



Testimony of Beth McConnell
Philadelphia Association of Community Development Corporations
On Bill No. 170678
Before the Committee on Rules, City Council of Philadelphia
November 27, 2017

Good morning Chairman Greenlee, Vice Chairman Squilla, and other members of the Committee. My name is Beth McConnell, and I'm the Policy Director at the Philadelphia Association of Community Development Corporations (PACDC). I'm here to testify in support of the amended Bill No. 170678.

PACDC has testified before Council many times in recent years about the massive need for more affordable homes, including for new low-cost housing units, grants to preserve, repair, or rehabilitate existing affordable homes, and resources to prevent and end homelessness. At today's hearing, some of our city's most dedicated and knowledgeable advocates will speak passionately on the need that they see on the ground, every day in our communities, and why Council and the Kenney Administration need to adopt policies like Bill No. 170678 to address affordable housing needs.

I'd like to focus my testimony on why a Mixed Income Housing policy is one tool we need in our toolbox, and why PACDC thinks Bill No. 170678 is a good start worthy of your support.

We will not achieve an equitable Philadelphia without equitable development policies. We are building the Philadelphia today for future generations. Policy makers face a choice of using planning and development to deepen and reinforce inequality, or to create neighborhoods of opportunity for all Philadelphians regardless of income. We have barely begun to correct for past policy decisions that created segregation, displacement, and disinvested neighborhoods. In fact, we are subsidizing through the 10-Year Property Tax Abatement the development of luxury, high-priced housing that is completely out of reach to most Philadelphians, while

turning away our low-income neighbors from affordable housing programs for lack of resources. That is a policy of inequality.

A Mixed Income Housing policy is one vital tool that Council should embrace to create a more equitable city. On-site units would allow lower-wage workers the opportunity to live nearer to jobs, transit, and other quality amenities. Payment to the Housing Trust Fund (HTF) would help households in deep poverty in every part of the city, and in ways that strengthen entire neighborhoods, through homelessness prevention, new affordable home production, as well as repair, rehabilitation, and preservation of existing affordable homes.

The amendments give developers flexibility to comply with the policy, and narrows the applicability of the bill to the zoning districts where we're seeing the most expensive rents and record-breaking for-sale prices. This means it's likely fewer on site affordable units will be provided, and more fees-in-lieu will be paid to the HTF. That's not the ideal balance, but it's still a good outcome. Just one year ago, the Division of Housing and Community Development (DHCD) established more than 16 priority goals in its Assessment of Fair Housing that it wishes to advance to address racial and economic concentrations of poverty. But progress on many of those goals can't be made unless more resources are identified. The fees-in-lieu can help DHCD better resource existing affordable housing programs that are vastly under-resourced and oversubscribed, advance new programs it has already established as critical, all while serving a much lower income population than could afford an on-site unit.

PACDC is disappointed that the amendments narrow the bill's applicability to only a handful of zoning districts. Entire neighborhoods are excluded where there have been dramatic increases in sales prices, significant new development that is reshaping the community, where threats of displacement are real. This was a compromise to address concerns over offering density bonuses to developers as an off-set in those neighborhoods. PACDC hopes that stakeholders committed to balancing the need for affordability, development, and neighbor

input can work together to find ways to expand this program to more parts of the city in the future.

Developers have argued that this policy will kill development in the city by making it financially infeasible. Again, the amendments demonstrate a significant compromise by limiting applicability to zoning districts where the most expensive real estate is being built. Studio rental apartments in new buildings have been advertised at \$1,800 per month or more, and penthouses at \$4,000 to \$5,000. These are the zoning districts where record home sales prices in the tens of millions have recently made the news. Density bonuses offered in the bill will allow developers to build more market rate units than would otherwise be provided as an offset to the added cost, on top of the already generous 10-Year Property Tax Abatement.

Additionally, a hypothetical model put forward by the Philadelphia Building Industry Association (BIA) for how the policy would affect a 10-unit neighborhood three-story row home development shows the policy is economically feasible even without a density bonus if development costs were only \$5,000 lower per unit than the hypothetical model estimates, or sales prices just about \$6,000 above, or a variation of about 1.25%. Finally, existing research on how similar policies have affected other jurisdictions does not show a significant effect on development or home prices. ***PACDC looks forward to working with Council and the Administration to investigate more deeply the economic feasibility of expanding the policy to more neighborhoods.***

The bill was also amended to create two tiers of affordability based on the level of density bonuses offered to the developer. The most generous density bonuses require that on-site rental units be targeted to households at 50% Area Median Income, or \$41,600 for a family of 4, and for-sale units at 70% AMI, or around \$58,000 for the same household size. Less generous density bonuses require that on-site units target a population earning 10% points higher. ***Given the overwhelming need in Philadelphia for affordable rental homes for households at incomes below 30% AMI and 50% AMI, PACDC encourages that the bill be***

further amended to target the most generous density bonuses for developers that provide rental units at 40% AMI.

Bill No. 170678 is not perfect; it represents significant compromise from the original proposal. It's also not the only solution given the overwhelmingly large need of our low-income neighbors for safe, affordable homes. But it's an important step forward in enlisting developers that build wealth from rising rents and home sale prices in contributing to addressing our needs for more affordable homes.

PACDC thanks Councilwoman Sanchez for pushing this conversation about how to leverage our city's growing prosperity to benefit those who are typically left out, and for the tireless work of her staff facilitating working groups that considered the complexities of the policy. PACDC was honored to be part of that process. We also thank Council President Clarke, and Councilmembers Blackwell and Johnson for their co-sponsorship of the bill, and their hard work on this important policy over the last six months.

Thank you for the opportunity to testify.

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