

**Testimony –  
Local Initiatives Support Corporation (LISC)**

*PA Senate Democratic Policy Committee Hearing*

***Housing Scarcity & Contemporary Houselessness***

*March 14, 2022*

On behalf of Local Initiatives Support Corporation (LISC), thank you for the opportunity to provide written testimony regarding housing scarcity and contemporary homelessness. This testimony will focus on affordable housing in Philadelphia, primarily on the need to develop and preserve affordable rental housing, with additional recommendations regarding the need to increase resources for housing counseling, home repairs and expanded opportunities for homeownership.

LISC is a leading national and local community development financial institution (CDFI) and a community development intermediary that partners closely with community organizations to revitalize their neighborhoods. Since 1981, LISC has invested \$595 million in Philadelphia to build or preserve 9,200 affordable homes and apartments, as well as 2.7 million square feet of commercial, retail and community space. In addition to loans and equity investments, LISC provides capacity building, technical assistance, and program grants to affordable housing developers and community development corporations to ensure that they have the resources and tools to meet the needs of residents. LISC served as the City's consultant in the development of its 10-year housing plan, "*Housing for Equity: An Action Plan for Philadelphia*" (the Housing Action Plan), and it currently serves as the collaborative leader of the Preservation Network, a cross-sector group of non-profit, private, and public agencies dedicated to the preservation of at-risk publicly assisted affordable rental housing in Philadelphia.

**SUMMARY**

These are precarious times for lower-income families and individuals, making the need for affordable housing development and preservation especially acute:

- Almost 52% of Philadelphia renters spend 30% or more of their income on rent and utilities.<sup>1</sup>
- Philadelphia has a shortfall of nearly 72,000<sup>2</sup> affordable units for very-low and lower-income households.
- Philadelphia is moving backward in terms of affordable housing – it lost nearly 24,000 market-rate apartments with rents of \$750 or less in the past 15 or more years (we refer to these as *naturally occurring affordable housing*).<sup>3</sup>

---

<sup>1</sup> <https://www.pewtrusts.org/-/media/assets/2021/04/philadelphia-2021-state-of-the-city.pdf> ; p. 57

<sup>2</sup> [https://www.phfa.org/forms/housing\\_study/2020/county-profiles.pdf](https://www.phfa.org/forms/housing_study/2020/county-profiles.pdf) ; p. 52

<sup>3</sup> Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014," p. 2; Seth Chizeck (January 2017) Available At: <https://www.philadelphiafed.org/community-development/gentrification-and-changes-in-the-stock-of-low-cost-rental-housing-in-philadelphia-2000-to-2014>

- Philadelphia's Assessment of Fair Housing (2016) indicates Philadelphia has approximately 14,500 publicly assisted affordable rental housing units that may be at risk by 2035.

The solutions to addressing Philadelphia's affordable housing crisis can only come from developing new housing – rental and owner-occupied – and preserving the housing we already have. While local and federal resources are essential, this is also a state responsibility. The Pennsylvania Housing Finance Agency (PHFA) is a solid steward of state and federal housing funds and we are impressed by the staff dedication in the Department of Community and Economic Development, but they lack sufficient resources to make more than a dent in our housing deficit. Bills like Senator Saval's SB 1135 are steps in the right direction, but only with bold and ambitious annual appropriations can the Commonwealth solve a housing crisis that has been decades in the making.

## **Production and Preservation of Affordable Rental Housing**

### **Problem**

With the disappearance of naturally occurring affordable housing, preservation of publicly assisted affordable housing becomes increasingly crucial. Publicly assisted affordable rental housing uses federal subsidies such as the Section 8 project-based program and the Low-Income Housing Tax Credit program (LIHTC), to support construction and affordable rents for seniors, people with disabilities, and other lower-and moderate-income households. Neither the Section 8 program nor the LIHTC program ensure permanent affordability.

As we have seen recently, publicly assisted rental housing is also at risk, due to expiring subsidy contracts and affordability requirements. Data from the National Housing Preservation Database suggests Philadelphia risks losing as many as 14,130 affordable apartments by 2035. These are typically properties that were developed or renovated in the past 30 years, which may soon be lost due to age and deteriorating physical condition, the end of the LIHTC 15-year compliance period, or expiration of rental subsidies.

Properties located in stronger markets or owned by for-profit entities may be particularly susceptible to the loss of affordability and conversion to market-rate rents. This is especially sobering when we consider the publicly assisted properties that have been lost already due to inadequate preservation strategies. For example, in 2016 nearly 220 lower-income seniors were displaced when the owner of Overmont House, in West Philadelphia, converted the property to student housing. The property had been subsidized through Federal Housing Finance Funding and provided Section 8 subsidies to seniors for forty years.

In 2021, the owner of University City Townhomes (UCT) provided an opt-out notice on its HUD Section 8 contract after almost forty years. UCT provides 70 homes consisting of 19 2-Bedroom, and 51 3+ Bedrooms. The loss of these units underscores a deeper crisis for Philadelphia's families, and particularly women of color with children. Average tenancy of UCT residents since

1983 has been thirteen and one-half (13.5) years<sup>4</sup> and now the residents will need to seek scarce housing elsewhere.

### Solutions

- Annual state appropriations of at least \$100 million for production and preservation of affordable rental housing
- Authorization and appropriations for an Affordable Rental Acquisition Fund for housing authorities and non-profit organizations to purchase at-risk subsidized affordable rental housing
- Funding for technical assistance and asset management training for owners of at-risk properties to help them preserve their essential affordable rental housing
- Aggressive deployment of state low income housing tax credits for production and preservation of affordable rental housing

### **Preservation of Non-Subsidized Affordable Rental Housing**

#### Problem

As noted earlier, the loss of low-cost rental units is a crisis in Philadelphia. This is especially true for non-subsidized affordable rental units (also known as naturally occurring affordable housing, or NOAH) owned by small landlords. Research has shown that households displaced from low-cost non-subsidized housing in stable communities are often forced to move to neighborhoods with access to fewer opportunities such as education, jobs, healthcare, and transportation. Small landlords are small businesses. As such, they provide an essential supply of affordable housing to low and moderate income families and will play a vital role in Philadelphia's economic recovery post-COVID-19.

#### Solutions

- Annual state appropriations of at least \$100 million for production and preservation of affordable rental housing
- Small Landlord Repair Programs, which aim to provide low-cost capital to small landlords in order to make necessary improvements to properties; as proposed in SB 1135.
- Shallow rent subsidies to assist landlords who commit to maintaining rents that are affordable to extremely low-income households;
- Funding for technical assistance for small landlords to help them to preserve properties.

### **Housing Conditions Impacting Health of Homeowners and Tenants**

---

<sup>4</sup> <https://preservationdatabase.org/> (Inconclusive and Active Properties in Philadelphia – University City Townhouses)

## Problem

Philadelphia's aging and blighted housing stock is one of the key factors impacting quality, safe, affordable housing.<sup>5</sup> Housing condition also has a direct impact on a person's health, well-being and ability to thrive.

- Nearly 90% of homes were built prior to 1980
- More than 30,000 housing units are without complete kitchens
- More than 27,000 housing units are without complete plumbing facilities
- More than 29,000 housing units have below average exterior condition

## Solutions

- Authorization and appropriations for a state home repair program, as proposed in SB 1135.
- Funding for homeowner education and housing counseling to assist homeowners in need of repairs.

## **Expanding Homeownership Opportunities**

### Problem:

After increasing in preceding decades, homeownership has been declining in Philadelphia in the past 30 years. This reduction has been especially acute among Black homeowners.<sup>6</sup> The problem has been exacerbated by: inadequate development of new single-family homes to keep up with recent population growth; conversion of single-family homes into small apartments; deterioration of our aging housing stock; and most recently, acquisition of single-family homes by well-funded investors seeking steady rental revenue. This last problem is prevalent in other parts of the nation and increasing here. Investors are paying cash for owner-occupied homes that are listed for sale, out-competing first-time homebuyers who are pre-qualified for mortgages, but unable to pay cash for homes.

### Solutions:

- Annual appropriations for development and preservation of affordable owner-occupied homes
- Appropriations for the PA Homeowners Assistance Fund when current federal funds are exhausted
- Authorization and appropriations for an Affordable Homeownership Acquisition Fund for non-profit organizations to compete with investors and acquire homes on behalf of pre-qualified first-time homebuyers.

---

<sup>5</sup> Housing for Equity: An Action Plan for Philadelphia, p. 5.

<sup>6</sup>

<https://www.philadelphiafed.org/-/media/frbp/assets/community-development/briefs/cdro-brief-homeownership2-final.pdf>

- Expanded funding for housing counselors to assist first-time homebuyers with pre-qualification for mortgages.

Thank you again for this opportunity to provide testimony.