so that accurate information about the relocation process could be provided.

The City also ensures that non-English speaking, Braille-reading and Signing residents have accurate information about relocations and access to the public process. To reach the Latino community, the RDA has hired two bilingual relocation specialists and translated all its letters, brochures and print materials relating to relocation into Spanish. In addition, RDA legal notices pertaining to acquisition and planning processes are published in a Spanish-language newspaper. The following OHCD-funded translation services are also available:

- Translators to provide simultaneous verbal translation at community meetings;
- Translated acquisition and relocation materials as needed.

Acquisition Recycling Fund & Land Sales

Pursuant to a July 2005 agreement between the City, RDA and then-existing NTI office, an Acquisition Recycling Fund was established to leverage the NTI bond funds used to finance land assembly activities. Most of the property that the RDA condemns is tax delinquent and/or has other municipal liens recorded against it. When the RDA settles with an owner or in the case of abandoned property, the RDA pays the “just compensation” or the appraised value of the real estate into Court. The City then collects the outstanding municipal liens it is owed (the School District also receives a portion of the collected liens based upon an agreed upon formula), up to the appraised value of the real estate and deposits these proceeds into the Acquisition Recycling Fund.

On an annual basis, the Administration includes as part of the City’s operating budget an amount equal to the share of delinquent real estate taxes and other municipal liens that will be collected from the Court. Liens are then made available to the Office of Housing and Community Development through a year-end transfer ordinance. Finally, the RDA invoices OHCD, which transfers the funds to RDA for future land acquisitions. The originating City Council district or City Significant is “credited” the amount of the lien.

An agreement is also in place that allows land sales proceeds to be similarly credited to either the originating Council district or City Significant.

As of June 30, 2009, \$452,558 in recycled liens and \$4,794,405 in land sale proceeds have been allocated back to individual Council district and City Significant budgets. It is important to note, however, that some of these proceeds have already been used for additional land acquisitions in the associated Council District and for City Significant projects. The cash balance as of 5/31/10 was \$1,994,446 (this figure includes \$841,521 in interest earned on taxable bonds that had been drawn down by the RDA and not immediately spent).

Acquisition Budget

In FY05, the land assembly budget was increased using funds derived from Community Development Block Grant (\$10 million) and the Pennsylvania Department of Community and Economic Development (\$5 million). As of 10/31/09, \$10 million in CDBG proceeds and \$2.89 million in DCED funds remained for future land purchases. These funds are embedded in Figure 8. Some of these moneys will also be used to cover the payments into court for those properties for which the RDA has already made a Declaration of Taking—if those transactions meet DCED and CDBG requirements. In FY08, \$3.1 million was deducted from three Council District allocations at the request of the Council person. In addition, this winter, the Nutter Administration learned that a resolution was passed by City Council in November 2007 that transferred \$1 million from Council District 6's land acquisition budget to be used for other capital projects in the district. This change has been incorporated into Figure 8.

City Significant Projects

To facilitate land assembly for large scale—or City Significant—projects, \$37 million was allocated from the NTI bond proceeds between FY03 to FY07. In FY08, this amount was increased by \$1,176,418 using interest earnings from NTI bond proceeds. \$670,517 in taxable bond proceeds have been drawn down and spent. The remaining balance, \$505,911 will be drawn down from QRB proceeds. This interest allocation brought the total City Significant budget to \$38,176,418. In FY10, additional QRB interest was added to the City Significant budget (\$5,020,488 minus the \$505,911 already allocated).

Figure 8**Land Acquisition Budgets for Council Districts**

Council District	Remaining Balance	QRB	CDBG	DCED	Sales/Recycled Liens	Taxable	Subtotal Non-QRB	Control Total
1	\$5,066,952	\$2,888,410	\$1,000,000	\$200,000	\$311,057	\$667,485	\$2,178,542	\$5,066,952
2	\$3,594,214	\$2,226,366	\$500,000	\$200,000	\$538,119	\$129,729	\$1,367,848	\$3,594,214
3	\$3,882,081	\$2,226,366	\$500,000	\$400,000	\$632,291	\$123,424	\$1,655,715	\$3,882,081
4	\$1,699,734	\$1,026,367	\$400,000	\$100,000	\$17,470	\$155,897	\$673,367	\$1,699,734
5	\$2,846,400	\$1,928,205	\$300,000	\$360,000	\$337,818	\$0	\$997,818	\$2,926,023
6	\$276,840				\$0	\$276,840	\$276,840	\$276,840
7	\$4,348,119	\$2,301,365	\$900,000	\$250,000	\$107,017	\$789,776	\$2,046,793	\$4,348,158
8	\$3,816,892	\$2,076,365	\$900,000	\$250,000	-\$36,748	\$627,275	\$1,740,527	\$3,816,892
9	\$2,842,039		\$1,500,000	\$200,000	\$1,753	\$1,140,286	\$2,842,039	\$2,842,039
10	\$0							\$0
Council Totals	\$28,373,271	\$14,673,444	\$6,000,000	\$1,960,000	\$1,908,777	\$3,910,712	\$13,779,489	\$28,452,933
City Significant	\$21,293,961	\$21,504,593	\$0	\$40,000	\$2,060,173	\$0	\$2,100,173	\$23,604,766
Grand Total	\$49,667,232	\$36,178,037	\$6,000,000	\$2,000,000	\$3,968,950	\$3,910,712	\$15,879,662	\$52,057,699

Council Districts that are shaded contain no QRB areas.

Footnotes:

1. The \$1 million of NTI funds transferred from the 6th Council District and the \$1.2 million of NTI funds transferred from the 10th Council District to the 6th and 10th Council District demolition/encapsulation line items will be compensated for in the FY 10 Capital Budget.
2. There is at least \$5,020,488 in interest earned on QRB bond proceeds that has not been allocated. These funds and any additional interest that may be earned shall be placed in the City Significant budget for the land acquisition.

Retaining Wall, Alley Driveway, Curbs & Sidewalk Repair and Reconstruction

Retaining walls are private property or “private infrastructure.” Property owners are responsible for their maintenance, repair or reconstruction costs. Retaining walls, which are used to provide lateral support for land of higher elevation, vary in type, size and composition. Consequently, the cost of retaining wall repairs is highly variable. In some instances, commonly shared retaining walls had deteriorated to the point that they represent a threat to the public safety.

In FY03, the Streets Department surveyed more than 60 retaining walls in need of repair citywide. The Streets Department provided cost estimates and developed a priority repair list based on the level of danger posed by the wall. The City then committed tax-exempt bond funds for the repair of the most dangerous walls. By law, abutting property owners are required to pay back a portion of the repair costs over four years, while the City pays for the balance.

Of the \$2,670,000 budgeted for this purpose, \$2,180,783 has been drawn down, leaving \$489,217 to be drawn down for the repair of retaining walls in FY11. The Nutter Administration proposes that \$250,000 be transferred to the Historic Property Repair Program.

Anti-Predatory Lending Program

Of the \$1,560,000 budgeted for this work, \$278,130 in taxable bond funds remain available at the fiscal agent for this program. These funds must be retained as a loan loss reserve to cover possible delinquent loans that originated with participating banks under the Mini PHIL & PHIL Plus Programs. In addition, in FY10, \$60,000 in taxable funds from taxable funds already drawn down and remaining to be spent on the Equitable Development Strategy program were transferred to the Anti-Predatory Lending Program to reimburse the Greater Philadelphia Urban Affairs Coalition for work it has performed in the past year under a contract executed in Fiscal Year 2009.

HomeBuy Now – Employer Assisted Housing

One way to stimulate investment in neighborhoods and aid community economic development is to involve local employers in providing new homeownership opportunities for their employees. HomeBuy Now, the NTI Employer Assisted Housing (EAH) program, encourages businesses to become active investors in Philadelphia neighborhoods by offering a City match of housing benefits that participating businesses provide to their employees.

HomeBuy Now benefits are generally in the form of settlement and down payment assistance, although the funds can also be used for housing counseling for program participants. HomeBuy Now can also be used in conjunction with the Pennsylvania Housing Finance Agency’s (PHFA) Employer Assisted Housing program, which will match up to \$2,000 of an employer’s contribution. Currently, 36 employers participate including the University of Pennsylvania,

University of the Sciences, Temple University, P. Agnes Construction, The Neat Company, AugustaWestland, and New Courtland Elder Services.

Since HomeBuy Now's began in 2004, \$2,560,944 has been allocated to the program and \$1.635 million has been spent. Results to date include 220 employee-purchased houses, leveraging \$808,986 from the participating employers and approximately \$34.7 million in mortgage financing.

In FY11, approximately \$925,944 remains to be drawn down. These funds will be expended over the next 12 to 18 months, adding another 5-7 participating employers and providing HBN assistance to approximately 100 additional homebuyers.

Neighborhood Stabilization Targeted--Basic Systems Repair Program

In FY10, the Nutter Administration requested and City Council approved the allocation of \$1.5 million in previously unallocated Tax-Exempt bond interest be directed at neighborhoods that have applied for Neighborhood Stabilization Program (NSP) funds from HUD. This would enable the City to maintain values of existing homes where HUD is providing funding for construction of affordable housing. No additional funds have been budgeted to this program for FY11.

Basic Systems Repair Program

The Basic Systems Repair Program (BSRP) helps maintain stable neighborhoods by providing homeowners with urgent repairs and needed improvements. The City will use tax-exempt government purpose bonds proceeds to fund this activity.

The BSRP provides two principal levels of repair services to low-income homeowners. The Tier I services consist of the Emergency Repair Hotline Program and Emergency Heater Hotline. These programs give the City an emergency response capability through which qualified contractors are assigned to complete needed basic systems repairs requiring relatively low expenditures of grant funds. Tier II provides up to \$12,500 of rehabilitation assistance. Typical Tier II repairs include heating system replacement, plumbing and drainage system replacement, wiring, roof replacement and structural systems repairs (floors, ceilings, walls, etc.) Eligible homeowners receiving Tier II services may also receive up to \$2,000 per property in weatherization assistance.

Since FY06, the City has allocated a total of \$30,775,000 for BSRP activities. In FY10, it increased the funding by \$1,102,924 using previously unallocated Tax-exempt bond proceeds. No additional increases are being requested in FY11.

Settlement Grant Assistance

Helping more families to become homeowners has a stabilizing effect on neighborhoods. The aim of the settlement grant program is to lower the barriers to homeownership for low- and moderate-income families. The City uses tax-exempt government purpose bonds and interest from those bonds to fund this activity.

Since 2004, the City's Settlement Assistance Grant Program has provided nearly 5,300

settlement grants to low- and moderate- income first time homebuyers. The \$800 grants are available to homebuyers that earn 80 percent or less of the area median income or \$57,700 for a family of four. Recipients of settlement grants complete pre-purchase housing counseling at an OHCD-funded housing counseling agency.

In FY08, NTI increased the Settlement Assistance Grant budget by \$600,000 to a total allocation of \$3.7 million. That amount increased again in FY09 by an additional \$600,000. Those funds remain to be drawn down and used in FY11.

Adaptive Modifications Program

The Adaptive Modifications Program (AMP) provides low-income Philadelphia residents with permanent physical disabilities with increased mobility within, as well as access to their homes. The City will use tax-exempt government purpose bonds to fund this activity.

The Adaptive Modifications Program is available for homeowner-occupied and renter-occupied houses which need to be made accessible for people with disabilities with income up to 80 percent of median income requirements. Adaptive modifications must meet one or more of the following objectives:

- Improve the consumer's ability to enter and exit the home;
- Increase the consumer's ability to perform activities of daily living; and/or,
- Enable the consumer to remain in the home and/or prevent institutionalization.

Since 2004, 1,031 AMP cases had been completed at a cost of \$13.88 million; 35 cases (\$452,960) are currently under construction; and 205 properties (\$2.86 million) are ready for assignment. In FY08, NTI increased the budget by \$800,000 for a total of \$10.1 million allocated to this program. In FY10, \$850,000 remains to be spent and the Nutter Administration proposed adding an additional \$850,000 in previously unallocated Tax-exempt bond proceeds to the program for a total of \$1,700,000 in additional spending in FY10. City Council approved this increase. The Administration proposed no additional increases to this program this fiscal year.

Historic Property Repair Program

Philadelphia boasts architecture of historical significance throughout its neighborhoods. The Historic Property Repair Program, originally funded with NTI taxable bond funds and operated by the Preservation Alliance of Greater Philadelphia through the Office of Housing and Community Development, makes grant funds available to low-to-moderate income residents to enable them to make historically competent façade repairs.

Since implementation of the program in 2006, the Preservation Alliance has received 225 requests for applications. Of these applications, 65 were completed and 43 inspection site visits were completed. Twenty-four projects are completed, underway or about to start. The average repair is about \$20,000 and the average homeowner contributes almost \$5,000 toward the cost of the repairs.

In FY08, the Historic Property Repair Program and Preservation Development Initiative budgets

became fungible and \$207,500, allocated from tax-exempt interest earned on NTI bond proceeds, was added to the program. Given the continued need for this program, it is proposed that \$250,000 in tax-exempt interest earned on NTI bond proceeds be added to this program's budget in FY11. The Administration proposes that the funds be deducted from the Adaptive Modifications Program budget.

Vacancy Prevention (Tangled Title)

One half of the houses in Philadelphia are owned by people over 55 and data shows that 45 percent of older people have made no plans to either sell or transfer titles in their homes. Thus over the next 15 to 20 years, many houses in the city are at risk of abandonment. The Vacancy Prevention Program will address these issues.

The City has developed the HomeSMART (Start Managing Assets, Repairs, and Titles) Program. The activities include:

- A training program for housing counselors and senior service providers to help older homeowners understand the value of estate planning, how estate planning benefits them and the community
- The establishment of a tangled title fund to help resolve title problems which prevent occupants from obtaining loans and grants for repairs or the smooth transfer of title of residence.
- Although emphasis is on the elderly, all ages are eligible for grants up to \$2,000.

\$100,000 has been allocated to this program (\$50,000 in FY08 and an additional \$50,000 in FY09). \$50,000 remains to be drawn down in FY11.

Foreclosure Prevention

To address the impact of the foreclosure crisis on Philadelphia homeowners and neighborhoods, in FY09, the Nutter Administration proposed utilizing NTI funds and other programs to assist homeowners facing foreclosure and to prevent others from reaching that point. Among other activities, the City will implement the new HERO Loan and Philadelphia Renovate and Repair Programs as a coordinated approach to foreclosure prevention. These programs will be augmented by additional funding provided to Community Legal Services and housing counseling agencies. It allocated \$2.0 million for these mortgage foreclosure prevention programs and \$1.453 million remains to be drawn down in FY11.

Program Descriptions

Homeowner's Equity Recovery Opportunity (HERO) (Foreclosure Prevention)

Homeowner's Equity Recovery Opportunity (HERO) is a new loan program designed to improve the financial situation of Philadelphians unable to afford their current mortgage payments and in danger of losing their homes to foreclosure. These vulnerable populations must have the terms of their mortgages modified in order to afford monthly payment obligations.

The HERO program will be implemented in partnership with the Pennsylvania Housing Financing Agency (PHFA) for borrowers not eligible for PHFA's REAL program (REfinance to an Affordable Loan) or another mortgage refinance product available in the general market due

to credit issues or owing more than their home's current appraised value. The funding will leverage over \$10M in state loans for City homeowners facing foreclosure.

Philadelphia Renovate & Repair Program (Foreclosure Prevention)

The Philadelphia Renovate & Repair Program will provide low-fee home improvement loans at reasonable interest rates of up to \$35,000. Housing counseling will guide prioritization of home improvements and how to best spend funds. Administered by Pennsylvania Housing Financing Agency (PHFA), the program will provide financing for home repairs. PHFA will accept up to a third lien position.

Land Tracking System

One of the findings of the Controller's report was that "the procedures for compiling the schedules of NTI land assembly activity are informal, undocumented and lack necessary resources, as well as checks and balances to ensure accurately prepared information." Information in the EXCEL spreadsheets used to track land assembly activities appeared to be "informally prepared and lacking in uniformity." Moreover, "no one had ever directed the RDA to dedicate someone full-time to coordinate and manage the accounting function over NTI land acquisition."

The Controller recommended that the RDA "develop an efficient and effective methodology to account for and report NTI land assembly activity....While developing the methodology, the RDA should evaluate the capabilities of its general ledger accounting system, and make any system upgrades and enhancements considered necessary."

The RDA has already hired WithumSmith+Brown and Public Financial Management to help it develop an internal accounting and reporting system that will accurately and efficiently track all land purchases. The FY11 budget shows \$1.005 million remaining to be drawn down for this purpose.

City of Philadelphia

RESOLUTION NO. 100518 continued

CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the seventeenth of June, 2010.

Anna C. Verna
PRESIDENT OF THE COUNCIL

Michael A. Decker
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember Clarke

Sponsored by: Councilmembers Clarke, O'Neill, Jones, Goode, Reynolds
Brown, Kenney, Blackwell, Greenlee, Krajewski, Green,
Sanchez, Rizzo, Kelly, Miller and Tasco