



Philadelphia



Urban Land  
Institute

Terwilliger Center for Housing



National Study Visit Report | FEBRUARY 9-11, 2021

# PRESERVING PHILADELPHIA'S NATURALLY OCCURRING AFFORDABLE HOUSING

© 2021 URBAN LAND INSTITUTE

THIS REPORT IS SPONSORED BY:  
Division of Housing and Community Development,  
City of Philadelphia

ON THE COVER: Rowhouses in Oxford Circle. *(ULI Philadelphia)*



**Find this report and hundreds of others on Knowledge Finder,**

the leading global resource of trends and best practices in real estate development and financing. Explore an ever-expanding library and find recommended content related to your interests, including reading lists, case studies, videos and webinars, books, and more.

**[knowledge.uli.org](https://knowledge.uli.org)**

## About the Urban Land Institute

The Urban Land Institute (ULI) was established in 1936 as a nonprofit educational and research institute. It is supported by more than 45,000 members in 82 countries representing all aspects of land use and development disciplines. ULI's mission is to shape the future of the built environment for transformative impact in communities worldwide. ULI Philadelphia has more than 900 members in the Philadelphia District Council, which includes the Philadelphia metropolitan area, Central Pennsylvania, Delaware, the Lehigh Valley, and Southern New Jersey.

ULI provides guidance to nonprofits and municipalities seeking solutions to land use challenges. Its Technical Assistance Panels objectively evaluate specific needs and make recommendations on implementation in an atmosphere free of politics and preconceptions. ULI member and non-member professionals provide their expertise in a voluntary capacity and each has signed an agreement to prevent current and potential conflicts of interest.

## Acknowledgments

On behalf of ULI Philadelphia, the Panel would like to thank the sponsor organization, the City of Philadelphia's Division of Housing and Community Development (DHCD), for this effort.

Special appreciation goes to the DHCD staff, in particular Mark Dodds, Policy and Planning Program Manager, Portia Egan, Policy and Planning Associate Program Manager, and Rachel Mulbry, Policy and Programs Graduate Intern, and for their work in preparation, support, and coordination leading up to and during the virtual panel. In addition, the Panel would like to thank Stacey Mosley, Founder & CEO, Stepwise Real Estate Analytics, for providing the Panel with key information and data on the current state of naturally occurring affordable housing in Philadelphia.

The Panel would also like to thank the 30+ community leaders, planning staff, and representatives from across Philadelphia who shared their perspectives, experiences, and insights during the process.

### PANEL CHAIR

#### **Mike Pitchford**

Community Preservation and Development Corporation  
Washington, DC

### PANEL MEMBERS

#### **Karen Blanchard**

SITIO architecture + urbanism  
Philadelphia, PA

#### **Rodger Brown**

Preservation of Affordable Housing, Inc.  
Boston, MA

#### **Jim Burnett**

West Philadelphia Financial Skills Initiative  
Philadelphia, PA

#### **Anne Segrest McColloch**

Housing Partnership Equity Trust  
Washington, DC

#### **Tracey Nguyen**

Baker Tilly Virchow Krause  
Philadelphia, PA

#### **Philip Payne**

Lotus Campaign  
Charlotte, NC

#### **Jonathan Weiss**

Equinox Property Group  
Philadelphia, PA



## ULI PROJECT STAFF

### **Christopher Ptomey**

Executive Director  
ULI Terwilliger Center for Housing

### **Rosie Hepner**

Director  
ULI Terwilliger Center for Housing

### **Laura Slutsky**

Executive Director  
ULI Philadelphia

### **Kevin Moran**

Senior Manager  
ULI Philadelphia

### **Kelly Cary**

Senior Associate  
ULI Philadelphia

### **Stewart Scott**

Intern  
ULI Philadelphia

### **Kelly Annis**

Technical Writer  
Branch Communications

## National and Global Advisory Services

Since 1947, the ULI Advisory Services program has assembled well over 700 ULI-member teams to help sponsors find creative, practical solutions for complex land use challenges. A wide variety of public, private, and nonprofit organizations have contracted for ULI's advisory services. National and international panelists are specifically recruited to form a panel of independent and objective volunteer ULI member experts with the skills needed to address the identified land use challenge. The program is designed to help break through obstacles, jump-start conversations, and solve tough challenges that need an outside, independent perspective. Three- and five-day engagements are offered to ensure thorough consideration of relevant topics.

An additional national offering is the project analysis session (PAS) offered at ULI's Fall and Spring Meetings, through which specific land use challenges are evaluated by a panel of volunteer experts selected from ULI's membership. This is a conversational format that lends itself to an open exchange of ideas among diverse industry practitioners with distinct points of view. From the streamlined two-hour session to the "deeper dive" eight-hour session, this intimate conversational format encourages creative thinking and problem solving.

Learn more at [americas.uli.org/programs/advisory-services/](https://americas.uli.org/programs/advisory-services/).

## District Council Advisory Services

The goal of the ULI Advisory Services program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. The ULI Philadelphia technical assistance panel (TAP) program has assembled over 187 ULI-member teams in service of ULI's mission to shape the future of the built environment for transformative impact in communities worldwide. Drawing from its local membership base, ULI Philadelphia conducts TAPs in order to provide objective and responsible advice to local decision-makers on a wide variety of land use and real estate issues ranging from site-specific projects to public policy questions.

The Study Visit format for this particular advisory program is an intentional blending of the local TAP expertise and insights with national perspectives from a variety of real estate professionals. For this Study Visit, members of the ULI Terwilliger Center participated on the panel alongside land use professionals uniquely positioned to address the specific challenges at hand. The Study Visit is designed to encourage creative thinking and problem solving between the panel and the sponsor and deliver in-depth, project-specific, and pragmatic recommendations.

Learn more at [philadelphia.uli.org](https://philadelphia.uli.org).

---

|                             |    |
|-----------------------------|----|
| Executive Summary           | 7  |
| Background & Scope          | 9  |
| Assessment and Observations | 14 |
| Recommendations             | 17 |
| Conclusion                  | 26 |
| Stakeholder Participants    | 28 |
| Consulted Resources         | 28 |
| Panelists Biographies       | 29 |



Naturally occurring affordable housing in the Kensington neighborhood of Philadelphia.





Naturally occurring affordable housing stock in the Wynnefield neighborhood of Philadelphia.

---

## EXECUTIVE SUMMARY

---

Quality affordable housing is at risk in Philadelphia. After a decade of robust new home construction or significant renovations to existing housing, the City of Philadelphia is experiencing a strong housing market and growth in many neighborhoods. This growth, however, is not without challenges. As market pressures increase and housing prices rise, housing affordability becomes a greater challenge.

According to a recent report issued by a joint partnership between the Division of Housing and Community Development (DHCD), Philadelphia Housing Development Corporation, and Stepwise Real Estate Analytics, Philadelphia is home to a significant number of naturally occurring affordable housing (NOAH) rental units. This housing stock is currently affordable to residents of the neighborhood, is not regulated to remain affordable by a housing agency or fund (and generally not subsidized), and may be found across a wide swath of neighborhoods. While there are a few large property management companies operating in the City of Philadelphia (the City), many NOAH units are located within small multi-family structures and single-family rowhouses and are owned by landlords who own ten properties or fewer. This large population of small landlords is key to the City's naturally occurring affordable housing market, yet many remain outside of the City's oversight and are difficult to find, track, and support. City leadership and staff understand the need to preserve these units and the critical role these landlords play in the ongoing affordability of the City. To that end, the City turned to the Urban Land Institute (ULI) for assistance in evaluating the City's current NOAH support programs and policies and making recommendations for improvement.

ULI Philadelphia and the City engaged Stepwise Real Estate Analytics to analyze the City's housing stock, the data from which was then reviewed during a working session with key research organizations focused on naturally occurring affordable housing. Following that working session, ULI Philadelphia and the ULI Terwilliger Center for Housing assembled a panel of local and national experts in housing affordability (the Panel) to address specific questions posed by DHCD, which centered around issues of current affordability incentives and restrictions, cost-effective interventions that might help preserve NOAH, and the opportunities surrounding partnerships with other public and private organizations that might assist in the preservation efforts. Additional convening questions dug into issues around

NOAH in stronger markets, outreach and educational programs for landlords, partnership opportunities with other City agencies, and an evaluation of existing funding mechanisms.

Following a review of the extensive briefing material and stakeholder interviews, the Panel arrived at a set of recommendations for the City that generally fell into three categories: consider landlords small business owners; strengthen existing City programs; and build or strengthen partnerships to address property repairs.

- **Landlords as small business owners.** As is typical of most cities, Philadelphia generally classifies its landlord population as real estate holders and property owners. They are also, however, small business owners. Small businesses regularly serve as the foundation of a city's economic health and provide the unique qualities that make a city special. Within this framework, cities typically provide a host of support mechanisms in place to help sustain and advance the work of small business owners. Through a shift in Philadelphia's approach, by considering property owners as small business owners, this population of entrepreneurs could benefit from programs designed to help small businesses navigate resources and grow their business.
- **Strengthen/realign funding mechanisms.** Through dedicated funding mechanisms for owners, the City is working to financially support landlords in their pursuit of repairs to affordable units. The funds have been generally well-received yet could benefit from certain enhancements and/or reduction in restrictions. By using more inducements and less restrictive tools like deed restrictions associated with some of these loans, the City may see a greater degree of interest in these funding streams.
- **Consider partnerships to assist with property repairs.** There are also other interesting opportunities to create pathways to continued housing affordability, particularly for property owners facing needed repairs to units. Utility companies may be interested in partnering with the City to encourage repairs that increase energy efficiency, and health care providers may be supportive of repairs that improve the environment within a home and support good physical health.

The City is on a strong path toward preserving its NOAH stock. By following through on the recommendations outlined in the following pages, the City may see an improvement in its working relationship with NOAH landlords, an expansion of its registered NOAH properties, and an even stronger and more sustainable path toward broader housing affordability throughout the City of Philadelphia.



## BACKGROUND AND SCOPE

For the past several years, ULI Philadelphia has held a sustained interest in supporting the future of housing in the Philadelphia region. Starting in 2016, the District Council identified affordable housing as a key policy area for the organization through a strategic planning process and formed a local product council in response to focus more deeply on the topic and related challenges to the affordability of the City's housing stock. This work is underway in partnership with the Local Initiative Support Corporation (LISC) working groups to support the City of Philadelphia's Housing for Equity Plan. Following the findings of the Housing for Equity Plan, which is described briefly on the next page, the City of Philadelphia, the Deputy Mayor for Planning & Development, LISC, and ULI Philadelphia have been working in concert to shape a plan to preserve naturally occurring affordable housing throughout the City and advance the recommendations made in the Housing for Equity Plan. Identifying the NOAH stock and collecting baseline data has been the focus of this partnership's work to-date.

Today, with an initial survey of NOAH rental properties and related data sets in hand, including information relating to geography, volume, and vulnerability of affordable housing, ULI Philadelphia and the ULI Terwilliger Center for Housing joined forces to convene a national ULI Study Visit to more closely evaluate the affordable housing challenge in Philadelphia and deliver a set of recommendations that the City and specifically DHCD can use to more actively preserve NOAH stock in the City.

### Understanding NOAH

Naturally occurring affordable housing, for purposes of this study, is unsubsidized rental housing owned by private entities that is affordable to households making between 30-80% (and potentially up to 120%) of the area median income (AMI). NOAH is most common in middle-market neighborhoods and thus drives most of the attention to those neighborhoods. NOAH may also be found in stronger market areas; attention to those neighborhoods is warranted and may require a slightly different approach.

While efforts to preserve and support affordable housing for households making under 30% or more than 120% AMI may also be of interest and should be addressed through separate efforts, both remain outside the scope of this

#### ULI Philadelphia Housing Initiative Timeline

##### 2016–2017

- Strategic Plan Key Policy Area: Affordable Housing
- Housing Local Product Council formed
- Housing Affordability Program with ULI Terwilliger Center exploring housing preservation

##### 2018

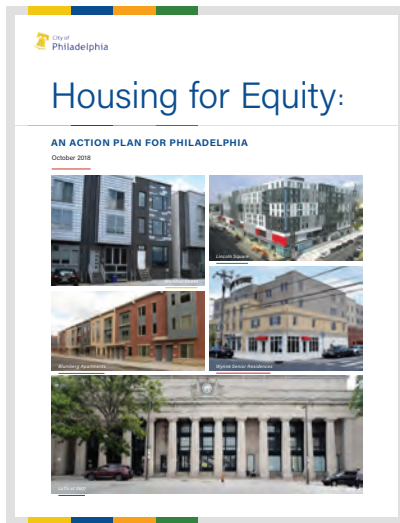
- Joined Housing Advisory Board, LISC Preservation Network
- Co-led NOAH group at Housing for Equity Action Plan

##### 2019–2020

- Housing events and focus on Affordable Housing Markets
- Local leadership nationally active on affordable housing
- City wins ULI Robert C Larson Award for Workforce Housing Program

##### Ongoing

- Resource for City on housing topics and programs



### HOUSING FOR EQUITY

This 2018 report critical information to the Panel as they contemplated the further identification and preservation of NOAH in Philadelphia.

study. In the former instance, some form of subsidy will almost certainly be necessary to ensure affordability and quality and therefore runs counter to the premise that the affordability is ‘naturally occurring.’ In the latter instance, affordability is less at risk and therefore not subject to the intensive focus of this report.

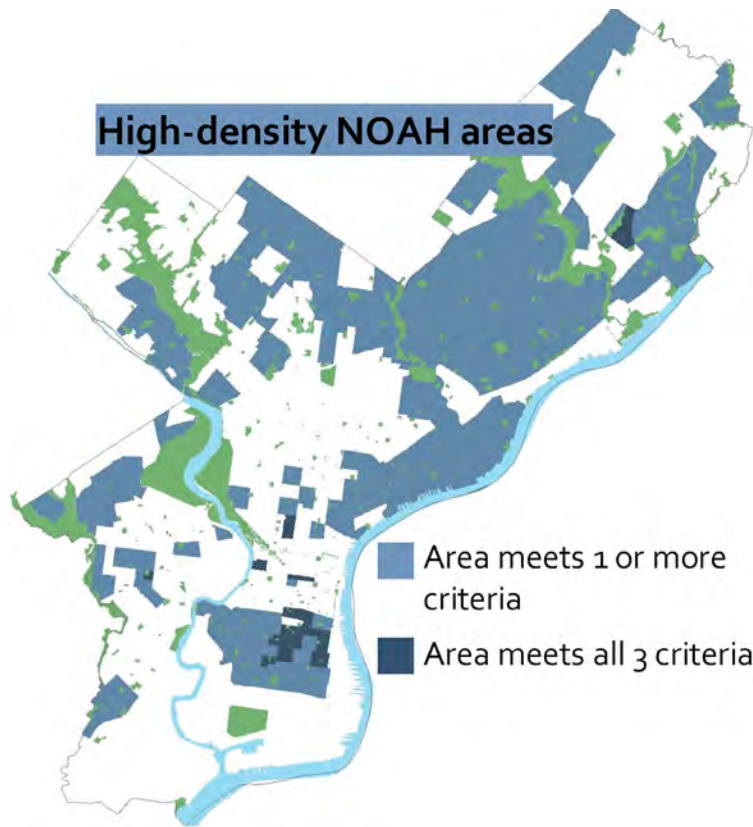
### Prior Research

This is not a new topic for the City. Substantial research has been conducted to better understand the universe of naturally occurring affordable housing in Philadelphia. New to this effort, however, is the consolidation of the resources and research in one place, the evaluation of such by a team of experts expressly focused on the preservation of NOAH, and the support of ongoing operations of landlords providing this critical housing option to City residents. A brief summary of key NOAH research, which served as critical briefing material for this study, is provided below.

**2018 Housing Action Plan.** The 2018 Housing Action Plan, *Housing for Equity: An Action Plan for Philadelphia*, identifies as a key theme and program “preserving and protecting long-term affordability: ensure that Philadelphia’s aging housing stock remains safe, livable, and affordable.” Building on the themes of the report, an appendix to the 2018 Housing Action Plan focuses specifically on the preservation of naturally occurring affordable housing. From data collection, to capacity-building, to financing and subsidy mechanisms, this plan identifies eight action items that the City has initiated to help preserve NOAH.

**NOAH Analysis Brief.** Through a research and policy partnership between DHCD, Philadelphia Housing Development Corporation, Stepwise Real Estate Analytics, and ULI Philadelphia, baseline information was gathered to help the City better understand the range and scope of the NOAH challenge at hand. The findings of this research identifies approximately 76,000 rental properties (representing 97,000 rental units) that are considered affordable to households earning between 25-80% of AMI, or naturally occurring affordable housing rental units according to the agreed-upon definition for this study. Of these NOAH properties, roughly 64,000 are considered “vulnerable” as they are in poor condition, highly subject to displacement, or located in a strong market area, which is likely to increase upward pressure on rental rates. The universe of outstanding repairs to these properties is estimated at \$83 million. It is also worth noting that an estimated 80% of all NOAH properties

DHCD BRIEFING MATERIALS



NOAH properties can be found across the City.

## OVERLAPPING VULNERABILITIES

Almost 64,000 NOAH properties are “vulnerable,” meeting at least one of the following criteria:

1. Poor condition
  2. Moderate high displacement risk
  3. Strong real estate market
- 4,700 properties meet all three criteria.

are owned by small landlords (as defined by ownership of up to ten properties). This data point is significant in that smaller landlords may have limited access to capital to complete needed repairs, thereby only increasing the level of vulnerability.

**Additional Reference Materials.** In addition to the two reports above, the reports noted in the Appendix were provided to the Panel to help inform the conversation and better depict the scope of the affordability challenge at hand.

With the 2018 Housing Action Plan as a guide, the City has taken initial steps to fund strategies to support the preservation of NOAH in Philadelphia. At the same time, additional insights are needed to strengthen existing programs, better understand the needs of NOAH property owners, and expand the reach of the City’s programs in order to strengthen the NOAH stock and preserve affordability across the City. The City turned to ULI for assistance, posing the following questions for further study.



40% of rental units in Philadelphia have repair needs.

Source: Policy Map; Federal Reserve Bank of Philadelphia

## Convening Questions

Preliminary convening research questions:

1. What is the right balance between repair incentives and affordability restrictions to preserve NOAH properties in both weak and strong markets?
  - a. In weaker market areas, what types of maintenance and repairs are necessary – and at what price point – to ensure that NOAH property owners are able to keep their units in safe and stable condition?
  - b. In stronger market areas, what specific interventions are needed to preserve affordability for residents in NOAH units who are at risk of displacement as rents rise? How can NOAH preservation strategies mitigate the risk of displacement?
2. What are the easiest and least costly interventions to preserve NOAH properties that could serve as the first phase of a NOAH strategy? Which interventions might save the City money in the long run?
3. What role can/should public-private partnerships play in preserving NOAH?

Additional research questions:

1. Does the City need a strategy to support the acquisition of NOAH properties in strong market areas, and if so, what might the key components be?
2. What are the best ways to reach and work with owners of existing NOAH properties?
3. How can the City strengthen, expand, and/or leverage existing programs like the Rental Improvement Fund<sup>1</sup>?
4. How can different City agencies bring their existing activities to bear to preserve NOAH? (i.e. L&I, utilities, DPH)

**Of Note:** As it relates to the convening questions posed by the City, the Panel directed its focus on questions 1.a, 1.b, 2, and 3 on page 14 as well as the additional research questions that followed. The core focus of the first question (page 13), relating to the balance between incentives and restrictions, is more of an art than a science and not something the Panel would be able to determine from this arm's-length study of the housing landscape. As such, the Panel focused on developing frameworks of policies and incentives to derive desired outcomes, with an emphasis on small scale landlord incentives, acknowledging that policies may need to be scaled depending on factors such as landlord capacity and market conditions.

<sup>1</sup><https://phdcphila.org/community-investment/development-project-finance/rental-improvement-fund/>

## Study Process

With the convening questions in hand, ULI turned to its membership base for local and national affordable housing experts as well as leadership from the ULI Terwilliger Center for Housing (together the Panel) to conduct a national Study Visit for the City of Philadelphia. While travel restrictions due to the COVID-19 pandemic prevented panelists from traveling to Philadelphia, the City supplied the Panel with a rich set of briefing materials, maps, and a virtual tour, which provided a deeper dive into three neighborhoods in Philadelphia that feature a significant portion of the City's NOAH stock.

In addition to the material supplied by the City, the Panel conducted interviews with over 30 local and national stakeholders to better understand the issues at hand and clarify the current affordable housing environment in the City. The Panel wrapped up the Study Visit with a day and a half of deliberations and presented their findings and recommendations to the City and assembled stakeholders. This report details the Panel's findings.

ULI PHILADELPHIA



A Regional Rail Station in the Wynnefield neighborhood, which has a considerable supply of NOAH stock.

Philadelphia continues to struggle to house its residents.

**Housing Insecurity**

**26%**  
living in poverty<sup>2</sup>

**24,000**  
eviction filings in 2017

**42,900**  
Housing Authority wait list<sup>3</sup>

**5,600**  
experiencing homelessness

2018 Housing Action Plan. Source: U.S. Census Bureau, 2016 ACS; City of Philadelphia, Re-Envisioning Philadelphia's Homeless Services System; Mayor's Taskforce on Eviction Prevention and Response; Pew Charitable Trusts 2018.

2. The poverty rate is defined by the U.S. Census Bureau as: if a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty.

3. The wait list for public housing is currently closed and therefore an underestimate of eligible households seeking assistance.

## ASSESSMENT AND OBSERVATIONS

The issue of affordable housing and its preservation is a complex one for many cities in the United States and Philadelphia is no exception. The forces at play may vary from state to state and city to city, yet the need to preserve housing affordability in the U.S. is a common and urgent pursuit.

For Philadelphia, the City is facing a very complex set of challenges. For the past decade or so, the City has enjoyed an increasing population and a strong housing market. While clearly a strength and an asset to the City's economic health, the uptick in the housing market is putting pressure on affordable housing stock, encouraging property owners to increase rents or convert affordable units to market-rate units. As stated earlier, the City is home to a significant number of naturally occurring affordable housing units, and City staff has been working – and continues to work – diligently to support the landlords who own and manage these key pieces of the housing ecosystem.

In addition to the recommendations tied specifically to the questions posed by the City, the Panel also identified several key points that the City is encouraged to keep in mind when addressing the NOAH challenge in Philadelphia. It is important to note that there are underlying poverty issues at play in the region that exacerbate the affordability challenge. Panelists also heard from stakeholders that both ends of the affordability spectrum need to be addressed, including symptoms and root causes, and to consider supporting efforts to increase the minimum wage in Philadelphia.

**Next Neighborhoods.** While a great deal of attention has been paid to the neighborhoods currently experiencing market pressures, the Panel recommends that the City increase its focus, tools, and attention on the *next* neighborhoods, those neighborhoods that are on the cusp of, but not yet experiencing, gentrification. By adding this area of focus to its efforts, the City may begin to get ahead of another surging tide of vulnerable properties and work with landlords before market pressures become too great to maintain affordability.

**COVID-19 Pressures.** Entering year two of the COVID-19 pandemic, the ongoing housing issues related to deferred or defaulting rent payments will certainly increase the pressure on NOAH landlords and tenants. This pressure is likely to include difficulties in maintenance, and this increased deferred maintenance will steeply decrease habitability of NOAH stock. As a result of this decrease in habitability and the execution of long-deferred evictions, the City may soon face an increased number of residents experiencing homelessness.

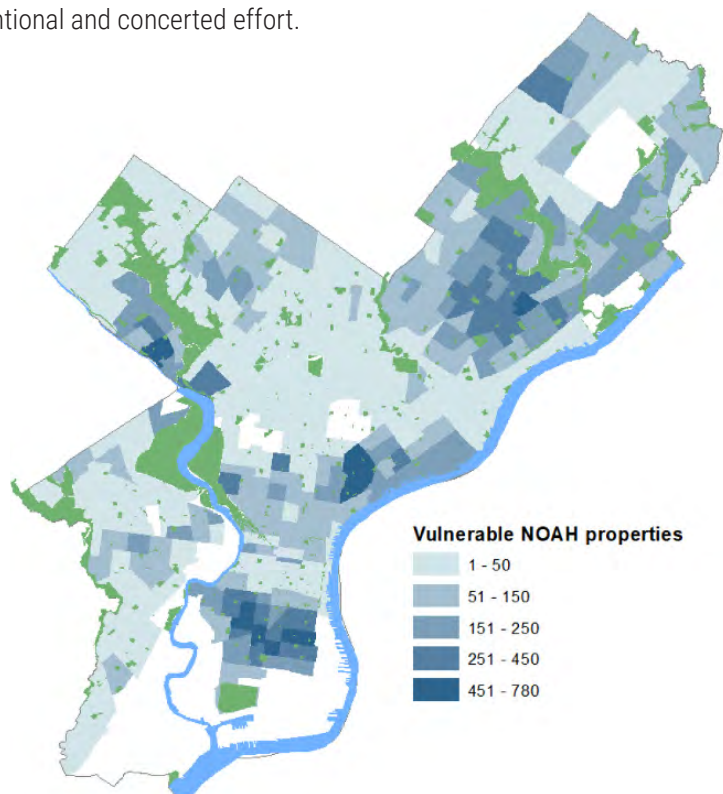


**Small Entrepreneurial Landlords.** Within Philadelphia’s landlord ecosystem, a key area of focus is the population of entrepreneurial landlords with a small number of units. There are approximately 76,000 naturally occurring affordable housing properties in Philadelphia affordable to households earning between 25-80% AMI. Small landlords (defined here as owning less than five units) own approximately 65% of these properties. Holding well over half of the NOAH housing stock, these small landlords are also small business owners and would benefit from access to many of the same business support systems available to a typical small business. When a city considers its population of small business owners, often seen as the lifeblood of a city’s economic health, small landlords are often not a part of the calculus nor are they included in opportunities for small business support. Opening the door to these critical business support mechanisms may have a significant impact on the health and vitality of the small Philadelphia landlord.

In a recent UPENN survey, over 23% of landlords indicated having difficulty paying for repairs or renovations to their rental properties.

Nearly 64,000 NOAH properties are considered vulnerable due to poor condition, displacement risk, or surrounding market value. That number, displayed graphically in the map below, represents a significant percentage of the total housing stock in the City of Philadelphia. The importance of NOAH properties in the City is not in question; with well over 50% of the City’s NOAH units vulnerable today and in need of intervention, the urgency of the matter bears underscoring. The challenge is real, and it is not going away without an intentional and concerted effort.

DHCD BRIEFING MATERIALS



Many NOAH properties are considered vulnerable – poor condition, subject to displacement, or in a strong market area.



Row homes in the Kensington neighborhood .

---

## RECOMMENDATIONS

---

At the core of the challenge of preserving NOAH lies a population of small, entrepreneurial business owners who are often struggling to maintain their assets (housing units) and are often operating on their own, outside of the City's oversight of rental properties. While the panelists acknowledge and applaud the City's support for tenants of NOAH units, the recommendations below focus heavily on supports for these small landlords.

The key to preserving the housing stock is building and maintaining a healthy working relationship with the property owners who supply the City with NOAH stock. While the City is turning in the right direction, by providing funding streams and considering further resources, what is also needed is a shift in approach to working with NOAH landlords. By shifting from an approach where incentives are tied to mortgages and deed restrictions and moving toward a more flexible, networked relationship between the City and this strong, diverse base of small business owners, the NOAH ecosystem stands a better chance of surviving and even thriving in the years ahead.

A holistic business support approach for NOAH landlords would include enhanced outreach and support for existing NOAH owners, strengthening or leveraging existing funding mechanisms, and preserving affordability in stronger markets with alternative incentive programs.

### Enhanced Outreach and Support

#### **SUPPORT SMALL LANDLORDS AS SMALL BUSINESS OWNERS**

Small landlords are running businesses that are small in scale, place-based, and highly entrepreneurial. It is not common, however, for municipal support programs to include landlords in the same 'small business' categories as flower shops, bike stores, and neighborhood grocery stores. A shift in approach is warranted to better support these real estate business owners and more actively welcome them into the City's support system.

For typical retail or commercial business owners, the City provides support that may include assistance with financing, information around best practices, and assistance in navigating the City's regulations. Small landlords, some of whom may not be sophisticated business operators, would benefit





The intersection of Wynnefield Avenue and 50th Street in the Wynnefield neighborhood.

from assistance with navigating the City’s business regulation processes and would be more likely to undertake improvements if they know that they will not be under increased scrutiny once they are part of “the system.”

Some of the small business support mechanisms that could be tailored to the small landlord population might include:

**Property Management Training Program.** Landlords working to operate multiple rental units must be able to maintain their financial records, properly and effectively screen potential tenants, provide preventative as well as on-demand maintenance to their buildings, and much more. Regular training programs addressing these topics could become a cost-effective mechanism for engaging landlords while preserving NOAH.

**Repair Financing Programs without Deed Restrictions.** Repair programs for NOAH units are clearly needed in the City, and efforts have been made to meet this need. At the same time, utilization of these programs may be limited if the financing comes with too many strings attached.

- For participants in a repair loan program, with loan amounts from \$5,000 to \$25,000, strict affordability restrictions may be daunting. The primary target for these loans is rental properties in neighborhoods with currently low rents and substandard conditions that impact livability. It is unlikely that repairs of this magnitude alone would propel a property into a significantly higher rent category and out of affordability ranges.
- Similarly, small landlords who own less than ten rental units are unlikely to be receptive to deed restrictions or have the capacity for tenant income verification or Area Median Income (AMI) reporting. While understanding that funding sources may dictate some requirements, removing the deed restrictions and loosening the verification and reporting requirements may be worth considering.
- Because owning real estate and running a small property rental business are historically successful ways to build a stable income and household wealth, restricting the ability of small business owners in Philadelphia to achieve these benefits from their business have a negative impact on the economic health and vitality of Philadelphia’s residents.

**Amnesty program.** In an effort to better understand and support the full ecosystem of NOAH stock in the City, it will be beneficial to bring unlicensed rentals into the City’s system. As there may be landlords who have not registered with the City due to perceived or real issues with past violations,



J-centrel, developed by SHIFT and Smith & Roller, a civically engaged multi-purpose community that provides affordable quality to residents and businesses committed to doing good in the Kensington neighborhood.

the Panel recommends an amnesty structure wherein a small landlord could enter the loan program or begin to access other City support mechanisms if they obtain a rental license, which costs \$56/unit/year, but would not be penalized for delinquent Business Income and Receipts Tax or License Fees.

**Navigator assistance and one-stop shop.** The City's systems can be daunting, even for the savvy business owner. Small landlords in particular would benefit from access to a knowledgeable resource to help guide them throughout the entire registration and support process. These 'NOAH Navigators' could leverage existing city agencies or offices who are deeply familiar with the programs available and who are comfortable cross-marketing City programs to the individual landlords for the landlords' benefit. Similarly, the City may consider implementing a central program or digital platform for landlords, a "one-stop shop" ("One Stop NOAH") for access to loan programs, property maintenance services, credits, and incentives.

## OUTREACH AND EDUCATION

The Panel heard from multiple stakeholders that there is a need for further outreach to and education for NOAH landlords. It will be critical that any assistance or loan program include a meaningful education component

Keep it simple! Make it easy to understand, access, and implement.

– *Panelists*

that can be easily accessed and replicated across the City. Getting to the landlords, alerting them to these resources, is key to their adoption. The City will need to consider ways it can enhance its current outreach and marketing efforts to better reach existing, new, and even potential landlords.

- **Registration.** Landlords should be encouraged to register with the City and thereby alerted to the (proposed) Amnesty program. This registration will open a line of communication with the landlords and begin to reduce the perception of or any real strings attached to City oversight.
- **Leverage Communication Channels.** The City is also encouraged to leverage partnerships with existing and trusted community organizations (e.g. Community Development Corporations) and trusted community based resources (e.g. non-profits, community leaders, local businesses, etc.) to help spread the word about available NOAH resources.
- **Single Point-of-Entry.** If possible, the City and the landlords would both benefit from the use of just one platform or point-of-entry for all landlord and loan program information, education, and assistance. Once inside the system, it would also be beneficial to present a simplified path to consolidated information relating to all programs and processes aimed at NOAH (including zoning and permitting).

### MAKE REPAIRS EASIER

There are a significant number of NOAH properties in need of repair with City-wide estimates of all repairs totaling around \$83 million. By making it easy for landlords to make property repairs, renovations, and modifications, the City can begin to significantly improve the long-term viability of its NOAH stock. By reducing burden of “finding good help” and navigating L&I, inspection, and permitting process, the City can help make the process of repairs easier.

- **Finding Good Help.** The City can assist landlords in their search for qualified contractors by establishing a one-stop shop/platform for finding/identifying contractors.
- **Partner to Expand Resources.** Local educational institutions may already provide technical training in the construction trades or could be encouraged to expand programming to include such instruction. By partnering with these institutions, the City could connect the graduates of the program with immediate work for small landlords and the educational institution gains the benefit of an employment

connection for its students. Similarly, the City might wish to consider other workforce development and skills-building opportunities (e.g., high school building trade program, prisoner re-entry program) to further expand the potential resources for repair work throughout the City.

- **MBE and WBE Businesses.** The City may also wish to consider partnering with WBE/MBE service providers, again to provide a direct connection between landlords seeking construction assistance and service providers seeking to build or strengthen their contracting businesses.
- **Digital Connections.** The landlords and the potential service providers could both benefit from access to an online system or portal, hosted by the City, whereby landlords could describe needed services and free or discounted services could be provided by a qualified professional. (A potential financial incentive should be explored for service providers.)

## Strengthen, Expand Financing Mechanisms

The City has already identified the need for dedicated funding mechanisms to assist landlords with working capital and funding for repairs to their properties. These support programs, while currently active in the market, are not yet producing the intended outcomes.

To that end, the Panel recommends strengthening and/or expanding the existing funding programs, leveraging the resources already in place, and working closely with Community Development Finance Institutions (CDFIs) to restructure funding opportunities for landlords.

**Working Capital Loan Fund.** At present, the Working Capital Loan Fund is operating with a funding pool of less than \$1 million and has quickly run through its initial funding. Given that this fund does not include a mortgage or other restrictions, it has proven very popular with landlords and should be supported aggressively.

**Rental Improvement Fund.** The Rental Improvement Fund holds great promise yet remains significantly underutilized in its current state. At present, this \$400,000 fund operates in the Kensington neighborhood only, due primarily to the requirements of the sole banking partner. Stakeholders noted that the low margins on the loans involved were the likely cause of the less-than-enthusiastic response from other potential banking partners. However, through manual underwriting, the fund has managed to significantly increase loan approval rates for people of color and women. Increasing the



pool of available funding may provide additional banking partners with the confidence of the long-term viability of the fund, thereby making worthwhile their investment in the staffing and resources to support the program.

**Better Leverage CDFI Partnerships.** There is great potential in partnerships with CDFIs, yet careful attention is needed to ensure that the requests of these institutions best fit existing expertise. As designed, most local CDFIs are not fully prepared to address the additional work generated by the City's funding programs. There are also the direct costs and indirect opportunity costs such institutions experience when adding new products to their product lines. When combined, these issues can create barriers to viable partnerships with CDFIs. However, CDFIs do have experience with small business lending, which could be leveraged here given a slightly different approach that utilizes the strength of each entity. The City is encouraged to engage with the CDFIs to co-design a program that utilizes the best skillsets of the CDFIs while including infrastructure support from the City.

**The Philadelphia Accelerator Fund.** The Philadelphia Accelerator Fund (PAF) is a new resource that was established to “enable non-traditional financing products that support affordable housing and community development” in the City. The PAF intends to make loans directly to the consumer, in this case the landlords. By leveraging a sizable loan fund (\$10 million) from the start, a fund of this nature might provide CDFIs and banks with the confidence needed that the program will persist, which may help secure more banking



ULI PHILADELPHIA

View from under the Market Frankford Line overpass on North Front Street in the Kensington neighborhood.

partnerships. In this revised scenario, with the majority or all of the funding channeling through CDFIs, the PAF could act as a wholesale lender, rather than a retail lender, freeing some of its own personnel and resources to help market the fund and bolster funding resources in order to make the program even more viable and sustainable.

**Loan Officers as “Navigators.”** Funding mechanisms can be complex and the process to secure loan funding through the City’s programs may be daunting. As a part of the structure of any fund, the City is encouraged to reframe the work of its loan officers to become loan navigators. This collaborative and instructive approach could assist the small landlord in navigating the system and, if marketed well, might encourage additional landlords to apply for funding. By using a “navigator” or “case worker” approach, those working in the funding stream may begin to see themselves in the role of assisting these borrowers in providing affordable housing.

**Restructure Penalties.** To encourage adherence to the loan terms and thus the preservation of affordable housing, many of these loan programs come with some form of penalty, restriction, or other mechanism to ensure compliance. Instead of using deed restrictions, which encumber a property at loan origination, if a landlord increases a property’s rent beyond affordability levels set forth in the loan, perhaps an appropriate penalty could be an increased interest rate (*e.g.* the loan interest rate could go from 5% to 10%). By using this approach, the landlord could be deterred from increasing rental rates, but if rates do indeed increase, the City has the ability to capture some of the increased rental proceeds that the landlord is receiving and direct it toward further affordability programs.

## Preserve Affordability via Alternative Programs

While landlords may be just as interested as the City in maintaining the affordable housing stock, the affordability restrictions and particularly deed restrictions placed on properties may be a deterrent to landlords’ participation in programs where such restrictions are a factor. As the value and marketability of the landlords’ assets are key to their long-term viability as business owners/operators, restrictions may impact that viability, and the City is encouraged to consider alternatives to these traditional restriction mechanisms. These alternatives are at work in other parts of the country and are actively assisting with the preservation of affordable housing.

**Option to Buy Extended Affordability.** If market pressures are encouraging increases in rental rates, the City could offer upfront financial payment for

Philadelphia is losing twice the number of affordable units relative to market units coming on line each year.

Source: Philadelphia Housing Advisory Board Member

contractual agreement by landlords to maintain agreed-upon affordable rents for a predetermined period of time (e.g., 10 – 15 years). The City would buy affordability via an upfront payment to the landlord, which could be used for immediate repairs, and the landlord remains the long-term holder of the property. For example, a \$36,000 payment to a landlord could offset \$300 in monthly rent for 10 years. This is significantly less expensive than the cost of creating a new unit of affordable housing.

**City’s Right to Broker.** Although a similar program proposal did not pass the Philadelphia City Council, the City could reconsider the potential effectiveness of a modified “Right of First Refusal” or a brokerage opportunity to connect new ownership committed to affordability to a property. A program of this nature could provide an existing affordable housing property owner (including both subsidized and unsubsidized) incentives in exchange for the City’s “Right to Broker” the sale of that property. In this capacity, the City could act as a facilitator, but not the funder, of a purchase by a nonprofit organization or social impact investor who wishes to maintain the affordability of the unit. An effort of this nature would not require additional funding and could be a cost-neutral solution for the City and one that could be used in areas of the City experiencing strong residential growth pressure, which was a secondary convening question posed to the Panel.

**Engage Additional Partners to Preserve NOAH.** While the City is the natural lead on any public-sector affordability efforts, partnerships with related organizations should be strengthened. Public utility providers can provide



An electric SEPTA bus on a commercial corridor in the Oxford Circle neighborhood.

property owners with repair incentives to make energy efficient repairs. Utility partners might include PECO Energy Company, Philadelphia Gas Works, and the Philadelphia Water Department. It may also be wise to consider a Low Income Home Energy Assistance Program (LIHEAP) program for landlords.

In addition to partnerships with utilities, the City may also find a willing partner in the region's health systems. Health services organizations and managed care providers are looking for ways to improve health outcomes their communities, and are paying particular attention to the environment in which residents live. To that end, health care organizations and/or managed care organizations may be interested in partnering to help property owners make repairs to homes that might improve the health of residents, including improvements to air handling systems to reduce dust and other irritants or updating plumbing fixtures to reduce the instances of mold or mildew. The current national attention on the intersection of health and housing might provide an opportunity to initiate these types of conversations with potential partners. There may also be interesting local and/or national grant funding to support these types of partnership-based improvement efforts.

### Town of Vail CO's Housing Department's Vail InDEED Program

Like other seasonal and tourist-driven housing markets, Vail faces significant housing challenges, specifically in regard to availability and affordability. There are about 7,200 dwelling units in the town of Vail, of which about 4,800 are categorized as vacant, unoccupied dwelling units (i.e., second homes/vacation properties). The remaining 2,400 dwelling units are occupied by Vail's permanent population of 5,305 year-round residents.

Real estate transaction sales data collected by the town's Housing Department demonstrates that 90 percent of sales from locally owned homes end up purchased by a second home/vacation property owner. Data further demonstrates that due to gentrification and

increases in value, second homes and vacation properties are rarely, if ever, affordable for purchase by local residents. As such, local wage earners—including teachers, firefighters, health care professionals, utility workers, municipal employees, business owners, and resort workers—cannot compete financially in this housing market.

In response, the Vail Town Council and the Vail Local Housing Authority demonstrated bold leadership and collaboration on the creation and eventual implementation of the Vail InDEED program.

Vail InDEED is an innovative deed restriction purchase program aimed at protecting and preserving existing homes in the community for

occupancy by local residents. Much like an agricultural conservation easement protects and preserves the continued use of a property for agricultural purposes, the Vail InDEED program protects and preserves existing homes in the community from conversion to vacation homes through the recording of a deed restriction that limits occupancy to local residents. Through this program, the Vail Local Housing Authority can use taxpayer funds to purchase deed restrictions on behalf of the Vail community. In doing so, the program positively influences affordability and availability and builds community in a uniquely different way.

*Urban Land Institute (uli.org)*  
*Robert C. Larson 2020 Awards Announcement*



---

## CONCLUSION

---

A good deal of planning and effort has already gone into the City's work to preserve naturally occurring affordable housing and it should be commended for its thoughtful focus and dedicated staff. Given the complexity of the challenge, notably the large numbers of NOAH units that need maintenance or are otherwise at risk, there is increased urgency to double-down on programs that are working well and shift the approach for programs that are currently not delivering the intended results.

The Panel recommends a shift in approach to how the City views its population of small landlords. By identifying landlords as small business owners, a host of business support opportunities could be open to landlords who may need assistance with basic business operations (bookkeeping, property management, etc.). This shift in approach should also be based on the premise that 'more carrot and less stick' may work better in bringing landlords into a working relationship with the City.

Stronger educational programs for landlords could include instruction in business operation as well as loan program access and navigation assistance. Educational programs could also include training for new landlords as well as training for those seeking employment in the trades.



ULI PHILADELPHIA

Naturally occurring affordable housing in the Oxford Circle neighborhood.

Expanding the population of trained tradespeople will support job growth in the City as well as provide much-needed services to landlords needing to make repairs to their properties. Enhanced and expanded outreach to landlords is also needed so they are aware of the programs available to them.

Funding mechanisms for landlords should be strengthened and enhanced. For programs like the Accelerator Fund and the Working Capital Fund, the City is encouraged to expand the pool of funds available in order to reach more landlords. These programs are sound and should be aggressively supported. For other programs, such as the Rental Improvement Fund, a different approach might be necessary. While the initial impact has been slight, the intention of the program and the support it could provide small landlords is solid. A revision to the program is likely warranted, with the goal of expanding the geographic reach of the funding, providing increased margins or other incentives for banking partners, and removing some of the restrictions that may be impeding landlord interest.

It may also be helpful to institute an amnesty program for landlords wishing to register with the City. Perceived or real concerns surrounding unpaid fines may be keeping landlords from registering and accessing the programs the City has worked so hard to create. By providing relief via fine amnesty, the City does not lose out on funding it will likely not collect and instead begins to enjoy the benefits of a clearer line of communication with landlords and a better understanding of the housing ecosystem. At that point, the City may be better positioned to provide support and help preserve affordability going forward.

It is also worth considering alternative routes to preserving affordability through partnerships with utility providers, health care organizations, and more. These potential partnering organizations share an interest in reducing the cost burdens on Philadelphia's residents and the related benefits in lower energy production requirements for utilities or less stress on local health systems. Property repairs aimed at increasing energy efficiency or impacting air quality in a unit may be of interest to utilities and medical systems respectively. Partnering opportunities and related grant funding should be explored.

The importance of preserving Philadelphia's naturally occurring affordable housing cannot be overstated. The work should continue, the partnerships are key, and the dedicated focus exhibited by the City to-date should be commended and bolstered.

## STAKEHOLDER PARTICIPANTS

|   |                                      |  |
|---|--------------------------------------|--|
| AmeriHealth   | Ezperanza                            | Philadelphia Housing Development Corporation |
| Cecil Baker & Partners                                    | Federal Reserve Bank of Philadelphia | Philadelphia Tenants Union                   |
| Children’s Hospital of Philadelphia                       | Frankel Enterprises                  | PNC Bank                                     |
| City of Philadelphia Department of Planning & Development | Frankford CDC                        | PolicyMap                                    |
| City of Philadelphia Department of Licenses & Inspection  | Green Building United                | Public Interest Law Center                   |
| Community First Fund                                      | HAPCO                                | Reinvestment Fund                            |
| Community Legal Services                                  | Impact Services                      | Rigby Housing                                |
| Community Preservation Corporation                        | Jumpstart                            | Shift Capital                                |
| Drexel Urban Health                                       | LISC Philadelphia                    | Tenant Union Representative Network          |
| Econsult Solutions  | Mdesigns                             | The Pew Charitable Trusts                    |
|   | Philadelphia Energy Authority        | University of Pennsylvania                   |

## CONSULTED RESOURCES

Housing for Equity: An Action Plan for Philadelphia. City of Philadelphia, October 2018.

Naturally occurring affordable rental housing in Philadelphia. Stepwise.

Maybe it Really Does Take a Village: Supporting the Creation of High-Quality Unsubsidized Affordable Rental Housing in Legacy Cities. Reinvestment Fund Working Paper.

The State of Housing Affordability in Philadelphia, Who’s cost-burdened—and why. The Pew Charitable Trust, September 2020.

COVID-19 and Rent Relief: Understanding the owner side. The Housing Initiative at Penn, 2020.

Measuring and Understanding Home Repair Costs, A National Typology of Households. Federal Reserve Ban of Philadelphia, PolicyMap, September 2019.

Housing & Landlords: Using Open Data to Find Substandard Conditions. Azavea, September 2019.

Innovative Financing Approaches for Affordable Rental Housing in the Chicago Region. Urban Institute, February 2019.

Preserving Naturally Occurring Affordable Housing in the Twin Cities Metropolitan Area. NOAH Impact Fund.

Understanding Small and Medium Multifamily Housing Stock. Enterprise, USC Price Bedrosian Center, March 2017.

Meeting the Challenge of Distressed Property Investors in America’s Neighborhoods. LISC.



## ABOUT THE PANEL

### MIKE PITCHFORD, CHAIR

**Former President & CEO, Community Preservation and Development Corporation  
Washington, DC**

J. Michael “Mike” Pitchford recently retired from the role of President and CEO of Community Preservation and Development Corporation (CPDC). In this role, he was responsible for the company’s strategic direction and the leadership of the real estate development, asset management and resident services functions which create and support CPDC’s 30+ affordable housing communities. Trained as a commercial real estate lender, Pitchford previously led the Community Development Equity Group at Bank of America Corporation in Charlotte, NC. The Group developed or rehabilitated 23,000 units of affordable housing and increased LIHTC equity commitments 3,000%, to \$3 Billion, during his ten years leading the organization.

### KAREN BLANCHARD, AIA, LEED AP BD+C

**Principal, SITIO architecture + urbanism  
Philadelphia, PA**

Karen is a Principal at SITIO architecture + urbanism where she is focused on delivering design excellence to multifaceted projects. Her vast experience ranges in scale and typology – she is fully engrossed as an architect on civic and cultural, residential, educational, and mixed-use projects. Karen’s commitment to design and the profession has resulted in numerous project design awards as well as being presented the AIA Philadelphia Young Architect award. Karen was the 2018 President of AIA Philadelphia, served 6 years as the Co-Chair of the AIA Philadelphia Women In Architecture Committee, and spent 5 years on the AIA Philadelphia Board of Directors and their Executive Committee. In addition, she serves her community on the Board of Directors with the Fairmount Community Development Corporation. As a graduate from Thomas Jefferson University, Karen has stayed connected with the University as an adjunct faculty member and the College of Architecture and the Built Environment Advancement Council. Karen serves on the ULI Philadelphia Advisory Board.



## **RODGER BROWN**

**Managing Director, Real Estate Development, Preservation of Affordable Housing, Inc.  
Boston, MA**

Rodger brings more than 30 years of experience producing affordable housing to his role and has been a part of the POAH organization since 2004. During his tenure at the organization he has participated in the growth of POAH's portfolio to more than 11,000 units. He is responsible for overseeing the activities of all real estate development staff, managing resource allocation, department budgets, establishing strategic initiatives and providing direction on the most complex real estate transactions. He directed the award winning, \$42 million transformation of the United Front Homes into the Temple Landing neighborhood in downtown New Bedford. This innovative project involved the complete reconstruction of 5 new city blocks and public infrastructure while incorporating substantial rehabilitation and new construction of 173 units of affordable housing and a community center into a new neighborhood.

## **JIM BURNETT**

**Executive Director, West Philadelphia Financial Skills Initiative  
Philadelphia, PA**

Jim Burnett has been with WPFISI since May of 2000 where he originally started as the Loan Program Officer. His determination and passion for community building soon led him to the position of Executive Director the following year, where he has served ever since. Jim serves as a ULI Philadelphia Diversity, Equity, and Inclusion Advisor and serves on the District Council's Advisory Board.

## **ANNE SEGREST MCCULLOCH**

**President & CEO, Housing Partnership Equity Trust  
Washington, DC**

Anne Segrest McCulloch leads Housing Partnership Equity Trust, a social purpose apartment REIT founded and owned by nonprofit affordable housing developers, with investments from leading foundations and institutional and impact investors, to acquire and preserve affordable housing. In this role, she is responsible for all aspects of its P&L, including developing and leading HPET's acquisition and investment strategy, managing its asset portfolio and engaging with investors. Anne has served in a range of public sector leadership roles, with HUD, the FDIC, and the RTC.

## **TRACEY NGUYEN**

**Principal, Baker Tilly Virchow Krause  
Philadelphia, PA**

Tracey Nguyen, principal, joined Baker Tilly Capital, LLC in 2016. Prior to joining the firm, Tracey was a senior vice president with a commercial real estate developer and private equity real estate fund, where she was responsible for strategic planning and implementing corporate growth initiatives, as well as sourcing, structuring and

executing debt and equity financing, and overseeing asset management for the firm's portfolio. Previously, Tracey was a partner with an Am Law 100 law firm in Philadelphia, where she focused on commercial real estate and represented institutional and private investors, developers, REITs, lenders and borrowers in all matters of real estate, including acquisition, development, management, financing, leasing and sale. Tracey also has significant experience representing developers and investors in joint ventures involving both market rate and affordable multifamily transactions.

## PHILIP PAYNE

**Chair, Lotus Campaign  
Charlotte, NC**

Philip is one of the co-founders of Lotus Campaign. He considers himself a pragmatic idealist who believes that it is possible to do good while doing well. For nearly 30 years, Philip has worked to produce and maintain multifamily rental housing that is affordable to the workforce. During this time, he has served in various roles at a number of real estate companies including being Chairman of a public company, CFO of both a private and public company, and a Board Member and Audit Committee Chairman for two public companies. He has extensive experience and expertise in the areas of development, acquisition, rehabilitation, management, operation, financing, tax and legal issues of multifamily housing. He is currently the chairman of Ginkgo REIT, which provides workforce housing in Virginia, North Carolina, and South Carolina. He is a Trustee of the Urban Land Institute, the founding chairman of its Responsible Property Investment Council and the current Chair of ULI Charlotte. He is also a member of the National Multifamily Housing Council. Philip holds both a BS in Psychology and a JD from the College of William & Mary.

## JONATHAN WEISS

**President, Equinox Property Group  
Philadelphia, PA**

Jonathan Weiss is the founder of Equinox Management & Construction, LLC and The TempleTown Realty companies. For over 20 years, Equinox Management & Construction has been a Philadelphia based, fully integrated real estate development, property management, construction and property maintenance company with a focus on urban infill development. Equinox is committed to sustainability in the built environment and recently completed the largest LEED-certified modular structure in the country. Mr. Weiss was also a founder of Tree House Books, a non-profit literacy center in North Philadelphia and co-chairs the Small Scale and Impact Development Council of ULI Philadelphia. Mr. Weiss holds a BA degree from Amherst College and an MS from The University of Pennsylvania.



# Philadelphia

---

ULI Philadelphia  
c/o Langan  
1818 Market Street, Suite 3300  
Philadelphia, PA 19103

[philadelphia@uli.org](mailto:philadelphia@uli.org)

[Philadelphia.uli.org](http://Philadelphia.uli.org)



[knowledge.uli.org](http://knowledge.uli.org)