



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 190231

Introduced March 28, 2019

**Councilmember Quiñones Sánchez
for
Council President Clarke**

**Referred to the
Committee on Finance**

AN ORDINANCE

Approving a Substantial Amendment to the *Annual Action Plan 2018-2019* for \$19,131,000 from the Housing Trust Fund Non-Recording Fee Sub-Fund, all under certain terms and conditions.

WHEREAS, In accordance with the June 14, 2018 approval of City Council in Bill No. 180500, the City has filed applications for various forms of United States Department of Housing and Urban Development (“HUD”) funding, as set forth in the City’s *Annual Action Plan 2018-2019*; and

WHEREAS, In accordance with the October 4, 2018 approval of City Council Bill No. 180739, the City established a separate Housing Trust Fund Sub-Fund for funds other than those collected from Recording Fees. This Non-Recording Fee Sub-Fund is to be administered by the Department of Planning and Development’s Division of Housing and Community Development (DHCD) and programs are required to be incorporated into the City’s Annual Consolidated Plan and approved by City Council; and

WHEREAS, In accordance with the October 4, 2018 approval of City Council Bill No. 180740, the City authorized the transfer of \$19,131,000 from the Grants Revenue Fund to the Housing Trust Fund; and

WHEREAS, The City has prepared a Substantial Amendment to the *Annual Action Plan 2018-2019* (attached hereto as Exhibit “A”), which the City has advertised for the receipt of public comment pursuant to City Code section 21-1105 (5) and the *Annual Action Plan 2018-2019* Citizen Participation Plan requirements; and

WHEREAS, The City therefore proposes to use such funding for programs and projects that support Equitable Neighborhood Development for the benefit of households whose annual

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income, adjusted for size, is less than 120 percent of the area median income as defined by the U.S. Department of Housing and Urban Development (HUD), as more fully set forth on page 2 of the Substantial Amendment to the *Annual Action Plan 2018-2019*; now, therefore

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The City's Substantial Amendment to the *Annual Action Plan 2018-2019* attached hereto as Exhibit "A," is hereby approved.

EXHIBIT A

Substantial Amendment to the *Year 44 Annual Action Plan (2018-2019)*
 Housing Trust Fund Non-Recording Fee Sub-Fund Allocation

City Council Bill #180739 established a separate Housing Trust Fund Sub-Fund for funds other than those collected from Recording Fees. This Non-Recording Fee Sub-Fund is to be administered by the Department of Planning and Development’s Division of Housing and Community Development (DHCD) and programs are required to be incorporated into the City’s *Annual Consolidated Plan* and approved by City Council.

Non-Recording Fee Sub-Fund dollars are to be used toward programs and projects that support Equitable Neighborhood Development for the benefit of households whose annual income, adjusted for size, is less than 120 percent of the area median income as defined by the U.S. Department of Housing and Urban Development (HUD) and that:

- Increase production and preservation of affordable housing for sale or rent;
- Increase access to homeownership through the provision of down payment and closing cost assistance; and
- Stabilize and maintain high levels of homeownership in middle neighborhoods.

The Kenney Administration has allocated for City fiscal year 2019 a total of \$19 million in tax revenue raised by properties with expiring 10-year tax abatements to the Non-Recording Fee Sub-Fund.

In order to access these funds, an amendment to the *Consolidated Plan* incorporating the Non-Recording Fee Sub-Fund allocation is required. In accordance with the *Consolidated Plan* Citizen Participation Plan and local requirements, the City must provide notice of the *Proposed Substantial Amendment* to individuals and organizations on DHCD’s electronic mailing list, public notice of the proposed amendment in a newspaper of general circulation, and guidance as to where it may be reviewed, and provide at least two weeks for the public to review and provide comments on the proposed change. After the two-week period expires, City Council will hold a public hearing to allow for additional resident participation prior to Council consideration of the *Proposed Substantial Amendment*. Notification by City Council will be in the “Legal Notices” section of various newspapers.

The proposed programs outlined in this amendment and detailed below are designed to advance several of the recommendations set forth in the City’s recently completed Housing Action Plan and align with the goal of the Sub-Fund to create Equitable Neighborhood Development.

1. Proposed Budget

HOUSING TRUST FUND SUB-FUND PROPOSED BUDGET	
PROGRAM	AMOUNT
Affordable Housing Production/Preservation	10,000,000
Down payment/Closing Cost/Seller Assist	3,000,000
Housing Counseling/Financial Literacy/Tangled Title	1,000,000

Shallow Rent Pilot Program	2,000,000
Accelerator Fund	2,000,000
Administrative	1,000,000
TOTAL	\$19,000,000

2. Proposed Programs

Affordable Housing Production/Preservation

The proposed \$10 million will be used toward the development of affordable, mixed-income, and workforce housing developments.

Down payment/Closing Cost/Seller Assist

The City’s existing homebuyer assistance program will be expanded. This program will provide up to \$10,000 in down payment and closing cost assistance under the following terms. The recipient must:

- be a first-time homebuyer or a buyer who has not owned a home for at least three years
- be a resident of the City of Philadelphia for at least three years
- have a household income at or below 120 percent of area median income
- have completed housing counseling by a City- or HUD-certified housing counseling agency

Financial assistance provided under this program will become an encumbrance on the property subordinated to the first mortgage. During the first 15 years of ownership, this encumbrance will become due and payable upon the sale or lease of the home or the refinancing of the first mortgage to take cash out of the property. Upon completion of 15 years of ownership, the encumbrance shall be forgiven.

Housing Counseling/Financial Literacy/Tangled Title

These funds will be used to expand pre- and post-purchase counseling to increase access to homeownership opportunities and to ensure that new homeowners remain in their homes. Expanded services include more intensive financial counseling to assist residents to become new homeowners and to help tenants avoid eviction. New services include connecting first-time homeowners with estate planning services. Proper estate planning mitigates tangled title issues down the road, making the process of probating a homeowner’s estate and transferring title to the heirs relatively quick and smooth.

Shallow Rent Pilot Program

Many evictions are the result of a renter’s inability to afford their rent. A shallow rent subsidy up to \$300/month provides the extra resources to enable a tenant to afford rent to remain in their unit and can be used for tenants to get into a new unit. Criteria to be determined for this pilot program include:

- Target population – income eligibility and subsidy amount
- Duration of subsidy commitment

- Renewal process
- Monitoring process

Accelerator Fund

The City has had a history of investing housing dollars as grant funds and not expecting any type of repayment. Although this has often been necessary due to the disparity in the market between cost and revenue, significant loss of resources means the City must respond with innovative funding solutions that go beyond the current mechanisms for leveraging public subsidies.

In an effort to increase leveraging, the City proposes to establish a Housing Accelerator Fund. Other cities like San Francisco, Baltimore and Denver have established similar mechanisms and have been successful in attracting private capital. A total of \$2 million in Sub-Fund dollars is proposed to seed this Fund. Additional public dollars may be identified to prove a one-time infusion of seed capital. The goal is to attract private social impact capital and Program-Related Investment from philanthropic foundations to leverage further this public investment. These funds may be used to: finance working capital for Low-Income Housing Tax Credit projects; acquire existing affordable housing developments; acquire sites to produce affordable housing; and enable small lands to rehabilitate affordable rental housing. Other financial products as may be determined to facilitate the preservation and production of affordable housing.

Administrative

Staff and operating costs to implement the projects and programs detailed above.

The deadline for comments is Friday, March 15, 2019. Comments should be directed to Melissa Long by email at Melissa.Long@phila.gov or by mail at DHCD, 1234 Market St., 17th Floor, Philadelphia, PA 19107.

If City Council adopts the amendment in the form of a resolution as submitted, the amendment will be adopted after the hearing without further notification. If the hearing results in a revision that is ultimately adopted by City Council, the City will publish notification of the availability of the revised amendment in a newspaper of general circulation. The finalized notice may be obtained by contacting DHCD.

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