

HOUSING OPPORTUNITIES MADE EASY – H.O.M.E.

APPENDIX A

DRAFT PROPOSED PLAN

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I. Appendix A

i. Methodology for Estimating and Apportioning Philadelphia's Housing Unit Shortage

Overview

Our housing unit gap measure is an adaptation of an approach used by Moody's to estimate the need for new housing units across the US, estimated for states and metro areas.¹ That approach is based on the notion that communities have "normal" vacancy rates – overall, in homes that people own and in those that they rent. The normal vacancy rate, explained in more detail below, is established using the average citywide vacancy rate with 5-year ACS waves from 2012-18 (ACS Table B25004: Vacancy Status). We consider 2012-2018 the "normal" period because it is after the housing markets inflated and deflated in relation to the recession dating from December 2007 through June 2009 (NBER).² Further, it was before the apparent upward inflection point in US home price indices and the COVID-19 Pandemic hit the market in 2020. Those normal market period vacancy rates, applied to the current housing stock can give us an expected number of vacant units that are available to people for purchase or rent. If there are fewer than during the normal period, there is a shortage; if there are more, there is a surplus.

Why 2012-2018 Is the "Normal Period" In the US Housing Market

The period selected to represent the normal vacancy rate is 2012-2018. This stands as the benchmark for several reasons. First, this is after the tumultuous period in the housing market circa 2010 and before the recent run-up in demand coupled with COVID-related production challenges, rising costs and prices, and supply-chain disruptions (*Figure 16*).³

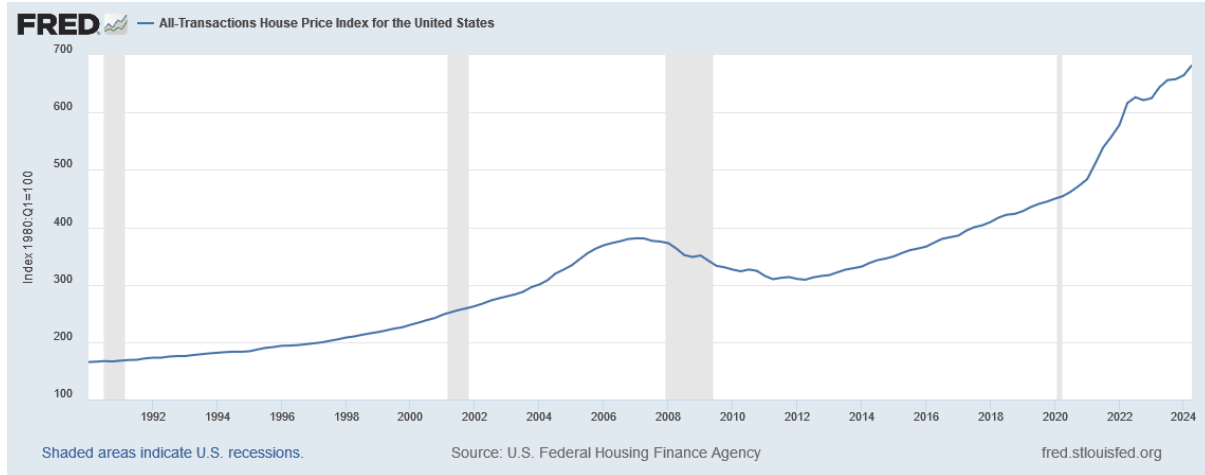


Figure 16: FHFA House Price Index, 1990-2024

It is also a period of relative stability in mortgage interest rates. Those rates fluctuated in a rather tight range from 3.91% in January of 2012 to 4.55% at the close of 2018 (Figure 17). Previously, interest rates were on a multi-year decline, and afterwards, a steep decline and substantial increase.⁴

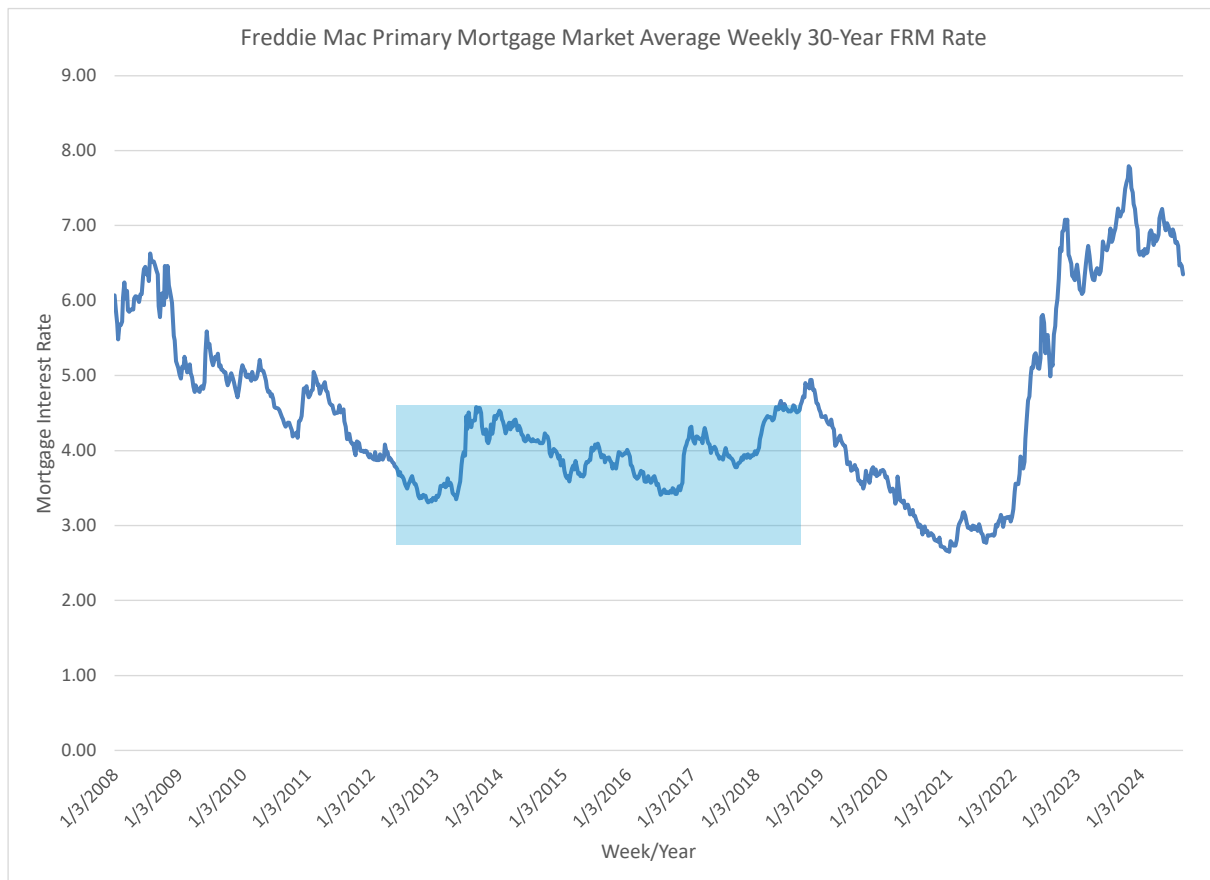


Figure 17: PMM Average Weekly 30-Year Fixed Rate Mortgage Interest Rate, 2008-2024

By 2012, housing unit production, as evidenced in units issued by permits, bottomed out of its multi-year substantial annual decline, and returned to a more typical annual volume of permits.⁵ 2021 represented an inflection point in permitting, peaking in 2022 and then steeply falling. Thus the 2012-2018 period is a steady, modest annual volume and price increase, bracketed in time by more tumultuous periods (*Figure 18*).

The normal vacancy rates for Philadelphia, as computed using the methodology described below, are:

- Total Housing Stock: 4.769% Vacant
- Owner Occupied Housing Stock: 2.473%
- Renter Occupied Housing Stock: 7.409%

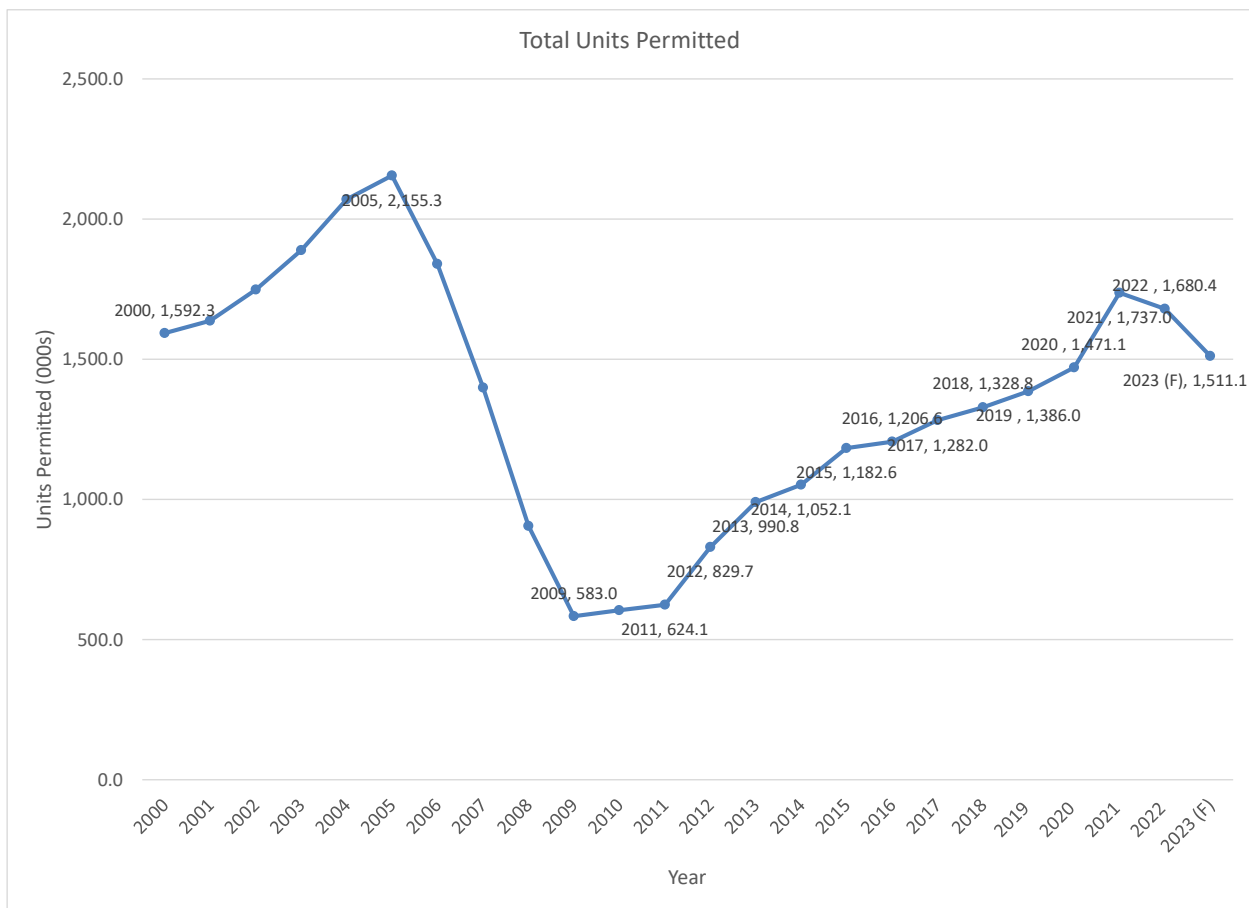


Figure 18: New Privately Owned Housing Units Authorized by Building Permits in Permit-Issuing Places

What Counts as Vacancy, and What Does Not?

Vacancy rates exclude the Census-defined category of “other vacant” units. Many of these units are presumed to be in an advanced stage of deterioration.⁶ Vacant units, for purposes of our computations, are those that are either *vacant for sale* or *vacant for rent*. Those that are vacant and sold or vacant and rented are not part of the vacant stock that is available for new residents, and thus they are excluded. ***The gap measure, estimated for all of the city’s Census tracts, is operationalized as the difference between the existing number of vacant units (based on the 2019-2023 5-year ACS) and the expected number based on that citywide normal vacancy rate applied to each component tract’s total housing stock.***

Approximating AMI Level for Philadelphia Census Tracts

The next step was to approximate the income levels for Philadelphia Census tracts and compare those to the under or oversupply, or homeownership and rental housing, found above. To understand the income levels of households living in undersupplied areas, we approximated an Area Median Income for 385 of Philadelphia’s 408 Census tracts based on the median household income from the 2018-2022 ACS.⁷ That income was adjusted to 2024 dollars based on BLS’ Inflation Calculator and compared to HUD’s 2024 Median Family Income for the Philadelphia-Camden-Wilmington MSA, which was \$114,700.^{8 9} For example, a Census tract with a median household income of \$25,000 was inflated up to \$26,550 in 2024 dollars, then divided by HUD Median Family Income to estimate an AMI level of 23.1%. Each tract was then placed within an AMI range: 0%-30%, 30%-50%, 50%-80%, 80%-120%, or 120%+.

We then combined the estimates of undersupply with the tract AMI level. The undersupply for each Census tract was assigned to that tract’s AMI range, and the total undersupply (and undersupply for both renters and homeowners) was summed for each AMI range.

Philadelphia’s Housing Shortage

Across all areas of Philadelphia where the vacancy rate is below the normal market period, Philadelphia is short approximately 17 thousand housing units. Of those 17 thousand units, we estimate that approximately 65% of that need is for rental units and 35% for ownership units. In an effort to apportion the housing gap and preservation need to meet Mayor Parker’s H.O.M.E. Initiative goal of 30,000 units, the plan contemplates meeting approximately equal shares of the production and estimated preservation need – 78%-79% of each.

Production Targets: Among the 4,750 owner units targeted for production in Philadelphia, we estimate that approximately 29% (1,400 units) are needed for households with incomes between 30% and 50% of AMI and another 44% (2,100 units) is for households in the 50%-80% income group; another 23% (1,100 units) is for households with incomes between 80% and 120% of AMI, and 3% (150 units) for households with incomes above 120% of AMI.^{10 11} For renters, the targeted need (approximately 8,750 units) is substantial for the lowest-income Philadelphians. Estimates are that

there is a need for approximately 1,800 units for those with income under 30% of AMI), but also substantial between 30% and 80% AMI (5,400 units, or 62% of the need) and those between 80% and 120% (1,400 units, or 16% of the need). As done with the gap estimate for owners, 2% of rental units (150 units) is for households above 120% of AMI.¹²

If the City's goal is to create 17,000 new units across the tenure types and income levels identified, that results in a target for preservation of approximately 16,500 units. Estimating preservation needs is quite difficult without any direct data on how much need exists among Philadelphia households. Reinvestment Fund used multiple indicators of properties that are likely in need of preservation work. Those indicators include: the age and value of properties, the condition as reported by the Office of Property Assessment (OPA), and/or evidenced by the presence of building code violations. Reinvestment Fund, together with the H.O.M.E project team, settled on an approach that identified properties in greatest need of preservation support. That included those with code violations, a below average or worse OPA condition code (or both), and were constructed before 1960 and have an assessed value in the lowest 20% of all residential properties in the city. Those indicia taken together yield an estimated preservation need of approximately 21,000 units, assuming those households with incomes greater than 120% of AMI can afford to maintain and upgrade their homes without any financial assistance from the City. Accordingly, the target of 16,500 preservation units will address approximately 79% of the units in greatest need of preservation.

Of the 16,500 units targeted for preservation (i.e., those with greatest preservation need), for purposes of the H.O.M.E. Plan, approximately 92% are expected to be for households with incomes of 50% AMI or below, 7% between 50% and 80% AMI and the remaining for households between 80% and 120% AMI.

Considerations

Experience suggests that cities have tracts that have unit counts near where one might expect (i.e., the number of units short or in excess is relatively small); but they also have areas that are very under-supplied (i.e., the number of units vacant is well below the expected level of vacancy based on normal market assumptions) and also those that are substantially oversupplied (i.e., the number of units vacant is well above the expected level of vacancy based on normal market assumptions). When adding them together the *plusses* and *negatives* cancel each other out, to a degree.¹³ But it is important to note that ***not every unit and not every neighborhood/Census tract is substitutable for another***. Thus, for example, an overage of rental in a thriving high-priced area that cancels out a shortage of rental housing in a lower income/priced area gives a false sense of the market being in balance. But the lower income households that need housing cannot necessarily access the higher-income housing in the thriving/high-priced area – at least not without some substantial financial subsidy.

ii. **Phases of the Philadelphia H.O.M.E Initiative**

PHASE 1

	Event	Date
1	Mayor Parker convened industry experts through her Housing Transition Team, led by Brian Hudson, which developed a policy paper to guide the early actions by the administration.	December 2023
2	Philadelphia Housing Authority (PHA) opened a 58-unit townhouse community in Sharswood.	December 2023
3	PHA received 100 additional HUD-VASH vouchers from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Veterans Affairs (VA) to provide at-risk veterans with housing.	March 2024
4	The Parker Administration announced five appointments to the Philadelphia Land Bank Board of Directors. In announcing these new appointees, the administration is taking the first of several steps in reforming the Land Bank to more swiftly move parcels out of its inventory.	April 2024
5	PHA's Westpark project received \$21.4 million from the U.S. Department of Transportation (DOT). When completed, the project will include approximately 330 public housing replacement units, 250 units of additional Affordable Housing, 420 workforce units, community-oriented retail, social services, and four acres of new public open space.	June 2024
6	The U.S. Department of Housing and Urban Development (HUD) awarded Philadelphia a \$3.3 million PRO Housing grant – one of only 21 awards nationally.	June 2024
7	Philadelphia Accelerator Fund approved by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI), improving access to capital for underrepresented developers.	September 2024
8	PHA acquired Brith Sholom Senior Center – a 12-story senior housing complex in Wynnefield Heights protecting approximately 100 tenants and preserving 356 affordable housing units.	September 2024
9	PHA and Frankel Enterprises opened Bucknell Square and Girard Commons, two workforce housing communities with 73 affordable homes in Sharswood.	September 2024
10	Applications for the Low-income Real Estate Tax Freeze were made available until February 2025 where the amount of property tax you pay each year will not	October 2024

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	increase, even if your property assessment or the tax rate changes.	
11	DHCD and PHDC cut the ribbon to open The Parker apartment building at 13th and Bainbridge Streets – the first of its kind, marking a new way of building affordable housing through public-private partnerships.	October 2024
12	Mayor Parker appointed Jessie Lawrence as the Director for Planning and Development and Octavia Howell as the Director of Planning putting experienced experts at the helm of the City’s agenda to make government work for its citizens.	October 2024
13	The City of Philadelphia was selected to receive more than \$262,000 from the Just Home Project, a national program working to break the cycle of homelessness and engagement with the criminal justice system.	October 2024
14	Mayor Parker cut the ribbon on 39 affordable homes built as part of the City’s public-private partnership Turn the Key initiative. The homes are being built in Brewerytown, Grays Ferry, Ludlow, East Kensington, Port Richmond, Sharswood/Blumberg, Wharton, South Philadelphia, and West Poplar.	October 2024
15	The Parker Administration, City Controller, and City Council joined to affirm the City’s action steps to streamline and approve contracts worth \$389.3 million with non-profit and for-profit organizations that do business with the City and provide services to residents.	November 2024
16	PHA released their Moving to Work (MTW) Annual Plan Fiscal Year 2026 to accelerate and expand an ambitious development program designed to preserve and expand the supply of affordable housing in Philadelphia for public comment.	November 2024
17	DHCD announced availability of financing for the development of rental and special needs units designed to serve low- and moderate-income households.	November 2024
18	US Department of Treasury awarded the Philadelphia Accelerator Fund its first grant award.	November 2024
19	The Urban Land Institute (ULI) released the results of its 2024 engagement with Philadelphia as a location for its national Homeless to Housed Initiative. ULI convened experts to develop innovative approaches to providing supportive housing solutions for homeless households, working with two local providers, Families Forward and Drueping Center.	December 2024
20	PHA acquired The Dane Apartments, a 233-unit building in Wynnefield.	January 2025

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21	PHA acquired Legacy at Powelton, a 30-unit building near Drexel University.	January 2025
22	PHA acquired University City Flats, a 44-unit in West Philadelphia.	January 2025
23	Philadelphia Accelerator Fund achieved its goal of raising \$6M of new loan capital.	February 2025

Figure 19: Phase One

PHASE 2

	Event	Date
1	Issue executive order.	February 2025
2	Facilitate stakeholder engagement on community housing needs.	February-March 2025
3	Propose legislation to spur housing development and speed up timelines.	March 2025
4	Release Mission 30,000 Housing Plan with plans and housing targets for existing and proposed new programs.	March 2025
5	DHCD to hold public hearing for Needs Assessment and Consolidated Annual Performance & Evaluation Report (CAPER)	March 2025
6	Begin organizational assessment to identify challenges and pain points and determine ways that departments can be more efficient and effective.	April 2025
7	Hire staff to fill vacancies and oversee plan deployment.	Spring 2025

Figure 20: Phase Two

iii. Program Descriptions

Program	Description
Access to Bonding for Local Contractors	Creates a fund at a financial services partner to provide access to bonding at lower price points.
Acquisition Fund	Provides capital to acquire occupied or vacant multifamily or commercial buildings for development to increase the supply of or preserve existing affordable units.
Adaptive Modification Program	Provides free accessibility modifications for individuals with permanent disabilities, allowing easier access to and mobility within the home.
Affordable Housing Preservation Funds	Provides gap financing for developers preserving existing affordable housing units.
Affordable Housing Production Funds	Provides gap financing for developers for the new construction of affordable housing units.
Basic Systems Repair Program	Provides free home repairs to correct electrical, plumbing, heating, limited structural, and carpentry and roofing emergencies.
Built to Last Program	Delivers critical home repairs, health and safety improvements, and energy efficiency and clean energy improvements.
CDBG-DR Program	Provides funds to support Philadelphia's recovery and mitigation efforts, serving communities with low- and moderate-income residents.
Clean and Green Initiative	Addresses quality of life issues like litter and graffiti, starting in the city's most underserved neighborhoods.
Community and Anchor Institution Land Acquisition	Obtains underutilized land to provide access to large swaths of viable property and underutilized buildings that can be converted to affordable housing.
Contractor Training	Offers training, workforce development, and capacity building for contractors to assist with development projects.
Curbside Appeal Program	Offers matching grants for neighborhoods that want to enhance "curbside appeal" through improvements that boost quality of life, attractiveness, and community cohesion.
Demolition for Redevelopment	Funds additional staff and capacity to remove blighted and vacant units owned by or in the possession of the City.
Employer-Assisted Housing	Provides participating employers with financial assistance to their employees, including homebuyer assistance for first-time home buyers.
Eviction Diversion	Offers resources for landlords and tenants in residential rental properties to resolve disputes while avoiding costly or prolonged court proceedings.
Façade Improvement Program	Provides one-time funding for the repair of housing façade work. This may include weatherization assistance required to maintain homes for the long term.

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FreshStart PHL	Covers rent and move in costs to facilitate the ability for households to move into a new home.
Heater Hotline Program	Provides emergency heater repairs for eligible homeowners.
Home Appraisal Bias Program	Funds housing counseling agencies and fair housing organizations for staff training on home appraisal bias and provide workshops on home appraisal bias to potential homebuyers interested in a home equity loan.
Home Service Clearinghouse and Concierge	Helps pre-qualify contractors, maintain a registry, ensure quality control, and provide easy access to responsive, quality contractors across trades.
Homeless Prevention	Provides support to individuals and families at risk of homelessness, resources for housing stabilization, and a pathway towards permanent housing.
Homeowners Insurance Program Feasibility Research	Research initiative to determine the best approach to reduce homeowner insurance costs for Philadelphians.
Housing Counseling	Provides housing counseling services such as foreclosure and eviction prevention, credit enhancement, and financial preparedness for residents at risk of housing instability.
Land Bank Acquisition Fund	Provides capital to acquire repossessed property at public auctions to increase the supply of affordable units.
Land Bank Operational Assessment	Allows for identification of opportunities to streamline work and increase efficiency within the Land Bank via strategic review of processes and resource allocation.
Long-Term Ground Leases for development	Provides additional publicly owned sites available for mixed-income development.
Mortgage Assistance Foreclosure Prevention	The Foreclosure Prevention Grant Program helps homeowners who have fallen behind on mortgage payments and are at risk of experiencing homelessness.
Neighborhood Advisory Committees	Provides housing resources and guidance to help residents learn about City programs that could benefit them.
Neighborhood Infrastructure Improvement Programs (NIIP)	Funds the repair of dilapidated shared driveways, and removal of dangerous trees in common alleyways.
One Philly Mortgage Program	Provides 30-year fixed-rate loans with a low down-payment and very low interest rates; removes the need for private mortgage insurance (PMI).
Operational and Programmatic Efficiency Assessment	Assesses agency structures, processes, and technology that impact housing production and preservation.

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Permanent Housing and Supportive Services	Creates permanent housing options for previously homeless individuals and families.
Philadelphia Eviction Prevention Project (PEPP) and Right to Counsel	Offers free legal assistance to eligible tenants facing eviction, lease termination, or loss of housing subsidies.
Philly First Home	Offers homebuyer assistance grants to assist first-time homebuyers; reduces the principal and covers down payment and loan closing costs.
PHS LandCare Program	Transform vacant lots into vibrant green spaces that provide lasting benefits for neighborhoods.
Positive Housing Marketing and Engagement	Identifies approaches to reducing community opposition through education, outreach, and marketing; reform of the RCO process to provide stakeholders with a voice.
Purchase US Bank Liens	Increases the City of Philadelphia's land inventory through the purchase of liens on parcels of land from U.S. Bank.
Rental Improvement Fund	Offers a loan product to small landlords to repair their rental properties.
Rent-to-Credit Program Research	Establishes the premise for research into programs that would allow Rentals to build credit with on-time rent payments while protecting them from predatory management practices.
Restore, Repair, Renew	Offers low-cost fixed mortgage loans to eligible homeowners to fund a range of home repairs that focus on health, safety, weatherization, accessibility, and quality of life.
Restore Repair Renew Impact Report	Produces an impact report for RRR that demonstrates the performance of loans compared to private-market loans.
Rowhouse Protection Project	Provides legal support for property owners whose rowhouses have been damaged through adjacent or nearby construction activity.
Shallow Rent Program, Property-Based	Creates a shallow rent program to "buy affordability" in market-rate apartment buildings.
Shallow Rent Program, Tenant-based	Provides rental assistance for tenants living in affordable housing developments who are cost burdened (i.e., spending more than 30% of their income on rent) and who are at risk of being evicted.
Tangled Title Fund	Provides legal and financial assistance, and estate planning to help persons clear the legal title to their homes.
Targeted Financial Assistance	Offers a one-time payment to landlords to cover tenants' rent arrears if both the tenant and landlord are eligible and agree to participate in the Eviction Diversion Program (EDP) in good faith.
Targeted Housing Preservation Program	Maintains and improves affordable housing for low-and moderate-income homeowners through coordinated home repairs in a defined geography.

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Tenant-Based Rental Assistance and Rapid Rehousing	Provides rental subsidies to quickly move individuals and households experiencing homelessness into housing.
Transitional Housing and Homeless Prevention	Provides safe and stable temporary housing for individuals and families transitioning from homelessness to permanent housing.
Turn The Key	Enables households to buy new affordable homes and build equity for their futures.
Utility Grants	Provides financial assistance to low-income individuals and families who are facing utility terminations or who have had their utilities shut off.
Weatherization Assistance Program	Increases energy efficiency in homes by reducing energy costs and promoting comfort while safeguarding health and safety.
Workforce Development	Creates access to training, professional development, and education to prepare Philadelphians to work in critical areas of City government.

Figure 21: Program Descriptions

¹ This adaptation of Moody's approach is work that is done jointly between Reinvestment Fund's Policy Solutions Group and PolicyMap.

² National Bureau of Economic Research. (2022). *Business Cycle Dating*. National Bureau of Economic Research. <https://www.nber.org/research/business-cycle-dating>

³ U.S. Federal Housing Finance Agency. (2024, September 5). *All-Transactions House Price Index for the United States*. FRED, Federal Reserve Bank of St. Louis. <https://fred.stlouisfed.org/series/USSTHPI#0>

⁴ Reinvestment Fund/PolicyMap computations based on the Freddie Mac Primary Mortgage Market Survey weekly survey. <https://www.freddiemac.com/pmms/docs/historicalweeklydata.xlsx> Accessed September 5, 2024.

⁵ Reinvestment Fund/Policy Map computations from U.S. Census Bureau, Building Permit Survey. https://www.census.gov/construction/bps/permitsbyusreg_cust.xls Accessed September 5, 2024.

⁶ Philadelphia ACS data for 2019-2023 show that there were 35,269 other vacant housing units out of a total 70,503 vacant units. In 2018, the end of the normal period that stands as benchmark for the gap estimates, Philadelphia had 47,257 other vacant units out of a total 88,115 vacant units.

⁷ The remaining 23 tract are either entirely non-residential or have too few households for Census to produce a reliable estimate of median household income.

⁸ U.S. Bureau of Labor Statistics. (2025). *CPI Inflation Calculator*. U.S. Bureau of Labor Statistics. https://www.bls.gov/data/inflation_calculator.html

⁹ U.S. Department of Housing and Urban Development. (2025). *FY 2025 Income Limits Documentation System -- Summary for*. Huduser.gov. <https://www.huduser.gov/portal/datasets/il/il2024/2024summary.odn?inputname=METRO37980M37980>

¹⁰ Estimates of shortages that are presented by AMI are accomplished by measuring the AMI in the Census tract and attaching each shortage estimate to its respective tract.

¹¹ We do not allocate need for owner occupied housing for people at under 30% AMI in this Plan; all need at that income threshold is expected to be for rental units and preservation for both existing owners and renters.

¹² We expect that these units will be supported as part of larger mixed-income developments that also have an affordability component.

¹³ There may be some utility to the net shortage/overage, but for purposes of designing a geographically- and tenure/cost-based intervention strategy to address the city's shortage, the net number is less useful.