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Why affordable housing is hard to find – and develop – in Philadelphia

It's about shrinking federal dollars and an old-fashioned formula that isn't going away



Constance Morrow, a director of the Women's Community Revitalization Project, stands among demonstrators in Sharswood Sept. 19, 2017 protesting HUD cuts. ANGELA GERVASI / BILLY PENN

Mark Dent
Sep. 21, 2017, 6:45 a.m.

Correction appended

A few months ago, it seemed Orinoka Civic House's affordable housing units would be immediately filled. New Kensington Community Development Corporation, the project's developers, received 600 applications for 51 apartments near Kensington Avenue and Somerset, and announced it would hold a lottery for prospective residents. Yet as of late summer, many of the units were vacant.

(<https://philly.curbed.com/2017/8/23/16183982/orinoka-civic-house-affordable-housing-leasing>).

NKCDC announced that more than a dozen units available for residents making up to 50 and 60 percent of Area Median Income were still available, and that interested families and individuals should apply.

In a city where the affordable housing stock is low and shrinking (<https://www.citylab.com/equity/2016/12/as-it-gentrifies-philadelphia-is-shedding-affordable-housing/511223/>), a sparkling new facility's inability to attract enough residents illustrates another issue with the seemingly unsolvable affordable housing crisis afflicting Philly and many American metros.

Because the U.S. Department of Housing & Urban Development packages Philadelphia with its wealthier suburbs for AMI calculations and ever-shrinking subsidies, "affordable housing" is often out of reach for Philadelphians who need it the most. Many are able to afford units similar to those still available at Orinoka with extra subsidies or Section 8 vouchers, which give people federal funding to pay rent and are often obtained after years of waiting (<https://clsphila.org/sites/default/files/get-help/Applying%20for%20Subsidized%20Housing%20-%20Updated%20July%202013.pdf>).

Median household income in Philadelphia is about \$38,000. But AMI for the Philadelphia region, which includes wealthier suburbs, is about \$83,000 for a family of four. A family making 50 percent AMI – \$41,000 and eligible for affordable housing – is thus wealthier than a typical Philadelphia family. Twenty percent of AMI is \$16,600. About one out of every five Philadelphia households makes less than \$16,600 annually and they're the ones especially scrambling for housing, needing extra subsidies to stay in a home already subsidized by a government that's offering less and less assistance.

"What's called affordable," said Nora Lichtash, executive director of the Women's Community Revitalization Project "is not truly affordable."

As Philadelphia searches for improvements combining the private and public sector, here's a look at how affordable housing often can't reach Philadelphians with the lowest incomes and why limited federal resources prevent the problem from getting any better.

Why Philadelphians are at a disadvantage

Orinoka Civic House's \$17 million project received about \$1 million in tax credits through the Pennsylvania Housing Finance Agency, which has provided about \$15 million to Philadelphia over the last several years, aiding in the development or proposed development of 4,224 affordable housing units. The money comes from the federal Low Income Housing Tax Credits.

Like many of these family-oriented developments, Orinoka has spots available for people making 20 percent of Area Median Income, 50 percent and 60 percent. But also like most of the other developments, the great majority of their housing is for people making less than or equal to 50 to 60 percent AMI.



The inside of an apartment at Orinoka Civic House. ORINOKA CIVIC HOUSE

Only six of the 51 apartments in Orinoka are for people making 20 percent of the AMI or less. NKCDC received “an overwhelming” number of applications for those few units. It couldn’t fill all of the remaining 46 units, for people making 50 or 60 percent AMI or less.

AMI is a metric put forth by the federal Housing and Urban Development, and rental prices are set so people with the designated incomes won’t be rent-burdened. Philadelphians are at a particular disadvantage because of the way AMI is calculated, given the median income here is far lower than other area counties.

“It’s a huge problem for people at that very low end of the income schedule,” said Beth McConnell, policy director at the Philadelphia Association of Community Development Corporations.

‘You’ve got to make an operating budget that works’

People making less than 50 or 60 percent AMI could still apply for the housing, but they’d have to prove they can, or get assistance from a Section 8 voucher or other subsidy to be able to afford the rent. Certain developments can also apply for subsidies for individual units to make rents more affordable. A recent project of the Volunteers of America Delaware Valley entirely houses formerly homeless, most making less than 30 percent AMI. Owen McCabe, VP of acquisition and development for the organization, said Rental Assistance Demonstration vouchers allow them to house residents with such low incomes. RAD vouchers are given by HUD to local housing authorities, which can use them to subsidize rents for specific units.

Project HOME’s 2415 N. Broad development, scheduled to open this year, has nine of 88 units at 20 percent AMI and the rest at 50 or 60 percent. But because of government subsidies, about two-thirds of residents are expected to be at 20 percent AMI or lower. Like Section 8 vouchers, these subsidies for individual units are difficult to get.

At Orinoka, property manager Marilyn Cruz said most people who applied for housing were in the 20 percent AMI range. According to Barb Varela, managing director for real estate and finance for NKCDC, the organization did not receive RAD vouchers or other subsidies to cover portions of rent

that would make it easier for residents making less than 50 to 60 percent AMI to move into the 50 to 60 percent units.

“Then when we tried to encourage [people making] 50 to 60 percent,” Cruz said, “they were a little wary about the community and not understanding that we need to bring different types of people in the community, meaning working people, people who want to participate in a more meaningful way.”

The neighborhood has a reputation for drug activity.

(<http://aldianews.com/articles/local/philadelphia/kensington-drug-trade-tells-tale-two-neighborhoods/42566>), and the violence that comes with it.

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What's called affordable is not really affordable.

– *Nora Lichtash, executive director of the Women's Community Revitalization Project*

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She said some people who applied for the 50 to 60 percent housing were hourly employees who started working more and rose above the income threshold. Others looked at the \$802 monthly payment for a family of four and decided they could find a small house rather than an apartment. So why not offer more 20 percent AMI units? The CDCs and other organizations mostly building affordable housing aren't looking to turn major profits like private developers, but they need enough money so residences are properly maintained. A building with rents set exclusively for people making 20 percent AMI or less would be unfeasible.

“From an operating standpoint you have to keep the lights on, maintain it, pay taxes,” McCabe said. “You've got to make an operating budget that works.”

For the same reason, a building targeting residents who make 50 or 60 percent of Philadelphia's median income rather than the HUD-defined AMI would also be difficult to produce, even if it were allowed. An act of Congress would be necessary (<https://therealdeal.com/2017/03/06/how-one-tweak-to-affordable-housing-policy-could-make-a-big-difference-for-developers/>) for changes to the AMI formula. New York City faces similar issues as Philadelphia, and two New York state senators have proposed a bill that would tie AMI to zip codes where given developments are built. It's been widely criticized (<https://www.dnainfo.com/new-york/20170223/long-island-city/area-median-income-affordable-housing-nyc>).

“We could calculate incomes however we wanted but that's avoiding the issue,” said Anne Fadullon, Philadelphia's director of planning and development. “We need more resources and then we could start the discussion of how to make them affordable for our population.”



(https://billypenn.com/wp-content/uploads/sites/2/2017/09/IMG_3428.jpg)

Philadelphians protested federal cuts to affordable housing programs during a visit from HUD Secretary Ben Carson on Sept. 19, 2017. ANGELA GERVASI / BILLY PENN

President Donald Trump wants to cut HUD by 13 percent, and federal dollars distributed for housing are already declining. Fadullon said Philadelphia gets about half what it did in the early 2000s. People in North Philadelphia protested a visit from HUD Secretary Ben Carson earlier this week (<https://billypenn.com/2017/09/19/photos-protesters-outside-ben-carsons-vaux-high-school-visit/>), arguing for the need for more affordable housing units, not fewer.

“Ultimately we’re planning for our residents,” Fadullon told *Billy Penn* in an interview earlier this month about women developers in Philadelphia. (<https://billypenn.com/2017/09/12/phillys-shortage-of-women-developers-and-the-neighborhood-impacts/>). “And if our residents look a certain way and have a certain income level we need to have those voices at the table and have those folks be represented.”

A ‘statewide competition’ for vouchers and tax credits

Nonprofits Mission First and ACHIEVEability will soon open the first 12 units of a 48-unit development in West Philadelphia. All are separate homes. Five of them are designated for 20 percent AMI and the remainder for 50 or 60 percent. Like the Volunteers of America’s recent project, Haddington III got RAD vouchers, which will help further subsidize the rents.

Mark Deitcher, director of business development for Mission First, said the RAD vouchers were among the last available and difficult to obtain. The project itself took more than one try to get approval, coming together after Achievability and Mission First combined to use a preservation tax credit.

“It’s a statewide competition,” said Jamila Harris Morrison, executive director of ACHIEVEability.

More subsidies and resources, Deitcher said, could lead to developments that could house low income Philadelphians with less complication, but those streams of revenue are unlikely to increase.

“It would be great to have subsidies,” Deitcher. “But it just doesn’t exist. If people’s wages rise that’s the best thing. That allows them to actually to pay more in rents.”

To provide more housing for the poorest Philadelphians, Orinoka Civic House, Haddington III or any other recent affordable housing development would need a larger chunk of funding than they received.



https://billypenn.com/wp-content/uploads/sites/2/2017/09/IMG_6853-e1505942867289.jpg

Twelve of the affordable Haddington III units in West Philadelphia will open soon MARK DENT

“If there was an infinite amount of tax credits, infinite amount of subsidy and funding you could house everyone in the world at 20 percent,” said George Bantel, partner with West Philadelphia Real Estate. “This is a world, especially with the current administration and direction of HUD, where those resources are dwindling. It’s getting more challenging to put those projects together. If there was more funding it would be easier to increase the 20 percent units. However, in reality, it’s very difficult.”

Inclusionary zoning

Last Thursday, Councilwoman Maria Quiñones-Sánchez reintroduced what could become Philadelphia's first mandatory inclusionary zoning law (<https://phila.legistar.com/LegislationDetail.aspx?ID=3088278&GUID=1CD43D48-21EC-413B-9886-37159739FE87&Options=ID%7CText%7C&Search=affordable+housing>). In a belt-tightening environment where people like Fadullon stress the need for greater funding, these moves are necessary for improved affordable housing.

Builders have previously had the option of supplying affordable housing or contributing to the fair housing fund in exchange for tax breaks. This latest bill would force anyone who builds a project of more than 10 units to reserve one unit of affordable housing per every nine units. As an alternative, the developer could contribute a varying amount to the Housing Trust Fund (<http://ohcdphila.org/publications/housing-trust-fund/>), a city department that helps build and repair homes for vulnerable populations.

The legislation is ambitious for another reason, too: the AMI limits. Quiñones-Sánchez's bill stipulates the affordable housing units be rented to individuals or families making 50 percent or lower AMI in "core" Philadelphia (Center City and the closest neighborhoods) and 30 percent or lower outside of the core.

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– Anne Faullon, Philadelphia's director of planning and development

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The bill will likely be dissected and bargained over several times in the coming weeks and months. Developers have already condemned it. So that 30 percent figure – and even 50 percent figure – might not last. But McConnell, who's chairing a task force regarding this bill, believes there's a chance, noting developers have said they could make a voluntary program work at 60 percent AMI.

“If the folks that want [the bill] to die can make it work at 60 percent,” McConnell said, “that makes me think we can dig a little deeper and get at 50 and below. That's what we're in the process of doing right now.

“We're trying to get to the lowest income people possible. We're trying to find what the lowest amount of rent they could charge that would serve the poorest folks.”

An earlier version of this article incorrectly stated the cross streets where Orinoka Civic House is located.

