

Bill No. 180351: Construction Impact Tax
Bill No. 180347: Housing Trust Fund Sub-Fund

City Council Finance Committee Hearing
Wednesday, June 6 2018, 10 am – 1 pm
Room 400, City Hall (Council Chambers)

Good afternoon. My name is Kevin Musselman, and I'm the Manager for Neighborhood & Resource Planning at People's Emergency Center (PEC). PEC's mission is to nurture families, strengthen neighborhoods and drive change in West Philadelphia. We have developed more than 260 housing units and five educational centers which offer employment training, parenting and early childhood education, financial education and planning, life skills and technology access. With these services PEC seeks to support the positive life trajectory for the women and children who seek our services.

PEC's community development programs respond to community needs and build on neighborhood assets to help bridge the digital divide, expand mixed-income housing opportunities, stimulate economic growth, create wealth, and improve the quality of life for all West Philadelphia residents.

I am here to speak about the incredible need for affordable housing we see in our work with homeless families and in the neighborhoods we serve.

As you know, there are over 100,000 households in Philadelphia who are rent burdened – paying more than 30-50% of their income towards housing. In the federally-designated West Philadelphia Promise Zone, approximately 50% of our residents are rent burdened. Philadelphia as a whole has lost over 23,000 units of low-cost rental housing from 2000 to 2014. This has helped create the crisis that many families who live in poverty are now facing. There are currently over 450 families in Philadelphia's emergency housing system, including 22 in PEC's shelter. There is no shortage of families who need housing, and vacancies are quickly filled. Until Philadelphia as a city replaces low-cost housing, the need for emergency housing will only grow.

We also see the need to preserve affordability, especially in neighborhoods with rapidly changing real estate markets like ours in West Philadelphia. PEC has completed over 120 basic systems and façade repairs for existing low-income residents, many elderly or minimum wage workers -- without this intervention, these residents would likely be displaced. By helping them stabilize their homes, we prevent homelessness, vacancy and deterioration on residential blocks. In addition to building units, PEC is fortunate to be able to provide other critical services that help prevent homelessness and connect residents to the resources they need. We are able to offer connections to city services through our Neighborhood Advisory Committee with support from the city's Division of Housing and Community Development, and our other quality of life programming such as our weekly food cupboard help some of our hardest-to-serve residents simply make ends meet.

Even with these services and the units we have been able to produce, it is not enough and it takes too long. Our typical affordable housing development takes 3-5 years from conception to rent up due to needing to apply multiple times before a project is funded because the competition and need is so great. This is simply not an efficient or budget-conscious way to

produce any kind of housing, especially one for which there is so great a need. Additionally, if sufficient funding were available, PEC would be able to fill what is a great need for low-moderate income rental and ownership units in our area of West Philadelphia which is rapidly filling with student housing.

Truly equitable development policies prioritize affordable homes in every neighborhood. Council has led the way by creating the Housing Trust Fund, eliminating the waiting list on BSRP, creating new loan for affordable home repair, boosting investment in eviction prevention and homelessness strategies. The bills you're considering today are the next critical step.

It's time for the development community to contribute to a more equitable city through the Construction Impact Tax. Since 2000, Philadelphians have been subsidizing new construction and significant rehab through the 10-Year Tax Abatement, which benefits residential, commercial, and industrial development including very high value projects in the most desirable neighborhoods. Low and moderate income Philadelphians deserve a return on that investment, and the Construction Impact Tax is a *first start* that represents roughly *one year* of the value of the 10-year abatement.

PEC recommends the creation of a Construction Impact Tax Credit for properties that meet clear criteria in providing affordable homes. As is true for PEC and other nonprofits developers that frequently serve some of the city's most impoverished residents, it is often a challenge to secure gap financing for projects that are built and maintained with public and private subsidies. To avoid added demand on these limited subsidies, a credit against the Construction Impact Tax should be created for projects that meet clearly defined, need-based criteria including provision of affordable units to populations below a certain income target.

We understand that funding the creation and preservation of affordable housing units and related services is difficult, and that you understand that the need is great. Thank you Council President Clarke, Councilman Squilla, Councilwoman Sanchez for introducing these bills. Thank you for holding these hearings, listening to our testimony, and working with us to build a more equitable Philadelphia.