

DRAFT

PRO Housing Grant Application

City of Philadelphia

13 October, 2023

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EXHIBIT A. EXECUTIVE SUMMARY

The City of Philadelphia is applying for a grant of over \$7 million through HUD's PRO Housing grant program to build on and expand efforts to remove barriers to affordable housing. The application outlines activities that are intended to facilitate both production and preservation of affordable housing. The proposed activities serve as a suite of planning efforts, assessments, and pilot programs that would address a range of barriers faced by renters, homeowners, landlords and developers of affordable housing. The activities fall into five Strategies:

1. Improve Philadelphia's Inclusionary Zoning Policies
2. Reduce Barriers to Production
3. Explore and Support the Preservation of Affordable Units
4. Expand Opportunities for Creating Accessory Dwelling Units
5. Plan for Climate Resilient Housing

The application has been prepared by staff in the following agencies: the Department of Planning and Development, the Office of Sustainability, and the Philadelphia Housing Development Corporation. The lead applicant is the Division of Housing and Community Development (DHCD).

The proposed PRO Housing activities will enhance existing programs and initiatives: DHCD and its partners are well positioned to incorporate the proposed activities into established housing and community development strategies. The grant serves as an opportunity for the agencies to expand upon prior efforts by conducting detailed property assessments, creating feasibility studies, developing education and outreach materials, and testing recommendations through pilot programs, among other proposed activities. If awarded, the grant will also strengthen inter-departmental communication and coordination toward common goals.

The draft PRO Housing application is available for public comment between October 13th and October 29th, 2023. It will be submitted to the Department of Housing and Urban Development (HUD) on October 30th, 2023. If HUD selects the City of Philadelphia as a PRO Housing grantee, the expected activity implementation period is 1/31/2024 through 9/30/2029.

EXHIBIT B. THRESHOLD REQUIREMENTS AND OTHER SUBMISSION REQUIREMENTS

1. Resolution of Civil Rights Matters

The City of Philadelphia does not have unresolved civil rights matters as described in the Notice of Funding Opportunity at the time of writing for this application.

2. Timely Submission of Applications

The application will be submitted before 11:59:59 PM Eastern time on 10/30/2023.

3. Eligible Applicant

Applicants must be an eligible applicant in accordance with Section III.A of the NOFO. The City of Philadelphia is eligible applicant type 02 (City or township governments).

4. Number of Applications

The City of Philadelphia will submit one application in response to the Pathways to Removing Obstacles to Housing (PRO Housing) NOFO.

5. Standard Application, Assurances, Certifications and Disclosures

The following attachments will be submitted with the application:

- a. Standard Form 424 (SF-424) Application for Federal Assistance
- b. Assurances (HUD 424-B)
- c. Applicant Disclosure Report Form 2880 (HUD 2880)
- d. Code of Conduct

In addition, the application discusses how the City of Philadelphia will carry out the proposed activities in a manner that affirmatively furthers fair housing in compliance with the Fair Housing Act and its implementing regulations. All proposed activities are consistent with the 2016 Assessment of Fair Housing (AFH), including its fair housing goals and with fair housing strategies specified in the 2022-2026 Consolidated Plan. Further information regarding this requirement is included in the Soundness of Approach section (Exhibit D, subsection 4) of this application.

The City of Philadelphia is a CDBG, HOME, ESG, and HOPWA grantee.

6. Other Program-Specific Requirements

The City of Philadelphia intends to adhere to the following application requirements:

- a. Limited English Proficiency (LEP)
This application and all associated announcements and hearings comply with the policies and procedures set forth in the Citizen Participation Plan adopted by the Division of Housing and Community Development as part of its *Consolidated Plan* and *Annual Action Plan*.
- b. Physical Accessibility
All in-person meetings associated with this application are held in facilities that are

physically accessible to persons with disabilities.

c. Environmental Review

If the City of Philadelphia is selected as a recipient of PRO Housing grant funds, it will comply with applicable environmental requirements. This includes complying with environmental justice requirements as set forth in HUD's regulations at 24 CFR parts 50 and 58, which implement the policies of the National Environmental Policy Act (NEPA) and other environmental requirements.

d. Federal Assistance Assurances

To assure compliance with statutory requirements for non- construction grant programs, the DHCD is including the required assurances in its submission to HUD.

e. 424-CBW budget form.

A detailed budget form included in the application package to HUD.

f. Certification Regarding Lobbying

A required form included in the application package to HUD.

g. Disclosure of Lobbying Activities (SF-LLL).

A required form included in the application package to HUD.

EXHIBIT C. NEED

1. Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation.

Philadelphia's City Council and administration are committed to identifying and addressing affordable housing challenges. Local policies such as tax policy affecting land and other property, land use controls, zoning ordinances, building codes, fees and charges are consistently assessed for their impact on affordable housing. The following actions have been taken to identify barriers to affordable housing:

- The *2022-2026 Consolidated Plan* (sections MA-40 and SP-55) and yearly submissions of the *Annual Action Plan* (section AP-75) as required through 24 CFR part 91. The Plan utilizes publicly-available data such as American Community Survey (ACS) and Comprehensive Housing Affordability Strategy (CHAS) data to conduct a needs assessment, which is supplemented with secondary research and the collection of community input.
- The *Assessment of Fair Housing (AFH)*, developed jointly by the City and the Philadelphia Housing Authority in 2016, was the result of an effort to combine significant research and data analysis with robust community engagement to examine fair housing issues which may serve as barriers to affordable housing. Another round of analysis and community engagement was conducted in 2022 to assess the City and PHA's progress toward meeting the AFH goals and to identify new fair housing issues.
- The Housing Action Plan (HAP), entitled *Housing for Equity: An Action Plan for Philadelphia*, was published in 2018. This process brought together several plans that had been developed in the City such as the Assessment of Fair Housing; the Philadelphia 2035 Comprehensive Plan and the District Plans created by the City Planning Commission; and the Homelessness Housing Plan. Integrating these plans into one living, actionable, and accountable strategy enabled the City to better prioritize activities, allocate resources, and deliver and facilitate equitable production and preservation.
- *Preserving Philadelphia's Naturally Occurring Affordable Housing*, a report developed in partnership with ULI Philadelphia, offers a set of recommendations for preserving the affordability of naturally occurring affordable housing (NOAH) stock in Philadelphia.
- The *Community Development Block Grant – Disaster Recovery Action Plan* includes an unmet needs assessment which identifies community recovery needs, including those of renters and homeowners, due to damage from Hurricane Ida in 2021.
- The *2022 All-Hazard Mitigation Plan* assess the vulnerability of Philadelphia's housing stock to a range of hazards. Documenting the risks and planning for shocks and stresses can help guide decision-making about production and preservation efforts.
- The *2021 Climate Action Playbook* documents the ways that climate change may serve as a barrier to affordable housing.

Actions Taken to Address, Mitigate, or Remove Barriers

To address the identified barriers to affordable housing, the City pursues new policies and programs that will increase the availability, accessibility, and stability of affordable housing. Fair housing principles are at the core of these efforts. Recent actions are described below:

Pursuing and Sustaining Sources of Funding

- In fiscal year 2021, City Council approved the creation of The Neighborhood Preservation Initiative (NPI), a \$400 million bond program. The goal of NPI is to promote the health, welfare, and safety of residents of Philadelphia through the creation, expansion, implementation, and funding of housing programs to produce, maintain, and stabilize the City's housing inventory for the benefit of the residents of Philadelphia. Additionally, NPI supports the creation and expansion of programs for commercial corridors and addresses infrastructure needs of neighborhoods.
- In order to provide more resources for affordable housing programs, in 2005 the City established the Philadelphia Housing Trust Fund (HTF). There are two ways in which HTF funding is categorized: HTF-RF (Recording Fee), and HTF-GF (General Fund). HTF-RF provides a sustainable funding stream by dedicating a portion of document recording fees for affordable housing. HTF-GF includes a portion of the City's General Fund – 0.5% – which is dedicated to Housing Trust Fund activities. The creation of the HTF required state enabling legislation, City Council ordinances, and Mayor's Executive Orders. The ordinance that created the HTF included specific requirements for the expenditure of funds. Half of the funds are targeted to very low-income families and individuals earning at or below 30% of Area Median Income (AMI) and half are targeted to low- and moderate-income households earning between 30% and 115% of AMI. The HTF also addresses a variety of housing needs with at least half of its funds producing new or substantially rehabilitated homes and the rest supporting housing preservation, home repair and homelessness prevention.
- PHA and the City have pursued Choice Neighborhoods Implementation grants to promote investment in areas of high need while avoiding displacement of public housing residents. The grant has been completed in the North Central neighborhood, and is ongoing in Sharswood and Bartram Village. These neighborhoods are anchored by public housing sites where public and private dollars are leveraged to support locally-driven strategies in a comprehensive approach to neighborhood transformation, including the production and preservation of affordable housing units.
- DHDC financing for rental projects has generated equity investment through the utilization of the Low-Income Housing Tax Credits (LIHTC) by corporations and equity funds such as the National Equity Fund (NEF). In fiscal year 2023, a total of 7 city-supported affordable rental housing developments received a LIHTC, leveraging the City's support of \$20 million with over \$131 million of additional investment from private sources.

Legislative and Policy Initiatives

- The Mixed Income Housing Bonus (MIHB) program was created in 2012 and expanded in 2018 in Section § 14-702 (7) of the Philadelphia Code. Developers who opt into MIHB are eligible for a “zoning bonus,” which allows them to build a larger or denser project than what is otherwise allowed under the Zoning Code. To access this increased density and the resulting increase in revenue it might bring, participating developers agree to set aside 10% of a project’s housing units for affordable housing or contribute a set amount of funds to the City. Participating developers choose between two levels, low-income or moderate-income, with the former level yielding a larger bonus than the latter. Developers choosing the low-income bonus level must construct units affordable to lower-income households or else make a higher payment than developers choosing the moderate-income level.
- The Mixed Income Neighborhoods Overlay program requires developers in certain areas of the city to sell or rent 20% of newly constructed housing units at affordable rates. The requirement applies to developments with 10 or more total residential units. The MIN became effective through Section § 14-533 of the Philadelphia Code for projects that filed for a Zoning Permit after July 18, 2022.
- In 2022, Mayor Jim Kenney signed into law bills that provide significant relief for homeowners affected by tax assessment increases that went into effect for Tax Year 2023. Two programs were expanded: the City’s Senior Citizen Tax Freeze Program (Bill No. 220499) and Longtime Owner-Occupants Program (Bill No. 220497). These changes dramatically increased access and eligibility for thousands of Philadelphia’s vulnerable homeowners and increased the value of the benefit for many households. In addition, Bill No. 200012, increased the City’s Homestead Exemption from \$45,000 up to \$80,000.
- In fiscal year 2023, City Council passed an ordinance (Bill No. 220655) authorizing DHCD to continue the Eviction Diversion Program and requiring landlords to participate in the program before filing for eviction in court. This requirement, along with tools such as housing counseling, mediation, and financial assistance offered through the program help to ameliorate some barriers to affordable housing that tenants face.
- In fiscal year 2023, City Council passed an ordinance (Bill No. 221018) requiring DHCD to establish a public directory of privately owned, City-, state-, and federally-assisted affordable rental housing for low-and moderate- income households. This directory may be used for analysis, including estimates of which Affordable Housing Properties are at greatest risk of expiration or nonrenewal based on various factors.
- In fiscal year 2023, the Eviction Diversion Program launched a new tool to help stop an eviction filing. Targeted Financial Assistance is a one-time payment from the City to a landlord to cover a tenant’s rent arrears. The award is equal to the total amount of arrears plus two months’ rent, and parties must reach an agreement to resolve other issues before the payment is made. The program helps to keep tenants in their homes and landlords, many of whom can be considered small business owners, whole.
- The City is exploring ways to use proxies for income verification. Currently, households

eligible for multiple services delivered by different publicly funded organizations are required to complete income certification for each program. This is a time-consuming process for the household as well as the program administrators. Using one source record for certifying income to establish eligibility across multiple programs should reduce the number of households denied and reduce the time from application to service delivery. Further, this will allow the City to allocate more funding to programs rather than to the administration of those programs.

Establishing and Continuing Programs

- Local and federal funding sources are utilized to fund the production and preservation of affordable housing, including housing for special needs and homeless populations. The City typically supports approximately 300 production units and 200 preserved units every year. Although the COVID-19 pandemic caused project delays, construction has resumed to normal levels. At the end of City Fiscal Year 2023, 17 projects were under construction or near completion, including 14 new construction or rehabilitation projects, and 3 preservation projects. Once complete, these projects will add 591 units to affordable housing supply and preserve 249 existing units currently occupied by low-/mod-income households.
- The City implements a series of programs and strategies to foster and maintain affordable housing. To maintain the existing stock of housing that is affordable to low-income Philadelphians, the City continues to fund a series of home improvement programs, including the Basic Systems Repair Program; Heater Hotline; the Adaptive Modification Program; Restore, Repair Renew; and the Rental Improvement Fund. Launched in FY 23, the Rental Improvement Fund offers a suite of loan products to small landlords to repair their rental properties. Loans are eligible for full forgiveness or a preferable 0% interest rate if landlords meet program affordability requirements during the loan term. These programs have leveraged both CDBG funding and local funding sources like the Housing Trust Fund and Neighborhood Preservation Initiative.
- Launched in FY 23, PHLHousing+ is the City of Philadelphia and PHDC's guaranteed income pilot program. Three hundred renter households were selected from Philadelphia Housing Authority's Housing Choice Voucher and public housing waitlist to receive a direct cash payment on a prepaid debit card every month for 2.5 years to cover a portion of the household's housing costs. The monthly payment amount is calculated to close the gap between the housing costs they can afford – generally 30% of the household's income – and their actual housing costs. This means monthly payment amounts will differ across households. The funds are unconditional and unrestricted. This provides a more flexible resource for participants to make their own decisions to meet their family's needs.
- In 2019 PHDC launched the Shallow Rent program to provide rent assistance for tenants living in affordable housing projects who are rent burdened (i.e., spending more than 30% of their income on rent). Owners and/or property managers of affordable housing properties with income-restricted rental units that were built or substantially renovated with federal, state, or local subsidies are eligible for this program. The program is designed to provide monthly rent vouchers not to exceed \$500 a month (Shallow Rent

Vouchers) to tenants who are leasing units in the City of Philadelphia at rent levels that exceed 30% of their gross income.

- Philly First Home and Turn the Key are ongoing programs that expand affordable homeownership opportunities. In City Fiscal Year 2023, Philly First Home made grants 1,131 to first time low-to-moderate income homebuyers for assistance with down payments and closing costs. The Turn the Key program offers newly-built homes on publicly-owned parcels to low-and-moderate income first-time homebuyers, with preference given to City employees. Buyers are also eligible for the Mortgage Affordability Program through Turn the Key.
- The City funds housing counseling and legal services agencies that carry out tenant counseling, pre-purchase counseling for homebuyers, mortgage default and delinquency counseling, foreclosure prevention counseling, vacancy prevention, and other specialized housing counseling and services. For example, in City Fiscal Year 2023, housing and mortgage foreclosure prevention counseling services were provided to 8,417 households, and 606 homes were saved from foreclosure.

2. Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know?

The application will serve Philadelphia County, which is considered a priority geography according to the materials provided in connection with the PRO Housing Notice of Funding Opportunity. The qualification was determined based on the Housing Problems Factor, defined as:

“Widespread housing cost burden or substandard housing, measured as number of households with housing problems at 100% HAMFI divided by number of households at 100% HAMFI. Housing problems is defined as: cost burden of at least 50%, overcrowding, or substandard housing.”

Local analyses confirm that these housing problems have contributed to an acute need for affordable housing in Philadelphia. The 2021 American Community Survey 5-Year Estimates indicate that of Philadelphia households, 39% are cost burdened, with renters accounting for 52% of all cost burdened households. Among households reporting one or more housing problems – lack of complete plumbing or kitchen facilities, overcrowding, housing cost burden, and zero/negative income – housing cost burden is far and away the most common issue households face.

The lowest-income Philadelphians are more acutely affected by cost burden. Fifty-seven percent of Philadelphia renters who are very low income, earning less than 50% AMI, are spending more than half of their income on rent. Seventy percent of extremely low-income renters who earn 30% AMI or below spent half of their incomes on rent—a severe cost burden for households that likely struggle to afford other necessities including food, clothing and transportation (2016-2020 ACS). With a poverty rate of 23.1% – the highest among the nation’s ten largest cities – it is clear that low incomes contribute to the cost burden problem and that rising housing costs mean that more households will be left behind. At the same time, rents are increasing: during 2021, the average apartment rent rose at the fastest pace in more than 15 years, increasing by 10%

compared to an average annual 3% rise from 2010 through 2020.

Housing instability remains high in Philadelphia. The City Office of Homeless Services reported that from July 1, 2021 to June 30, 2022, the homeless service system reported nearly 17,700 individuals (13,500 households) in all project types (transitional housing, safe haven, rapid re-housing, emergency shelter, permanent supportive housing and other permanent housing project types). This number reflects pre-pandemic levels; many of the pandemic era supports (such as rental assistance, eviction moratorium, COVID economic impact payments, and Advanced Child Tax Credits) expired or were phased out, resulting in more people experiencing housing insecurity. In February 2022, the Point-in-Time count, an annual count of sheltered and unsheltered persons on a single night, enumerated a total of nearly 4,500 people experiencing homelessness; 82% were sheltered and 18% were unsheltered. From 2021 to 2022, chronically homeless individuals increased by 14%. Persons experiencing homelessness are of the most vulnerable populations when it comes to housing insecurity and the need for affordable housing. Furthermore, unsheltered persons are extremely vulnerable to future climate-related natural hazards, such as extreme temperature, precipitation, and flooding.

The supply of publicly-supported housing in Philadelphia does not meet the need of residents: only about a fifth of the demand is met for low-income households citywide. Exacerbating the affordable housing supply issue is the number of affordable rental developments that may either see affordability controls expire or require an infusion of capital for rehabilitation in the future. Analyses of the National Housing Preservation Database show that there are over 34,000 housing units receiving federal assistance in Philadelphia. One third of those units may be at risk of expiring contracts within the next ten years. The potential transition of almost 12,000 units to market rate housing will not only cause housing instability for residents, but will also further increase the demand for affordable housing citywide.

Although there is a shortage of subsidized affordable housing, Philadelphia is home to an estimated 76,000 properties that are considered naturally affordable. However, of all naturally occurring affordable housing (NOAH) properties, prior analysis has indicated that half are vulnerable due to poor condition or market pressures like displacement risk (*Preserving Philadelphia's Naturally Occurring Affordable Housing* report). According to The Reinvestment Fund's Displacement Risk Ratio (a measure of residential displacement pressure using the ratio between median sales prices over time and median household incomes), there are over 228,000 Philadelphia residents living in block groups that are experiencing displacement pressure; nearly 60% of these block groups are populated by at least 51% low- and moderate-income people. Meanwhile, housing costs continue to increase: between 2014 and 2019 (ACS), we see median rent increase by 14%, the number of units renting for under \$1,000/month fall by 19%, and homes sold for under \$200,000 decrease by 6%. The 2022 Draft Assessment of Fair Housing reported that cost has become the most pressing housing issue for renters, and that rates of cost burden were nearly twice as high in predominantly Black and predominantly Hispanic communities than in predominantly White communities according to ACS data.

As housing becomes more expensive in Philadelphia, property owners struggle to maintain the quality of housing. Eighty-eight percent of Philadelphia homes were built before 1980 and more than half are more than 65 years old. 92% of owner-occupied units were built before 1980, while 83% of renter-occupied units were built before 1980. Overall, the Census Bureau's 2022 1-year ACS estimates that nearly 40% of Philadelphia's housing stock was built 1939 or earlier.

Maintaining and improving older properties can prove challenging and costly for owners. Of the Office of Property Assessment's housing stock (over 463,000), nearly 13,500 residential properties have below average interior and/or exterior conditions; 89% of these properties with below average conditions are located in low to moderate income block groups (HUD's FY 2023 ACS 5-Year 2011-2015 Low and Moderate Income data). Deferred maintenance can have significant effects on occupants, including the increased likelihood of high energy costs as well as potentially severe health problems.

Substandard conditions related to the age of housing stock and deferred maintenance can be compounded by two key climate-related natural hazards – extreme heat and inland flooding. As reported in *Growing Stronger: Toward a Climate-Ready Philadelphia*, by 2100, we could face as many as 52 days over 95°F and as many as 16 days a year above 100°F. Heatwaves have exposed Philadelphians to such extreme temperatures that there have been more deaths from heat than from all other natural disasters combined. Census data shows that low-income residents and residents of color are more likely to live in hotter neighborhoods and are more vulnerable to extreme heat. These residents are unable to stay cool in their homes due to a combination of lack of access to air-conditioning, poor housing conditions and lack of ability to pay energy bills. Philadelphia is one of the most energy burdened cities in the U.S. ranking 86% higher than the national average.

Meanwhile, the city is expected to experience heavier precipitation events because of climate change, leading to increased flooding. The city's tidal rivers also make Philadelphia vulnerable to rising sea level, which has gone up about one foot over the past 100 years as a result of climate change and is projected to rise four feet by 2100 under a scenario of moderate greenhouse gas emissions. In its CDBG-DR Action Plan for recovery from Hurricane Ida, the City estimated that, two years later, there was still over \$810 million of unmet needs in residential property recovery. With increased frequency of flooding events, recovery needs will become compounded over time.

3. What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

The major barriers to affordable housing identified through the Consolidated Planning process are described below.

Displacement of residents due to economic pressures.

Housing market changes and economic pressures such as increasing rents and property taxes in appreciating neighborhoods may pose a threat to long-term affordability and to current residents. Displacement disproportionately impacts people of color and populations with limited English proficiency.

Lack of public investment in specific neighborhoods, including services of amenities.

A range of public amenities and services – parks, high-performing schools, libraries, recreation centers, lighting, sidewalks and trash collection – are important factors in stabilizing neighborhoods and ensuring equitable access. Many of Philadelphia's public facilities need repairs, and many communities, particularly low-income communities, lack this range of public amenities. Lack of high-quality public amenities may impact segregation patterns.

Deteriorated vacant structures and land.

Decades of urban disinvestment and population loss to the suburbs have left Philadelphia with approximately 42,000 vacant properties, about 8,500 of which are publicly owned. Blighted conditions further exacerbate neighborhood instability and present a challenge for turning racially and concentrated areas of poverty (R/ECAP) into communities of opportunity. The Philadelphia Land Bank will be a strategic tool in addressing vacancy issues.

Location and type of affordable housing.

An estimated 53% of occupied publicly supported housing units are located in distressed markets. Rising rents —across the city but particularly in appreciating markets—are making it more difficult for residents to find quality affordable housing. To help combat these issues, PHA’s adoption of payment standards based on Small Area Fair Market Rents (SAFMRs) will expand the range of housing choices available to voucher holders. PHA also sponsors a voluntary Housing Opportunity Program that provides housing search, counseling and other support services to voucher holders who wish to move to areas of higher opportunity. Additionally, private developers are encouraged to take advantage of the city’s inclusionary zoning mixed-income housing bonus to provide affordable housing in areas of opportunity.

There are over 10,000 subsidized affordable units at risk of losing their subsidies in the next decade or so. Without a comprehensive strategy to keep these units permanently affordable, many properties will be sold and the units converted to market rate. On the private market, rent increases can be substantial and unpredictable for tenants. As housing markets heat up, owners raise rents in excess of what tenants can pay. The majority of Philadelphia renters already pay more than 30% of their income towards housing costs, and the trend is getting worse as rising rents aren’t matched by local wage growth.

Inability to access existing housing and other city resources.

While the City, PHA and other partners offer a wide range of services, community residents — especially LEP populations and residents with disabilities—may not be aware of these opportunities. Broader outreach efforts will help connect community residents to services and programs.

Location and access to proficient schools.

Very few Philadelphia families have access to good schools. Access to quality education starts with high quality childcare options. Work completed by the Reinvestment Fund reveals that there are many R/ECAP areas in need of high-quality Pre-K options.

Lack of income.

There is an urgent need to connect residents to available benefits and provide job skills development and training projects and programs. Programs and assistance such as Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), the Earned Income Tax Credit (EITC) and the Child Tax Credit are substantially under-subscribed by city residents. The Office of Community Empowerment and Opportunity (CEO) and the Mayor’s Policy Office are working with partners such as Philly Counts, Campaign for Working Families and Ceiba to help more eligible Philadelphians claim these benefits.

The availability of affordable units in a range of sizes.

Given the large number of families in the city, the lack of affordable rentals with larger bedroom counts is a contributing factor to family households with children facing disproportionate housing needs. Additionally, the rise in Philadelphia housing prices, coupled with low available inventory, pose issues for first-time homebuyers.

Lack of communication between government and residents.

The City, PHA and partners have a wide range of housing services such as home repair, housing counseling, tangled title, and tax relief programs. There is a need to work with the network of partners – Neighborhood Advisory Committees, Community Development Corporations, Universities and other City agencies such as the Office of Community Empowerment and Opportunity – to conduct outreach and trainings and to help connect low-income residents to programs that promote access to housing and opportunity.

Residential foreclosures.

A high rate of foreclosures in a neighborhood can indicate housing instability, both for owners at risk of losing their homes and for their neighbors. Foreclosures can feed into cycles of property deterioration and abandonment, increasing the severity of disproportionate housing needs. As protections enacted by the COVID-19 come to a close, housing counseling agencies, and nonprofit legal advocates will seek to alleviate affordability pressures and keep residents in their homes.

Residential evictions.

Like foreclosures, evictions are often a sign of housing instability. The Reinvestment Fund analyzed evictions for 2018-2019 and reported 33,953 eviction filings, impacting approximately 6% of renter households. Evictions diversion efforts, including connections to housing counselors, mediators, and available rental assistance, have been shown to successfully help tenants remain in their homes; however, eviction remains a key issue for affecting tenants and landlords.

Age and condition of housing.

Approximately 88% of Philadelphia's housing stock was built before 1980 and in R/ECAP areas where a large portion of homes were built before 1939. Many of the households in these homes pay up to 50% of their annual income on housing and do not have available resources to make necessary repairs.

Both subsidized and unsubsidized rental housing properties in Philadelphia have significant deferred maintenance costs and need large capital improvements. According to an analysis by the Federal Reserve Bank of Philadelphia, over 40% of rental units need repairs, which is unsurprising given the age of Philadelphia's buildings and the higher occurrence of deferred maintenance during the pandemic.

In addition, many rental units are energy inefficient, and the majority of Philadelphia renters experience a high to severe energy cost burden (spending above 6% of their income on energy bills).

Lack of local private fair housing outreach and enforcement.

Federal and local cuts have had an impact on fair housing and outreach efforts in Philadelphia. Both the Philadelphia Commission on Human Relations (PCHR) and the Fair Housing Commission (FHC) are poised to explore new challenges to end the disparities in Philadelphia's neighborhoods, focusing on rental housing as a priority. Specifically, under the Fair Housing Ordinance, the FHC can initiate its own complaints against serial slumlords and get multiple housing units repaired and back to code at one time. Studies have shown that the LGBTQ community disproportionately experiences homelessness. It is important to ensure that these residents have equal access to housing choice. Additional funding is needed to conduct robust outreach to all communities and to take on a wide range of large-scale projects.

In addition to the barriers listed in the Consolidated Plan, the City has also identified the following barriers to affordable housing:

Mandatory inclusionary zoning policies can be onerous for developers.

Since its effective date in July 2022, developers have repeatedly told us that Philadelphia's mandatory inclusionary zoning policy – called the Mixed Income Neighborhoods Overlay (MIN) - is not feasible given current market conditions. In simple terms, the MIN requires projects with 10 or more residential units to set aside 20% of those units for households earning 40% AMI or less. This requirement is steeper than in other U.S. cities with inclusionary zoning policies. According to a 2021 study that examined over 1,000 inclusionary zoning policies across the US, the average unit set aside is 16% and the typical target income ranges from 50% to 80% AMI.

As demonstrated in studies on the impact of inclusionary zoning, poor policy design has the potential to stifle market rate housing development and increase rents. Given that the policy is relatively new and geographically limited to two council districts, it is difficult to draw any conclusions about the impact of the MIN thus far. However, eight qualifying projects have been proposed in the MIN overlay, and only one of them have advanced to the building permit stage. By contrast, eight projects advanced to the building permit stage under the optional Mixed Income Housing Bonus, which also produced 7 completed affordable units and raised \$1.3 million in 2022.

Long permitting processes and exclusionary zoning can impact development timelines.

The Philadelphia Zoning Code presents numerous barriers to housing development, including recently adopted exclusionary zoning legislation such as a blanket elimination of CMX-2 zoning in the Northeast and overlays that explicitly prevent implementation of the mixed-income housing bonus. On top of this, affordable housing developers specifically face unique challenges during the entitlement process, often creating delays and uncertainties they can ill afford. Due to the specific needs of the populations they serve and requirements imposed by specific funding sources, many affordable housing developments require a variance, which tacks an additional 6-9 months to the permitting process. Even after overcoming this hurdle, it is not uncommon for zoning permits to expire as developers wade through multiple funding cycles before receiving an award and being able to begin construction. This means that developers must sometimes re-apply for their zoning permit and variance, further delaying the project and jeopardizing the project's funding.

One way that we address this problem now is by accelerating affordable housing projects

through the Department of Licenses and Inspections, which handles the bulk of the permitting process. However, many affordable housing developments must also be reviewed by the Department of Streets and the Water Department, which do not have a process for expediting these projects. Anecdotally, we have heard from affordable housing developers that this can cause costly delays at multiple points of the development process, from applying for a zoning permit to receiving a certificate of occupancy.

Housing stock is vulnerable to the effects of climate change.

To preserve affordable housing, it must also be climate resilient. That means that it must be protected from Philadelphia's two key climate stressors – flooding and heat. Ensuring that this housing is resilient to flooding means understanding its location in the floodplain or in high flood-risk areas and what would be needed to protect it from flooding. Ensuring that housing is resilient to heat means that it must be equipped to use energy as efficiently as possible, as the need for increased cooling and hence energy use is likely to rise. This is a special concern for Philadelphia, as the city's median energy burden is 86% higher than the national average. It is also a special equity concern, as these burdens disproportionately impact the city's historically marginalized and vulnerable communities. These burdens impact both homeowners and tenants, but tenants are especially vulnerable as they have limited agency to make the improvements needed to reduce their energy burdens. This funding program is a unique opportunity to ensure that affordable housing is protected and preserved for Philadelphians in an inevitably hotter, wetter future. Access to safe, quality housing is fundamental to quality of life, and increasing resilience by reducing energy burden, creating energy security, and mitigating flood risk is key to protecting housing security, reducing poverty, and promoting better public health.

EXHIBIT D. SOUNDNESS OF APPROACH

1. What is your vision?

The City is including five Strategies comprised of 15 Activities in its application for PRO Housing funding. The Strategies and Activities are listed in the table below.

Strategy	A#	Activity
1. Improve Philadelphia's Inclusionary Zoning Policies	1.1	Conduct an analysis of neighborhood conditions and market types in relation to the Mixed Income Neighborhood overlay and Mixed Income Housing Bonus. The analysis should identify the optimal affordable housing requirements by geographic area or market type.
	1.2	Develop a proposal for a cohesive inclusionary zoning policy for the city utilizing the results of activity 1.1. The proposal may establish different requirements for affordable unit construction quantities and affordability levels in different areas of the City.
	1.3	Partner with council to implement recommendations through a series of legislative amendments to the zoning code.
2. Reduce Barriers to Housing Production	2.1	Work with stakeholders to create and promote a package of recommended changes to the zoning code and departmental regulations to streamline affordable housing development and curtail exclusionary zoning.
	2.2	Create a Housing Program Manager role to promote solutions that ease the development process for affordable housing developments, create educational materials and resources, and work one-on-one with housing developers.
	2.3	Establish an optional program allowing affordable housing developers to meet with the Development Services Liaison and relevant City agencies to establish helpful contacts, answer questions, and identify and avoid potential problems at the beginning of the development process.

3. Explore and Supporting the Preservation of Affordable Units	3.1	Building on a 2021 study of naturally occurring affordable housing (NOAH) in Philadelphia, develop an action plan to preserve NOAH units through the targeted use of financial, legal, and educational tools.
	3.2	Pilot 2-3 tools from the NOAH action plan to test assumptions and demand and identify implementation challenges.
	3.3	In support of recent City Council legislation conduct a best practice analysis for Right of First Refusal, create a publicly available Affordable Housing Directory, and develop tools to support the preservation of units with expiring affordability requirements.
4. Expand Opportunities for Creating Accessory Dwelling Units	4.1	Conduct a study of the potential for accessory dwelling units (ADUs) to produce or preserve affordable housing. The study should identify areas with high opportunity for low-income homeowners to develop ADUs.
	4.2	Develop an ADU pilot program targeted toward low-income homeowners with long-term affordability requirements for newly-created units.
5. Plan for Climate Resilient Housing	5.1	Assess climate vulnerability of affordable housing stock.
	5.2	Conduct a capacity assessment to implement climate resilience measures at the household level.
	5.3	Develop Climate Resilient Design Guidelines to assist in decision making and incorporation of climate resilience in new and improved housing.
	5.4	Conduct a communications/education and outreach campaign.

The Strategies are described in more detail below:

Strategy 1: Improve Philadelphia’s Inclusionary Zoning Policies

- Barriers addressed:
 - Mandatory inclusionary zoning policies can be onerous for developers.
 - Location and type of affordable housing.

Following best practices created in 2018 and emulated in cities across the US, Philadelphia's Department of Planning and Development will hire a consultant to produce a market feasibility study for inclusionary zoning, as well as an abbreviated update two years after implementation. The goal of the report will be to determine the optimal ratio of affordable to market rate units that maximizes affordable housing creation without suppressing overall housing production. Considerations will include market type, target income levels, feasibility by project typology, length of affordability restrictions, and the inclusion of incentives, among others.

Once the report is completed, staff will seek feedback on its recommendations from City Council, Planning Commission, the development community, and other key constituents. The goal of this will be to ensure that there is political buy-in behind the final proposal and that it complements existing affordable housing incentives and requirements. Following this feedback, the consultant will lead the drafting of a final proposal, which staff will use to promote and pass legislative amendments that improve the efficacy and expand the geographic boundary of the MIN.

Strategy 2: Reduce Barriers to Housing Production

- Barriers addressed:
 - Long permitting processes and exclusionary zoning can impact development timelines.

For this activity, the Department of Planning and Development would begin by hiring a Housing Program Manager housed in the Division of Development Services. The new staff member's onboarding will include meetings with housing developers active in the region to get a better understanding of challenges and needs. A main objective of this position will be to formally establish and lead an inter-departmental working group focused on streamlining affordable housing development and eliminating exclusionary zoning policies. Responsibilities will include the creation of educational materials such as a webpage, video resources and webinars, and FAQ sheets. Finally, this Strategy will roll out a program to assist affordable housing developers as they begin development projects, including optional Development Services meetings and one-on-one assistance.

This work, coupled with regular working group meetings, policy analysis, and supportive research, will allow the Housing Program Manager to identify patterns for strategic code changes. By the end of the first year, the Division will have a completed package of recommended changes to the zoning code and departmental regulations to streamline affordable housing development and cut back on exclusionary zoning policies. The Housing Program Manager will then spend the remainder of the grant period supporting implementation, creating FAQ sheets and supportive data, coordinating with City Council, Planning Commission, and other City agencies, and drafting legislation and policy changes.

Strategy 3: Explore and Supporting the Preservation of Affordable Units

- Barriers addressed:

- Age and condition of housing.
- Displacement of residents due to economic pressures.
- Location and type of affordable housing.

The City of Philadelphia is well-positioned to use existing research and plans to formulate a comprehensive action plan to address affordable rental housing preservation – of both subsidized and unsubsidized units.

For unsubsidized affordable units (NOAH), the City will gather existing research, in combination with a survey of landlords and property managers to understand rent-setting practices, maintenance and capital costs, debt load, and plans for holding/selling, which will inform the development of an action plan for preserving NOAH units. Possible elements of the action plan may include identifying priority areas for repairs and building upgrades (I.e. an expansion of the existing Rental Improvement Fund), coordinating existing programs that serve NOAH owners, and a legal-economic feasibility analysis of property tax incentives for deep affordability on the private market.

The City will put the NOAH action plan to immediate use and pilot at least two tools to test assumptions and demand and identify implementation challenges. The results from these pilots will inform the implementation of the full set of strategies identified in the action plan at a city-wide scale.

The activities will focus on a best practice analysis for Right of First Refusal (ROFR) strategies. For subsidized projects, a Subsidized Housing Affordability Preservation Action Plan will be completed to identify tools to support the long-term preservation of units with expiring affordability requirements. This could include recommendations for acquisition financing, financing for building upgrades including energy efficiency and decarbonization, and an analysis of areas for local technical assistance. At least one strategy from the Action Plan will be piloted.

Strategy 4: Expand Opportunities for Creating Accessory Dwelling Units

- Barriers addressed:
 - Displacement of residents due to economic pressures.
 - Location and type of affordable housing.
 - The availability of affordable units in a range of sizes.

To increase the supply of affordable housing, there are various tax incentives that developers take advantage of, but often what is deemed “affordable” is still significantly out of reach for a large portion of Low-to-Moderate income individuals and families.

An option for an affordable housing alternative would be accessory dwelling units (ADU), which provides passive income for Low-to-Moderate income homeowners, as well as increases the housing stock with affordable rental properties. As the city zoning code stands, ADUs are only permissible on historic properties, and those properties are few, and not often located where affordable housing is needed.

The focal point of this Strategy will be to remove obstacles to the production of affordable housing through the City of Philadelphia’s zoning code by making the process to own and operate ADUs seamless. This will be initiated by conducting a study to determine the economic and social benefits that increased ADUs may have on a given community, as well as ways to encourage their development. This study will include rigorous data analysis to identify suitable locations and properties, examine potential participants by income level, explore different ADU types (attached, detached, garage, etc), ways to best serve vulnerable populations, among others.

Accessory Dwelling Units represent a unique solution to the affordable housing shortage. Allowing homeowners to convert existing spaces on their property into rental units increases the supply of housing in the area while also providing passive income for the homeowner, all without the space demands of large-scale property developments. Increasing affordable housing while also enhancing the financial stability of homeowners fosters the further growth and development of a healthy, vibrant, and resilient community.

Previous ADU stakeholder conversations were specifically around their relationship with existing historically designated places. This project would allow for more broader conversations to happen with a larger audience.

Strategy 5: Plan for Climate Resilient Housing

- Barriers addressed:
 - Age and condition of housing.
 - Housing stock is vulnerable to the effects of climate change.

To make housing energy secure requires ensuring that it is as energy efficient as possible, is using high-efficiency clean energy technologies and where feasible using rooftop solar to create energy security and protect residents from vulnerability to utility energy costs. The Office of Sustainability is currently implementing a project to develop a strategy to alleviate energy poverty in Philadelphia, which focuses on identifying solutions for adopting these measures in income-constrained housing, including affordable housing. Recently concluded stakeholder focus groups highlighted key planning and policy needs to address major barriers in adoption of these measures in the affordable housing sector, which include education, technical assistance and support for landlords, thoughtful design of funding mechanisms to address landlord concerns and constraints and evaluation of policy tools to protect tenants from increased rental costs. The City of Philadelphia is currently exploring mechanisms to implement similar pathways for flood resilient retrofits. This Strategy will address planning and policy needs and evaluate implementation strategies in affordable housing in order to ensure housing security and a better quality of life for all.

A Climate Vulnerability Assessment will assess existing affordable housing stock in areas of flood and heat vulnerability to inform recommendations or action plans. Assessments will include high-level analysis of households at or below 100% AMI, as well as more in-depth assessments and pilot programs for households that are considered highly vulnerable:

- (1) Households within and beyond FEMA mapped floodplains that experience riverine,

- coastal, or infrastructure/urban flooding. For select areas, a pilot program will be implemented to determine the magnitude of rehabilitation needed, including backwater valve and sump pump installations, utility elevation, retrofits and repairs to previous flooding.
- (2) Households that have energy burden and heat vulnerability. For select areas, a pilot program will conduct in-depth Energy Audits to understand energy use and energy burden e.g., assessment of weatherization of building envelope, ability to incorporate rooftop solar for energy security and resilience, efficiency of HVAC systems, assessment of indoor air quality and possible improvements through reducing use of fossil fuels for space, water heating and cooking.

The next step will be to assess the capability and capacity of existing City programs to implement climate resilient housing improvements. The assessment may identify costs and opportunities for solutions such as weatherization, flood resilient retrofits, electrification, and solarization to preserve affordable housing stock. It will evaluate policy, regulation, and capacity hurdles as well as identify mechanisms to address “split incentive” issues and identify complementary funding sources. The result will be recommendations for additional staffing and policy to support implementation, as well as the identification of implementation pathways using existing City rehabilitation programs. In addition, the City will develop Climate Resilient Design Guidelines to assist in decision making and incorporation of climate resilience in new and improved housing. Finally, an education and outreach campaign will be essential to reducing vulnerability to the impacts of climate change.

Together, the strategies make up a multi-pronged approach to targeting multiple and varied barriers to affordable housing. The planning activities included in this proposal meet the definition laid out in 24 CFR 570.205 (“Eligible planning, urban environmental design and policy-planning-management-capacity building activities): “Planning activities which consist of all costs of data gathering, studies, analysis, and preparation of plans and the identification of actions that will implement such plans.” These activities are considered to meet a CDBG national objective under the requirements of 24 CFR 570.208(d)(4). Any proposed pilot programs will meet one of the following national objectives: the Low- and Moderate-Income (Low/Mod) Area Benefit, Low/Mod Clientele, or Low/Mod Housing.

2. What is your geographic scope?

The geographic scope of this proposal is the entire city of Philadelphia. Generally, Philadelphia takes a balanced approach to the implementation of its housing and community development activities. It invests in struggling communities, provides support to middle neighborhoods, seeks to preserve affordability in appreciating neighborhoods and looks to leverage the assets in high-opportunity areas to benefit low- and moderate-income households.

To facilitate a balanced approach, the City will utilize tools available that help to identify areas of the city that are most impacted by barriers to affordable housing. In addition to CDBG-eligible census tracts and Racially/Ethnically Concentrated Areas of Poverty (R/ECAPS) shown in Figures 1 and 2, the 2023 Market Value Analysis can help to inform and target the proposed activities throughout implementation.

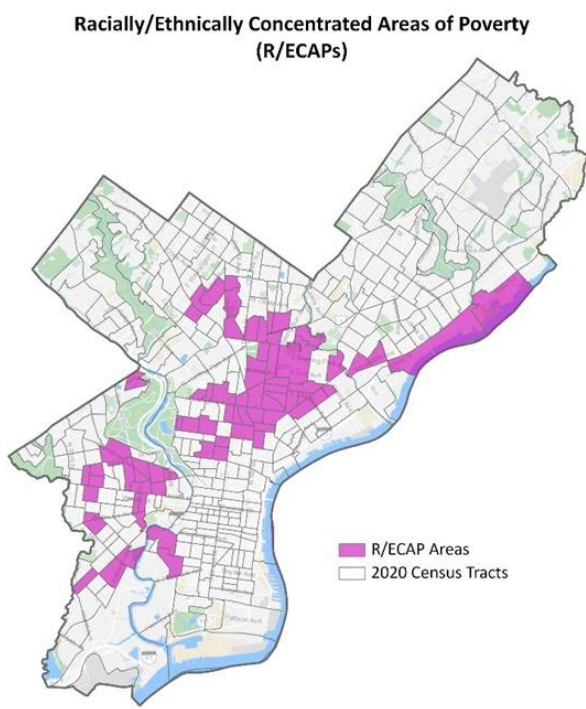


Figure 1: Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs)

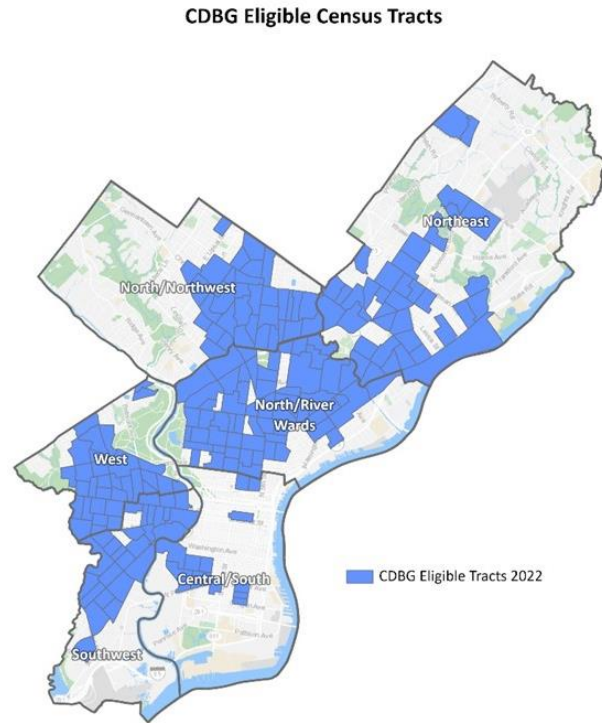


Figure 2: CDBG Eligible Census Tracts

The Market Value Analysis (Figure 3) is a tool created by The Reinvestment Fund (TRF) which identifies different types of residential markets as well as trends over time. The MVA provides insights into displacement risk and racial, ethnic, and economic segregation throughout the city, and will support the assessments, evaluations, and recommendations that are part of this proposal.

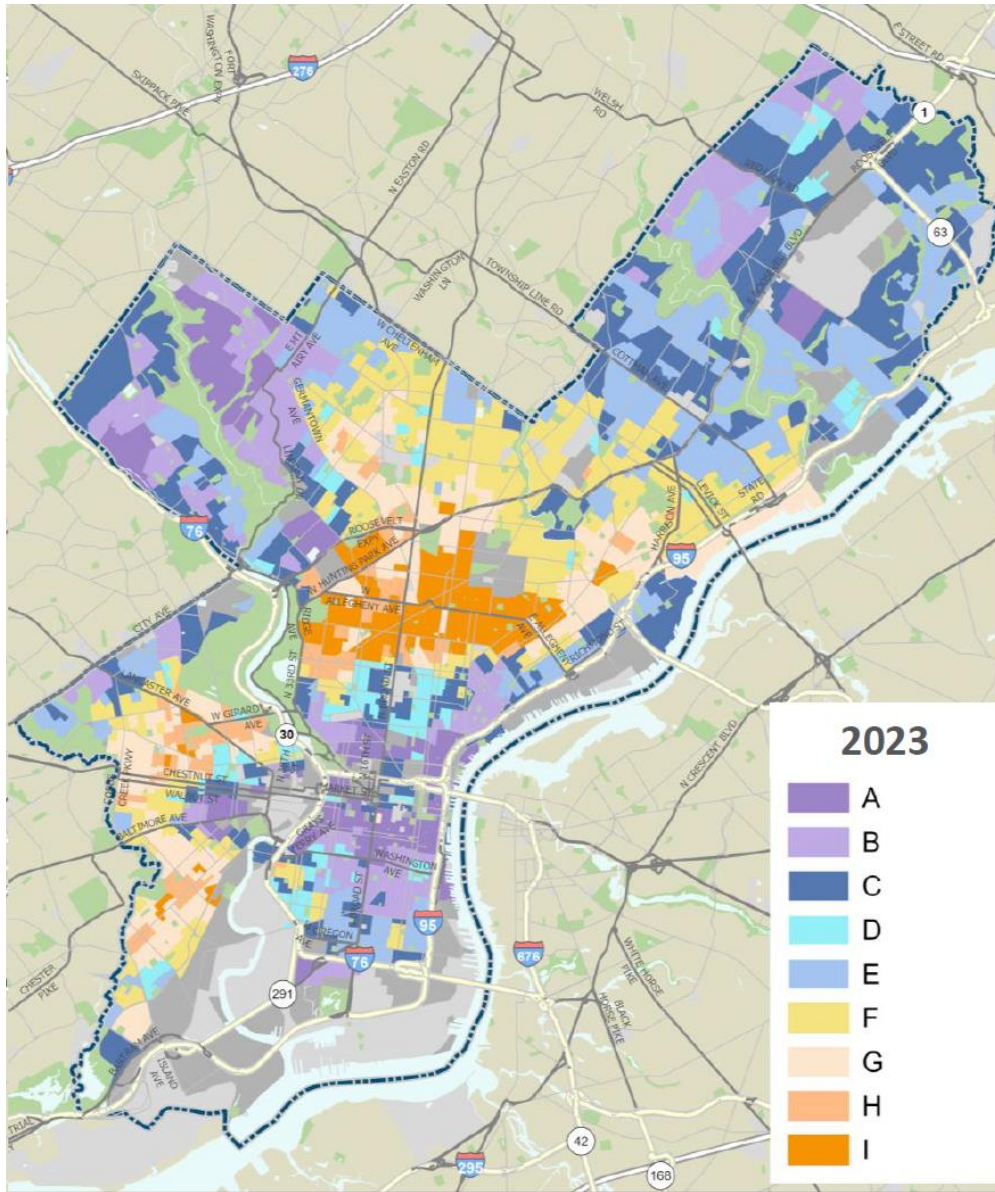


Figure 3: 2023 Market Value Analysis

3. Who are your key stakeholders? How are you engaging them?

The City's stakeholder engagement related to the PRO Housing grant aligns with DHCD's Citizen Participation Plan as part of its *Consolidated Plan*, which sets forth policies and procedures for citizen participation in planning for the use of CDBG and other funding for housing and community development activities. The Citizen Participation Plan has guided outreach during the development of this proposal and will shape the City's strategy for continued outreach during the grant's period of performance.

In developing this application, we have considered stakeholder input from previous planning processes, including the Consolidated Plan, the Housing Action Plan, the Assessment of Fair Housing, the Community Development Block Grant – Disaster Recovery Action Plan for Hurricane Ida, the Hazard Mitigation Plan, the Climate Resilience Plan, and other plans. Key stakeholders in all housing and community development activities include renters and homeowners, landlords and landlord associations, non-profit and for-profit developers, climate resilience advocates, service providers, community-based organizations, and elected officials and policymakers. The City maintains a dialogue with these groups by regularly soliciting feedback about needs, policies, and programs, as well as sharing information about program outcomes.

The City collected extensive input from residents, service providers, and community-based organizations about fair housing needs and barriers to affordable housing during the 2022 Assessment of Fair Housing (AFH) engagement process. Although the AFH is still in draft form at the time of this application, an extensive analysis has been done to summarize the results of the engagement process. The analysis has been incorporated into the sections of this proposal describing key barriers to affordable housing, activity selection and alignment with requirements to affirmatively further fair housing.

Input from landlords and landlord associations is critical to activities seeking to preserve affordable housing. In 2023, the City launched the Landlord Gateway which centralizes resources to help both current and prospective landlords navigate the City's processes, requirements, and guidance through a single location. The Gateway includes housing-related services and resources from 16 City departments and agencies to help landlords manage rental properties and tenants to stay current with rent. This initiative has helped strengthen communication between the City and landlords, including small landlords and those offering affordable units, which in turn has helped the City understand barriers to preservation and develop the activities included in this proposal. This stakeholder group will be key in carrying out Strategies 3, 4 and 5.

Non-profit and for-profit developers are also an important stakeholder in all housing activities. The Development Services Division works one-on-one with developers to find solutions to complex problems, listening to developer questions and concerns, coordinating between different departments, and troubleshooting new policies and legislation. We participate in bi-monthly meetings with the Building Industry Association (BIA) and occasionally meet with BIA's affordable housing developer sub-group. Finally, we have an ad hoc group with representatives from multiple departments which will sometimes come together to address specific challenges as they arise related to affordable housing development. This stakeholder group will be key in carrying out Strategies 1 and 2.

To better understand naturally occurring affordable housing, PHDC and DHCD engaged over 25 different non-profit, private, and public sector entities in the creation of the 2021 report on NOAH in Philadelphia. In addition, the City has been an active partner in LISC's Preservation Network, which seeks to protect publicly assisted affordable rental properties in Philadelphia through cross-sector collaboration. These ongoing relationships with housing providers, lenders,

tenant advocates and others informed this proposal and will continue to play a central role in planning and implementation.

For activities related to climate resilience, the applicant team draws from several working groups that collaborate on climate resilience initiatives including the Environmental Justice and Climate Resilience Working Group, the Flood Risk Management Task Force, and the Hazard Mitigation Plan Steering Committee. Several community groups have been, will continue to be, or will soon be engaged in flood resilience planning and preparedness initiatives (Eastwick: From Recovery to Resilience), energy burden and energy poverty alleviation strategic planning, and Climate Adaptation Needs and Values assessments.

In addition to ongoing stakeholder engagement, the City sought public participation in the development of this proposal in the following ways:

- A draft of the application is available for public review beginning on October 13th.
- Individuals or organizations are invited to provide public comment on the draft application between October 13th and October 29th.
- Individuals or organizations are invited to attend a public hearing to provide their comments on the draft application on October 19th.
- Notice of the availability of the draft application, the public comment period, and the public hearing were advertised through:
 - Publication in the Philadelphia Daily News (a newspaper of general circulation);
 - An email to DHCD's mailing lists which includes thousands of subscribers, including Preservation Network and Housing Security Working Group; and
 - A post on DHCD's legal notices page, which is navigable from the City's main website.
- The Assessment of Fair Housing stakeholder group will be informed about the application and the City's proposal. Members will be invited to comment.

4. How does your proposal align with requirements to affirmatively further fair housing?

In 2016, the City and PHA created an Assessment of Fair Housing (AFH) which was the first step toward meeting HUD requirements for fair housing planning under the Affirmatively Furthering Fair Housing rule. The AFH was the result of significant research and data analysis, as well as a robust community engagement process. In 2022, the City and PHA underwent another round of public engagement and data analysis to assess overall progress toward fair housing goals in the five years since the first assessment was released. Each of the strategies proposed in this application align with one of the eight preliminary goals of the 2022 update to the AFH.

The 2022 AFH found that rates of cost burden are nearly twice as high in predominantly Black and predominantly Hispanic communities than in predominantly White communities. Seniors, low-income families, persons with disabilities and households with young children experiencing cost burden are also particularly vulnerable. Housing segregation is also a persistent issue in Philadelphia: while the growth of Asian and Hispanic resident populations has helped Philadelphia become less racially and ethnically segregated over time, residential segregation between White and Black residents remains high.

In addition to the AFH, the Market Value Analysis (MVA) has informed this proposal. The Reinvestment Fund has completed seven MVAs in Philadelphia, the most recent of which was shared with the City in 2023. The 2023 MVA indicates that Black and Hispanic residents are more likely than White residents to live in “transitional” or “lagging” markets. “Transitional” markets are characterized by high homeownership rates and signs of stress like high rates of vacancy, foreclosure and code violations. “Lagging” markets are characterized by a high percentage of renters using housing subsidy, as well as the highest rates of vacancy and foreclosure and a high level of residential permitting activity. 62% of Philadelphia’s Non-Hispanic Black residents, and 64% of Hispanic residents live in these market types, whereas only 13% of the city’s White residents reside in “lagging” or “transitional” market types. In addition, homeownership is likely only feasible for Black and Hispanic households in “lagging” markets: with median household incomes almost \$30,000 less per year than the median income of White households, the city’s high-opportunity neighborhoods are out of reach for homeownership among these demographic groups.

The analysis also shows that one segment of the “strong middle” market type is a promising model for addressing economic and racial or ethnic segregation. This segment has high median home sales prices close to the citywide average, average code violations, and lower than average foreclosure rates. The segment also has the highest share of renters using housing subsidies across all market types, and is more racially and ethnically diverse than other segments of the “strong middle” or “regional choice” market types. This indicates that producing or preserving subsidized rental housing could be an effective tool to inhibit segregation and increase access for underserved groups in areas of opportunity in Philadelphia.

Strategies 1, 2 and 4 seek to remove barriers to the production of affordable housing with an inherent goal of expanding affordable housing choice across the city, including in well-resourced areas of opportunity. Research and planning for improvements to the Mixed Income Neighborhood Overlay as well as streamlined permitting and development services for affordable housing developers will facilitate development while avoiding the concentration of affordable housing in low-opportunity areas. Facilitating the creation Accessory Dwelling Units is intended to increase housing choice in areas with high home-ownership rates by creating affordable rental options. These options are expected to particularly populations with special needs, such as seniors and people living with disabilities. This strategy also promotes anti-displacement measures in that it aims to increase the overall supply of affordable housing while increasing the financial stability of the existing homeowners. These benefits directly combat gentrification, which is a frequent driver of community displacement. These strategies align

with goal five of the 2022 AFH (Develop affordable rental housing with focus on high opportunity and high displacement risk areas).

Strategies 3, 4 and 5 seek to remove barriers to the preservation of affordable housing by exploring ways to keep units affordable while increasing their quality. Preservation can be achieved by creating enforceable regulations or incentives to maintain long-term affordability of subsidized or un-subsidized units, or making improvements to units that decrease other costs, such as energy costs, future repair costs exacerbated by deferred maintenance, or disaster recovery costs. The proposal seeks to research and pilot programs that will achieve preservation in an equitable way that avoids displacement. For example, a program to help landlords make energy efficiency upgrades may have the unintended consequence of incentivizing the landlord to increase rent, putting the tenant at risk of displacement. Instead, the City will pursue mechanisms to maintain long-term affordability while increasing the quality of the unit and decreasing energy costs for the tenant. These strategies align with goal three of the 2022 AFH (Preserve affordable rental housing).

5. What are your budget and timeline proposals?

If awarded, the City of Philadelphia will expend PRO Housing funds within the grant period. The expected start date is 1/31/2024 and the projected end date is 9/30/2029.

Activity schedules, budgets and milestones are listed in the chart below. The budget was determined through deliberation between partner agencies as well as consideration of stakeholder input from previous planning processes as described in Exhibit D, Section 3 of this application. Since this proposal takes a multi-pronged approach to removing barriers to affordable housing by incorporating both production and preservation initiatives, a budget near the maximum award is requested. A detailed budget will be included in the final application submitted to HUD.

Schedule For Completing Proposed Activities

Milestones	Start	Complete	PRO Housing Budget
<i>Strategy 1</i>			\$300,000
Issue RFP for Market Feasibility Study and Select Consultant	Q1 2024	Q3 2024	
Complete Market Feasibility Study	Q3 2024	Q2 2025	

Collect Feedback on Study Recommendations from Planning Commission, City Council, BIA, and other constituents	Q2 2025	Q3 2025	
Work with Consultant to Develop a Proposal for a Cohesive Inclusionary Zoning Policy, including amendments to the MIN	Q3 2025	Q4 2025	
Work with City Council and other agencies to promote and pass legislative amendments	Q1 2026	Q3 2029	
Complete abbreviated Market Feasibility Update	Q1 2028	Q2 2028	
<i>Strategy 2</i>			\$639,000
Hire a Housing Program Manager to oversee all project activities.	Q1 2024	Q2 2029	
Outreach to Housing Developers to Identify Challenges and Needs, with focus on Affordable Housing	Q1 2024	Q2 2029	
Establish Inter-Departmental Working Group, including representatives from Planning and Development, Licenses and Inspections, Streets, and Water.	Q2 2024	Q2 2029	
Analyze permitting data from past affordable housing projects to find patterns, including permit expiration, reasons for variance, and common challenges	Q2 2024	Q4 2024	
Develop package of recommended changes to the zoning code and departmental regulations to streamline affordable housing development and encourage increased housing production	Q2 2024	Q2 2025	
Craft, communicate, and promote code and policy amendments that streamline affordable housing development and encourage increased housing production	Q2 2025	Q2 2029	
Create educational materials and resources	Q2 2024	Q2 2029	

Develop Affordable Housing Liaison Program with one-on-one assistance and Optional Development Services Meetings	Q2 2024	Ongoing	
<i>Strategy 3</i>			\$3,455,000
Create updated State of NOAH in Philadelphia report	March 2024	June 2024	
Feasibility analysis of economic incentives and restrictions for NOAH units	May 2024	December 2024	
Create NOAH Preservation Action Plan	September 2024	January 2025	
NOAH Pilot #1	March 2025	March 2026	
NOAH Pilot #2	July 2025	December 2026	
Best practices for ROFR strategies	March 2024	December 2024	
Subsidized Housing Affordability Preservation Action Plan	September 2024	March 2025	
Preservation Action Plan Pilot #1	June 2025	December 2026	
<i>Strategy 4</i>			\$1,150,000
Zoning analysis and feasibility study of economic incentives and restrictions for ADUs	Q4 2024	Q4 2025	
Create ADU Action Plan and design a pilot program, including training materials and educational resources	Q4 2025	Q2 2026	
Implement ADU Pilot Program	Q3 2026	Q3 2028	
<i>Strategy 5</i>			\$1,532,500
Climate Vulnerability Assessment and Report, including area-wide, high-level assessments and selected area pilots for in-depth assessments.	Q1 2024	Q1 2026	

Capacity Assessment and Report, including interviews with stakeholders and partners.	Q1 2024	Q3 2025	
Climate resilience checklist and guidance document	Q1 2025	Q1 2026	
Outreach campaign, including education materials for outreach.	Q3 2025	Q3 2028	
<i>Total PRO Housing Budget</i>			\$7,076,500

If HUD awards a lower dollar amount than that requested in this application, the City would identify ways to carry out planning activities in each of the five Strategy areas. The feasibility studies, evaluations, and assessments proposed in the application are the first step toward implementation of effective and efficient programs. Therefore, some proposed pilot programs may be removed from the scope of the PRO Housing grant; however, these types of activities would likely only be delayed until another funding source can be identified.

The minimum funding amount that would allow the City to carry out the planning activities outlined in the proposal is \$3,000,000. However, activities such as education and outreach campaigns or testing recommendations through pilot programs would be essential to achieving the long-term effectiveness of the strategies.

The budget in the draft application is subject to change after further analysis and public input prior to submission of the final application to HUD.

EXHIBIT E. CAPACITY

1. What capacity do you and your Partner(s) have? What is your staffing plan?

As lead applicant, the Division of Housing and Community Development (DHCD) is prepared to manage a grant of this size and scope. DHCD is a division within the Department of Planning and Development (DPD). The Director of the Department of Planning and Development is authorized through local ordinance to file applications with HUD on behalf of the City of Philadelphia. Currently, DHCD manages the application and reporting processes for yearly CDBG, HOME, HOPWA, and ESG allocations from HUD.

DHCD will work with partner agencies to manage the implementation of the proposed activities in this application. Those partner agencies, their role, and their qualifying experience are described below. Each of the partners listed has experience in project management and procurement procedures and has the capacity to quickly launch and implement the activities described. In addition, each has the leadership capacity and authority to effectively implement the activities described. Other agencies or entities may become implementation partners in a supporting role.

Division of Development Services, DPD

Implementation of Strategy 1

Contingent on award, the Division of Development Services will hire a Housing Program Manager to manage all project activities (see Activity 2.2), bringing its total staff to one Deputy Director and five staff. As part of its work, the Division works closely with the Department of Planning and Development's Legislative Unit, Planning Commission, and member of City Council to identify and pass legislative amendments relating to real estate development. The Division also administers the City's Inclusionary Housing policies (Mixed Income Neighborhoods Overlay (MIN) and Mixed Income Housing Bonus (MIHB)) and publishes an annual report on their impact.

Implementation of Strategy 2

Contingent on award, the Division of Development Services will hire a Housing Program Manager to manage all project activities. The Division currently consists of a Deputy Director and four support staff, all of whom work one-on-one with developers to find solutions to complex problems, listening to developer questions and concerns, coordinating between different departments, and troubleshooting new policies and legislation. As part of this work, the Division hosts regular Development Services Meetings, which convenes staff from up to 20 different agencies to provide feedback on complex development projects and establish a prioritization schedule for approvals, utility service, and public actions. The Housing Program Manager would be creating a scaled-down version of this program equipped with support and materials geared specifically to affordable housing developers. The new position would also create capacity to formalize and prioritize many of the activities that the Division already does on an as needed basis, allowing the Division to be proactive rather than reactive when it comes to housing development.

Please refer to Figure 4 for the organizational chart.

The Philadelphia Housing Development Corporation (PHDC)

Implementation of Strategy 3

PHDC is the non-profit partner of the City's Department of Planning and Development (DPD). PHDC runs a suite of large-scale housing programs, including preservation and construction finance products for affordable housing, residential repair programs for both homeowners and landlords, and various forms of rental assistance for tenants. PHDC also co-led the process to produce the 2021 report on Philadelphia's Naturally Occurring Affordable Housing. This history and breadth of current programs makes PHDC well positioned to lead on preservation efforts for subsidized and unsubsidized rental housing in Philadelphia. PHDC's Development Finance Department will take the lead on the activities in this proposal and will work closely with counterparts in the Compliance and Home Improvement Departments. All activities will be carried out in collaboration with staff with DPD's Division of Housing and Community Development. PHDC staff time from four employees is expected to be leveraged in carrying out PRO Housing activities.

Please refer to Figure 5 for the organizational chart.

Division of Housing and Community Development, DPD

Implementation of Strategies 3 and 4

The Division of Housing and Community Development (DHCD) has previous experience managing projects similar in scope to the activities in Strategies 3 and 4. DHCD's Policy and Programs unit includes program management and data analyst staff who will contribute to in-house portions of feasibility studies and evaluations in the activities listed. Staff conducts the data analysis and qualitative and quantitative research necessary to publish the yearly Annual Action Plan and Consolidated Annual Performance and Evaluation Report for entitlement programs. The unit also has experience managing projects with consultants or planning firms, recently including the Upward Mobility Action Plan grant with the Urban Institute and an evaluation of the Eviction Diversion Program with The Reinvestment Fund. DHCD also has experience in designing and implementing programs: policies and procedures for the Eviction Diversion Program were developed in-house, and staff continue to coordinate with program partners and internal IT staff to manage day-to-day operations of the program. DHCD staff time will be leveraged in carrying out PRO Housing activities, and consultants will be contracted to complete some key milestones.

Please refer to Figure 6 for the organizational chart.

Office of Sustainability

Implementation of Strategy 5

The Office of Sustainability (OOS) manages contracts that have completed citywide building stock, energy burden, and implementation capacity assessments, and manages contracts that are currently conducting climate vulnerability assessments for citywide critical assets. Previous work

also includes a Flood Ready Homes guide that recommends specific flood resilience strategies for various housing typologies in the Eastwick neighborhood. Two staff members from OOS will manage contracts for professional services that will support this scope of work – the Senior Manager of Energy Solutions and the Program Manager of Infrastructure and Floodplain Resilience. Sub-activities outlined in Activity 5 fall under current scope and capabilities of the office.

Please refer to Figure 7 for the organizational chart.

Grant Administration

DHCD will coordinate among the implementing partners, take part in quality assurance, and manage grant administration, including grant management and reporting through the Disaster Recovery Grant Reporting System (DRGR). In addition, DHCD has experience working in civil rights and fair housing issues including, for example, working with data to analyze racial or economic disparities.

For example, in 2018, DHCD published *Housing for Equity: An Action Plan for Philadelphia*. This process brought together several plans that had been developed in the City such as the Assessment of Fair Housing; the Philadelphia 2035 Comprehensive Plan and the District Plans created by the City Planning Commission; and the Homelessness Housing Plan. Integrating these plans into one living, actionable, and accountable strategy enabled the City to better prioritize activities, allocate resources, and deliver and facilitate equitable production and preservation. The City implements over 20 programs and initiatives to address the goals laid out in the Housing Action Plan (HAP) and documents progress on the HAP Dashboard, a public website. Progress is documented not only through a count of the number of housing units produced or preserved, but also by measuring the racial and socio-economic makeup of households served and the distribution of resources across the city.

The proposed PRO Housing activities will enhance existing HAP programs and goals, so DHCD and its partners are well positioned to incorporate the activities into an established, coordinated strategy.

This application was prepared by City staff in the departments listed above.

Figure 4: Organizational Chart Key Management – Department of Planning and Development, Division of Development Services

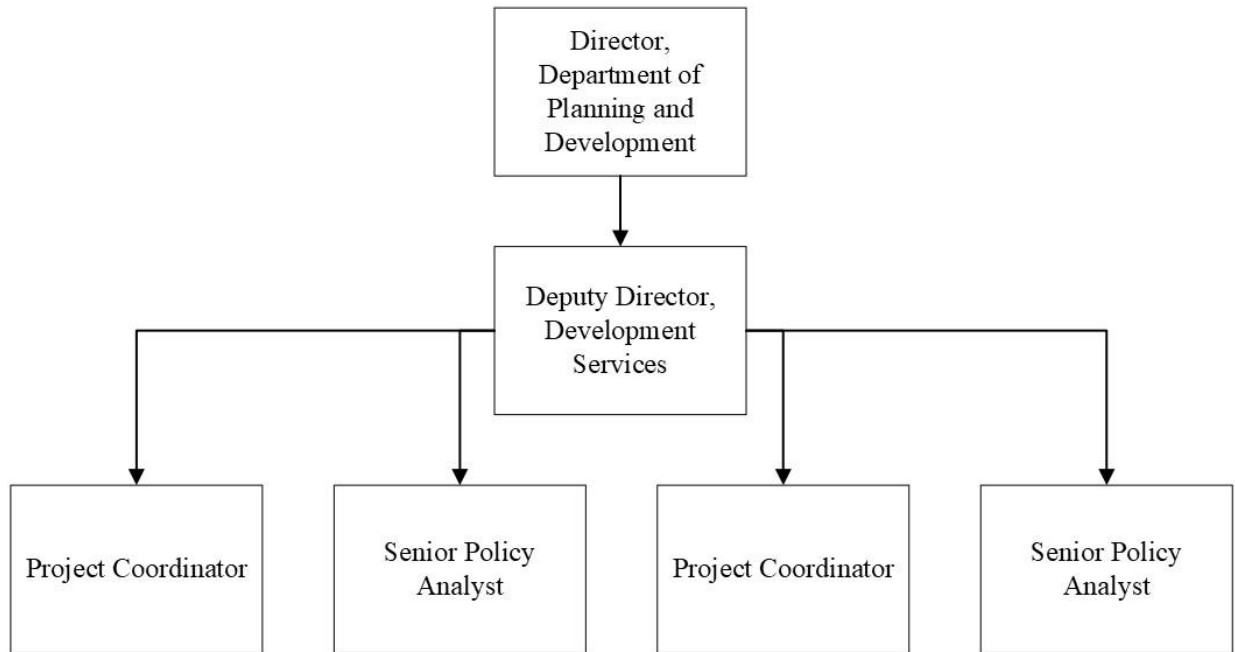


Figure 5: Organizational Chart Key Management – Philadelphia Housing Development Corporation (PHDC)

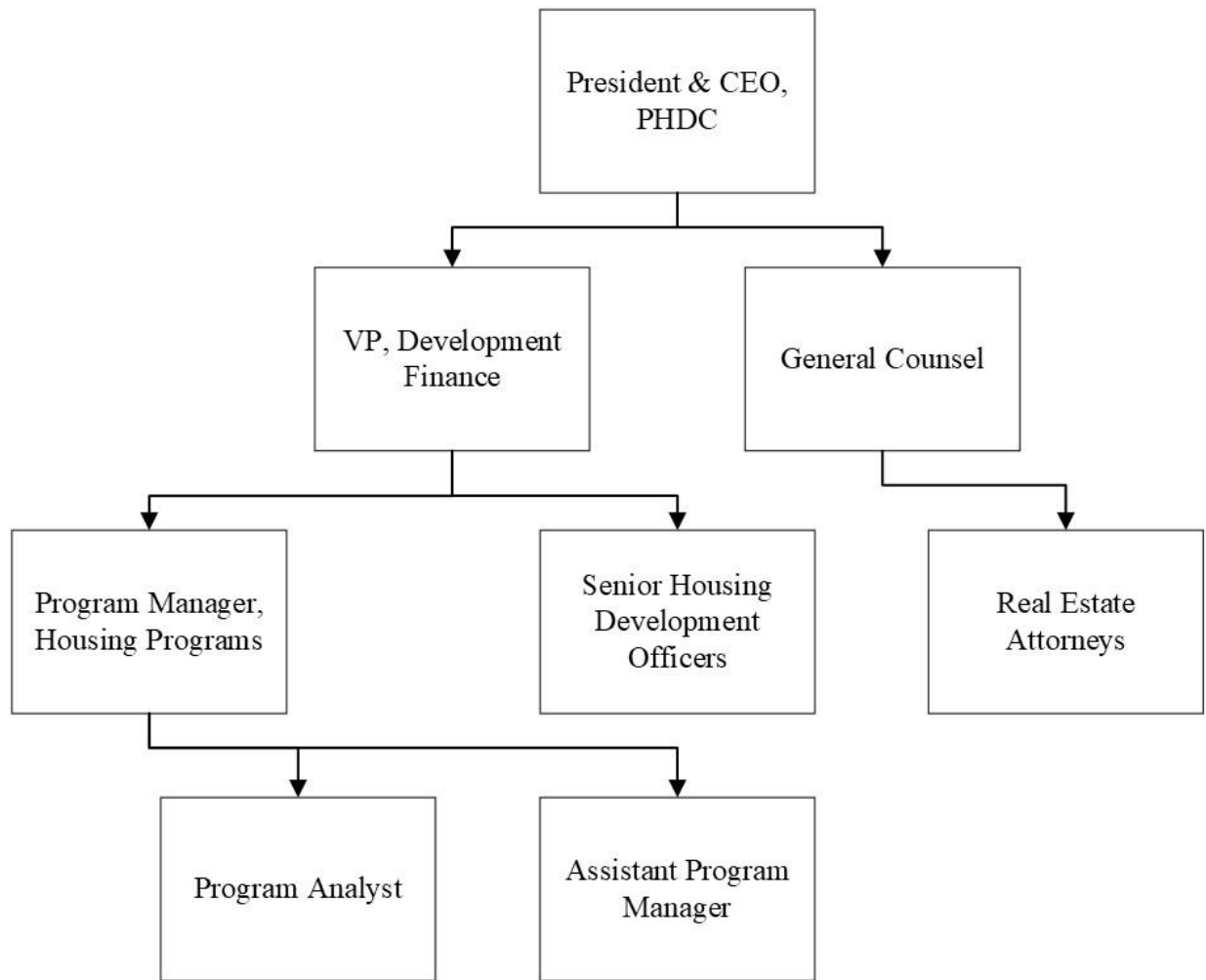


Figure 6: Organizational Chart Key Management – Department of Planning and Development, Division of Housing and Community Development

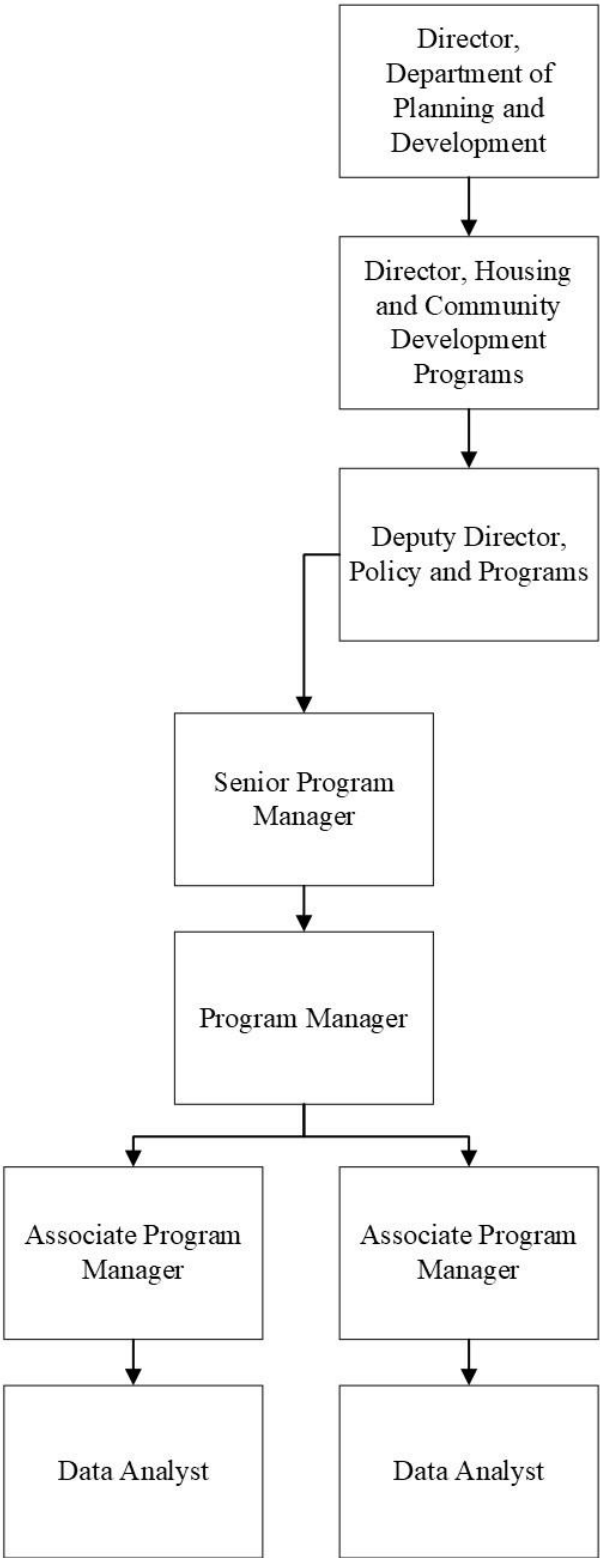


Figure 7: Organizational Chart Key Management – Office of Sustainability

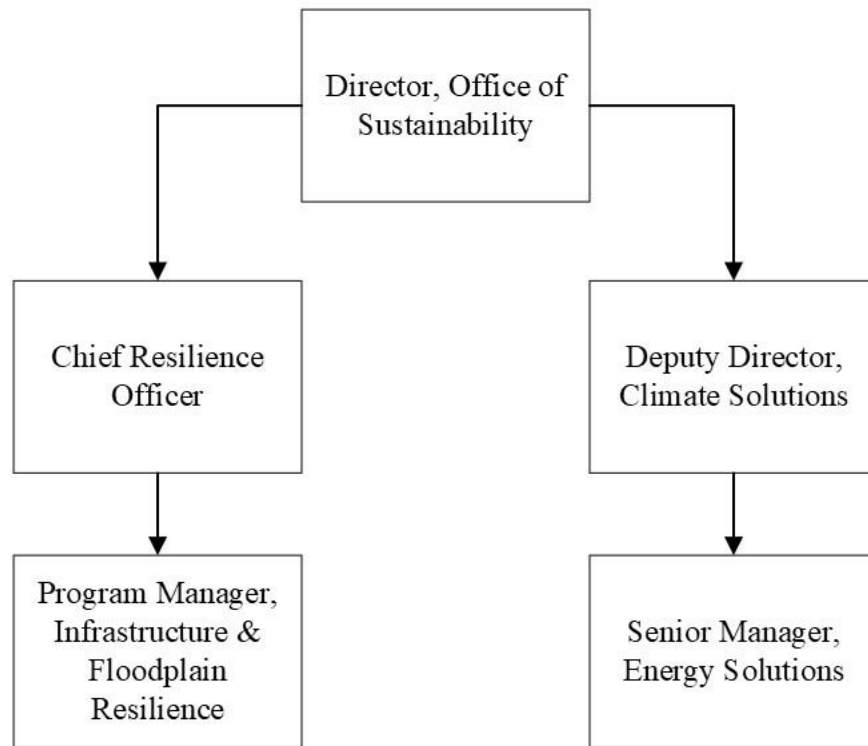


EXHIBIT F. LEVERAGE

1. Are you leveraging other funding or non-financial contributions?

The City is committed to carrying out the proposed activities and will seek to leverage other resources to supplement the PRO Housing funding, if awarded. Documentation of firm commitment of other resources will be included in the final application submitted to HUD. The anticipated leverage sources are listed below.

Source	Anticipated Amount
Staff Time (City)	\$447,300
Local Housing Trust Fund	\$3,090,950

EXHIBIT G. LONG-TERM EFFECT

1. What permanent, long-term effects will your proposal have? What outcomes do you expect?

The long-term impacts of Strategy 1 will be a more informed and data driven approach to inclusionary zoning in the City of Philadelphia. The main deliverable will be a market feasibility study and resulting proposal to improve the efficacy and expand the geography of the Mixed Income Neighborhoods Overlay. The largest potential roadblock will be political will and councilmanic prerogative, which we will counteract by 1) getting council buy-in early in the process and 2) using council district as a geography of study for council district-specific recommendations. The main metric for success will be what changes council ultimately implements and, as a result, the number and geographic distribution of inclusionary housing units produced.

Strategy 2 will streamline the permitting process for affordable housing developments by increasing the number of by-right permits, reducing the number of zoning permit expirations, and reducing the time it takes for permit approvals and issuance of certificate of occupancy. It will also make affordable housing permitting more accessible and easier to navigate by providing website resources and other educational resources, as well as ensuring that developers have an a point of contact within the City to guide them through the process and assist with any potential questions. Finally, it will increase the production of housing by tackling the low-hanging fruit of exclusionary zoning ahead of Philadelphia's Comprehensive Plan Update that will be kicking off this year.

By continuing to convene the internal working group and meeting regularly with affordable housing developers, the dedicated Housing Program Manager can also remain nimble and address new challenges as they arise with changes in development practices (e.g. increasing use of modular and manufactured construction), funding requirements, and zoning rules.

Strategy 3 is an important step toward maintaining housing affordability into the future. At the end of the funding period, the City of Philadelphia will have a comprehensive housing affordability preservation strategy, made up of specific Action Plans for subsidized and unsubsidized housing types. Working collaboratively, PHDC and the City will have piloted at least three new tools for preserving affordability and documented the results and learning. Preserving the affordability of existing rental housing – for both subsidized and unsubsidized units – is one of the most effective anti-displacement measures. A comprehensive approach to affordability preservation in Philadelphia will maintain rental options in high-opportunity areas and allow residents the choice to stay in neighborhoods where they have strong social networks.

Strategy 4 will produce extensive information on how to best proceed with a potential update to how the City of Philadelphia approaches and promotes ADUs. A key component that will be focused on is how feasible it will be to adopt a robust ADU system within Philadelphia, and how to proceed should the study show results other than expected. With the information gleaned from this research, future legislation and development decisions can be made through and informed

and inclusive lens to maximize the benefits of future housing projects in communities throughout the city while fostering sustainable growth and prosperity.

Strategy 5 will seek to fill gaps in producing and preserving affordable housing in the face of increasing natural hazards. Gaps might be filled by better understanding the needs of both households and implementing partners to incorporate climate resilient measures into housing programs. To do this, sub-activities will work with stakeholders at the ground level, investigate scale of need across the city, educate partners and stakeholders on applicable solutions and pathways, and ultimately increase the ability for new and improved affordable housing to withstand and recover from climate events.

Completed products will be 1) a comprehensive climate vulnerability report that includes both high-level and in-depth assessments of household climate resilience needs and opportunities; 2) a capacity report based on interviews with at least 3 internal and 5 external partners; 3) a climate resilience checklist and design guidelines document for housing programs; and 4) various media products for education and outreach for incorporating climate resilience at the household level, as well as a series of workshops with relevant partners and stakeholders. The vulnerability report, paired with the capacity report, will highlight gaps, next steps, and critical actions for all partners involved in Philadelphia's housing programs. Moreover, reports will identify what resilience strategies are most needed and at what scale, and the pathways and expertise needed to implement them. The checklist and guidelines document will encourage resilient design of housing programs across Philadelphia – an important component of preserving affordable housing stock in the face of climate change. The education and outreach campaign will ensure awareness of the suite of strategies for climate resilience, from program managers and design professionals, to contractors, and to occupants. Specific metrics that will define the success of Activity 5 are the number of households reached, the number of participants in interviews and workshops, and the reach of media campaigns.

A potential roadblock this activity may face is voluntary participation of external partners. Ensuring the participation of design and construction professionals will be crucial to implementation of resilience measures. These measures can often have a higher purchase point, but education around future cost savings will show return on investment.