

## Legislation Text

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Approving the 2021-2022 Neighborhood Preservation Initiative Program Statement and Budget, which addresses the expenditure of \$100 million by various agencies in the first year of the Neighborhood Preservation Initiative Program, and approving a Substantial Amendment to the Annual *Action Plan 2021-2022*, the City's consolidated housing and housing-related expenditures plan, to incorporate the Program Statement and Budget into the Action Plan.

WHEREAS, In accordance with the approval of City Council in Bill No. 210475 (approved July 15, 2021), 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 2021-2022*; and

WHEREAS, The City has prepared a 2021-2022 Neighborhood Preservation Initiative Program Statement and Budget establishing a budget for expenditure of \$100 million in funds to be generated by a bond offering in the first year of the program, which funding is to be spent on housing preservation, the production of affordable housing and other related programs and activities, which is attached as Exhibit "A" hereto; and

WHEREAS, The City seeks to make a Substantial Amendment to the *Annual Action Plan 2021-2022* by incorporating the 2021-2022 Neighborhood Preservation Initiative Program Statement and Budget into the City's *Annual Action Plan 2021-2022*, now, therefore,

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. The 2021-2022 Neighborhood Preservation Initiative Program Statement and Budget attached hereto as Exhibit "A" is hereby approved.

SECTION 2. Amendment of the *Annual Action Plan 2019-2020* to incorporate the 2021-2022 Neighborhood Preservation Initiative Program Statement and Budget into the *Action Plan* is hereby approved. The Department of Planning and Development is hereby authorized to incorporate the information contained in the Program Statement and Budget into the Action Plan as deemed appropriate, in a manner consistent with the terms of this ordinance.

### **Exhibit "A"**

### **The Neighborhood Preservation Initiative Program Statement and Budget**

#### **BACKGROUND**

**The Neighborhood Preservation Initiative Program Statement and Budget** describes the programs and activities that the City will fund using bond proceeds as further described below.

The Neighborhood Preservation Initiative (NPI) includes programs to be undertaken and/or administered by the Philadelphia Redevelopment Authority (PRA), Philadelphia Housing Development Corporation (PHDC), certain program intermediaries (PIs), and the City, to improve and enhance housing, small business, commercial corridors and neighborhood infrastructure within the City in order to promote the health, welfare and safety of the residents of the City, prevent and eliminate blight, preserve critical affordable housing, respond to inadequacies in the supply of residential owner-occupied and rental housing in the City, encourage the provision of healthful homes, a decent living environment and adequate places of employment for residents of the City and promote economic activity through redevelopment, renewal, rehabilitation, housing, conservation, urban beautification and/or commercial section and neighborhood development activities. Funding for NPI will come from two primary sources: tax-exempt and taxable bonds that will generate a total of approximately \$400 million in program funds over 4 years. These bonds will be issued by the PRA. See Exhibit 1 for details.

Exhibit 1

**SOURCES**

**Year 1 -September 2021**

Taxable	\$ 88,600,000
Tax-Exempt	\$ 11,400,000
<b>TOTAL</b>	<b>\$100,000,000</b>

Note: any interest earned on the bonds carries with it the same restrictions as the original bond proceeds.

**Taxable Bonds:** Taxable bond proceeds, which can be used for any of the NPI programs as set forth in the NPI ordinance enacted by City Council but are planned to be used for programs other than those financed on a tax-exempt basis.

**Tax-Exempt Bonds:** Tax-exempt bond proceeds may only be used for purposes that qualify under federal income tax law and will be subject to the various requirements which the PRA and the City agree to comply with at the time of issuance. These bonds will be used to fund the Adaptive Modification and Basic Systems Repair Programs.

**Social Impact Bonds:** The City plans to designate all or a portion of the NPI program as “Social Bonds”, which would showcase the City’s commitment to addressing the challenges listed above through this financing. Additionally, the Social Bond designation could help the City attract new investors which could broaden the City’s investor base and potentially lead to lower borrowing costs. Social Bonds require ongoing reporting of program spending and/or outcomes, although the City has broad discretion regarding the content of this reporting. The NPI market-facing reports should be consistent with any reports that might be required by City Council or the Administration. This will both lessen the work required for staff and ensure consistency of program information that is provided publicly.

Exhibit 2	PROPOSED YEAR ONE PROGRAM BUDGET - DRAFT	Program/Activity
Year One	Four Years	Shallow Rent Assistance \$ 3,800,000 \$ 15,200,000 Basics Systems Repair Program* \$ 9,500,000 \$ 38,000,000 Adaptive Modification \$ 1,900,000 \$ 7,600,000 PhillyFirstHome \$ 14,500,000 \$ 58,000,000 Tangled Title \$ 1,900,000 \$ 7,600,000 Eviction Prevention \$ 2,850,000 \$ 11,400,000 Small Landlord Loans & Working Capital \$ 1,900,000 \$ 7,600,000 Affordable Housing Production** \$ 28,250,000 \$ 113,000,000 Affordable Housing Preservation*** \$ 16,150,000 \$ 64,600,000 Permanent Homeless Housing**** \$ 3,800,000 \$ 15,200,000 Neighborhood Infrastructure \$ 6,650,000 \$ 26,600,000 Neighborhood Small Business Programs \$ 3,800,000 \$ 15,200,000 Administrative Costs \$ 5,000,000 \$ 20,000,000 <b>TOTAL \$ 100,000,000 \$ 400,000,000</b>

\* BSRP to include targeted program in gentrifying Neighborhood Restoration program outlined below.

\*\*Production to include exploring financing beyond 4% and 9% LIHTC projects.

\*\*\*Preservation to include pooling LIHTC preservation projects to scale, acquisition funds, & existing products

\*\*\*\* These funds could seed a flexible subsidy pool to attract health industry dollars to fund homeless housing

### Exhibit 3

## SUMMARY OF PROGRAM DESCRIPTIONS

**Rental Assistance:** Providing grants through one or more existing or similar new programs either to landlords or directly to tenants to provide rental payment support for tenants who are low-income or rent burdened (i.e., spend more than 30% of their household income on housing related expenses).

**Small Landlord Loan Program:** Making loans to small landlords (30 or fewer units in the portfolio for the particular landlord) to be used for making property repairs/improvements, addressing building code or lead-paint issues, or for use as working capital for costs related to the rental properties of such small landlords incurred in the ordinary course of their business.

**Basic System Repair Program (BSRP):** Providing grants to homeowners with household income of up to 50% of area median income (AMI) to fund repairs to correct electrical, plumbing, heating, structural and roofing emergencies in owner-occupied homes which are eligible according to the BSRP's existing criteria.

**Adaptive Modifications Program (AMP):** Providing grants to disabled renters (with permission of the related property owner) and homeowners with household income of up to 50% AMI to fund adaptation projects to provide easier access to and mobility within their homes which are eligible according to the AMP's existing criteria.

**PhillyFirstHome (PFH):** Providing grants or forgivable loans of up to \$10,000 (subject to federal or commercially prevailing inflation adjusters) (or up to 6% of the relevant home's purchase price, whichever is lower) for first-time homebuyers (or other homebuyers eligible in accordance with existing PFH guidelines) which funds are available to reduce the principal of homebuyer loans and cover down payment and loan closing costs for such homebuyers with household incomes of up to 120% AMI. Loan forgiveness is generally conditioned upon the homeowner remaining in the home for 15 years. If the home is sold prior to the end of the 15-year period, the loan must be repaid. A waiver may be issued under extenuating circumstances on a case-by-case basis due to factors such as loss of a job, job relocation or illness.

**Tangled Title (TT):** Providing grants of up to \$4,000 per applicant (subject to federal or commercially

prevailing inflation adjustors) to cover any costs that are involved with helping low-income homeowners obtain clear title to their homes. All of the funds for the TT program are dispersed to third party vendors who perform the work needed to clear title.

**Eviction Diversion Program (EDP):** Providing funding for housing counseling and legal services for tenants and mediation services for tenants and landlords in accordance with existing EDP guidelines to help tenants avoid eviction, provided that no proceeds shall be paid directly to tenants or landlords. All of the funds for the EDP are dispersed to third party vendors who administer and provide services related to the EDP.

**Housing Production (HPro) -** Providing loans and/or grants to PIs, homeowners, property owners and developers for costs of rehabilitation, property acquisition and new construction, and providing funds for property acquisition directly by the City, to increase the production of affordable homeownership and rental housing. The major components of the HPro program will consist of programs in the following areas for which proceeds may be expended:

***Blueprint for Homeownership*** - Providing loans of up to \$100,000 (subject to federal or commercially prevailing inflation adjustors) directly to first time homebuyers to buy down the cost of new construction units on publicly held land. These loans will be secured through a second mortgage placed on the property. The term of the loan will be for up to 30 years with a portion of the loan forgiven over certain years, such that by year 30 the loan will be completely forgiven. Should a sale of the property occur in the first 15 years of the loan, the loan will become due and payable in full. Waivers may be provided on a case by case basis due to factors such as job loss, job relocation or illness.

***Low-Income Housing Tax Credit Projects*** - Providing funding as long-term, low interest subordinate debt to fill financing gaps for low-income housing projects which have already secured a reservation of tax credits.

***Increased Rental Affordability*** - Providing grant funding as short-term rent assistance to buy down the cost of rent for newly created units to make them affordable to low- and very-low income tenants, including with respect to projects that may include a mix of units at market rate rents and certain percentages of median rental prices.

***Acquisition*** - Providing grant funding via the Philadelphia Land Bank to purchase properties at Sheriff Sale in order to complete development parcels for the development of affordable and mixed-income housing units.

**Housing Preservation (HPres):** Providing loans and/or grants to PIs, property owners and developers for costs of existing property acquisition and rehabilitation, and providing funds for existing property acquisition and rehabilitation directly by the City or PIs for potential resale, to preserve existing affordable rental housing, with special emphasis on the preservation of Low-Income Housing Tax Credit rental housing developments. The major components of the HPres program will consist of programs in the following areas for which proceeds may be expended:

***Preservation Acquisition Funds*** - Providing funds for the public, private or not for profit acquisition of rental units at risk of being converted to market-rate units. This may include properties with expiring tax credits, projects placed on the open market for sale or naturally occurring affordable housing that is at risk of market-rate conversion, including the payment of settlement and other costs related to the acquisition and transfer of such properties and costs related to maintaining, managing and holding properties prior to their resale or other conveyance.

***Capital Improvements*** - Providing funds to be used to make capital improvements to existing affordable units. These improvements may take the form of wholesale rehabilitation or may include specific capital needs such as roof replacement, new heating system, energy upgrades or accessibility improvements.

**Permanent Homeless Housing (PHH):** Providing funds for the City or PIs to improve existing properties or provide for the costs of the acquisition of properties and their transfer to responsible owners/managers who will maintain the properties' suitability for permanent housing options for homeless residents, including the funding of loans to property owners and developers, the payment of settlement and other costs related to the acquisition and transfer of such properties and costs related to maintaining, managing and holding properties prior to their resale or other conveyance, any of the foregoing of which may be implemented in whole or in part through the funding of an acquisition and capital improvements fund. The major components of the PHH program will consist of programs in the following areas for which proceeds may be expended:

***Acquisition*** - Providing funds for the acquisition of properties to provide for permanent housing for currently homeless individuals. Funding would either take the form of direct property purchases to bring properties into the public inventory or as long-term, subordinate loans to third party providers to acquire properties.

***Capital Improvements*** - Providing funds to either directly fund capital improvements for property in public inventory or as long-term, subordinate loans to private, third party owners to make capital improvements to create or maintain units for permanent, homeless housing. Capital improvements may take the form of rehabilitation in order to convert a property from its current or former use into a homeless housing facility or may include specific capital needs such as roof replacement, new heating system, energy upgrades or accessibility improvements.

***Small Landlord Incentive Program*** - Providing funds in the form of grants to provide incentives, such as an upfront participation payment (per unit) and a rental loss and damages reserve (per unit) for rental property owners who commit to renting to people with rental assistance vouchers or other subsidy for a period commensurate with receiving public funding support, but no less than a period of 3 years to encourage their participation in providing housing to people exiting homelessness.

**Direct Support to Small Businesses:** Providing grants and loans for start-up and growth-oriented small, Historically Disadvantaged businesses (including funding to a local CDFI to administer a fund to provide such capital to such businesses and/or funding to an organization constructing a business incubator for Historically Disadvantaged businesses) for capital expenditures for construction, improvement, renovation and rehabilitation of property and working capital expenditures for property repairs, property management services and rent support to support place-based business development in commercial areas at risk of deterioration and/or in or near low-income and middle neighborhoods, in order to alleviate and prevent blight and foster the development of adequate places of employment.

**Investment in Neighborhood Commercial Corridors (INCC):** Providing grants and loans and technical assistance (funded through CDFIs) to enable small business owners and local community development corporations (CDCs) to purchase and/or renovate commercial corridor properties in order to mitigate commercial vacancy and increase community ownership of small businesses which may be implemented through a Commercial Real Estate Acquisition Fund established by a CDFI that will provide loans, grants, and technical assistance in furtherance of an anti-displacement and poverty fighting program. Funding direct support for critical corridor business repairs (interior and exterior), new construction, and upper floor

renovations programs, including through the InStore and Storefront Improvement Program necessary to help small business and property owners in low and moderate income corridors make capital investments that will benefit the entire corridor, improve safety and attractiveness, and decrease vacancy with outcome of increasing foot traffic and revenues. Funding improvements to publicly owned property for full streetscapes (i.e. curb, sidewalk, crosswalks and lighting) as well as “a la carte” infrastructure and projects to bring needed lighting, trash receptacles, landscaping, beautification, signage, and other improvements to commercial corridors outside of the City’s central business district for the purpose of promoting equitable development in placemaking in corridors around the City.

**Neighborhood Infrastructure Program:** Providing grants or loans to property owners for improvement or enhancement of privately owned neighborhood infrastructure for the benefit of the residents of the City which may include retaining walls. Retaining walls to be improved will in particular include those that are classified by the City as imminently dangerous or unsafe under the City Code. Improvements to other private assets in disrepair (e.g., driveways, alleys, sidewalks, trees and sewers) that may create dangerous or unhealthy conditions may also be funded. The City may cause improvements or enhancements to be made directly to property and impose assessments to adjacent property owners to recover costs.