

CREATING AND PRESERVING AFFORDABLE HOUSING THROUGH A CONSTRUCTION IMPACT TAX



DEVELOPMENT
WITHOUT
DISPLACEMENT
DESSAROLLO SIN DESPLAZAMIENTO

THE PROBLEM

Philadelphia has the highest poverty rate of any major city, and one of the ways we can tackle poverty is to address the growing need of Philadelphians for affordable, accessible housing.

- Citywide and in our neighborhoods, **HOUSING COSTS HAVE SKYROCKETED** while household income has not kept pace.¹
 - Data show us that in sections of North, South, and West Philly, where gentrification is most rapidly occurring, the cost to buy a house *increased* between 100%-200% over a ten year period²
 - In this same time period household incomes have *decreased* by 13%
 - HALF of all renters, and one out of every three homeowners is housing cost-burdened- which means that **after they pay for their housing they don't have enough left to pay for other basic needs**
- The neighborhoods surrounding Center City have been hit the hardest, and **these changes disproportionately hurt people of color.**
 - Between 2000-2012 the African American population in gentrifying neighborhoods decreased between 22%-29%³

THE COSTS

Philadelphia is **LOSING ITS AFFORDABLE HOUSING STOCK.**

- Between 2000-2014 we lost over 23,000 units of affordable housing (rent and utilities less than \$750/month)⁴
- An estimated **128,900 households earn less than \$15,000 per year**,⁵ for these families to afford housing plus other basic needs like food and transportation, **housing costs must be less than \$375**
- Losing affordability often means that long-term residents are forced out of the communities they call home

HOW MUCH IS “AFFORDABLE?”

30% of monthly household income is an affordable amount to spend on housing. That means:

ANNUAL INCOME	MONTHLY HOUSING EXPENSES CAN BE
\$ 10,000	\$ 250
\$ 15,000	\$ 375
\$ 20,000	\$ 500
\$ 25,000	\$ 625
\$ 30,000	\$ 750
\$ 35,000	\$ 875
\$ 36,000 \$ 900 (CITY MEDIAN HOUSEHOLD INCOME)	
\$ 40,000	\$1,000
\$ 50,000	\$1,250
\$ 60,000	\$1,500
\$ 75,000	\$1,875
\$100,000	\$2,500

“I moved to Philadelphia with my mother when I was five years old. We were so poor at the time we had to move into a Salvation Army shelter for almost a year before we got a Section 8 home. In middle school, the corner stores were replaced with cafés and restaurants. The empty lots and old factories became condos worth half a million. **MY FRIENDS AND THEIR FAMILIES WERE ALL PUSHED OUT BECAUSE THEY COULDN'T AFFORD TO PAY THE RISING RENT.** The vacant land in my neighborhood has all gone to luxury housing.”

– JUSTIN MOORE, NORTHERN LIBERTIES

ADDITIONAL COSTS

Market rate housing development is creating a demand for more affordable housing.

- Residents of market-rate housing generate increased demand for services—dry cleaners, coffee shops, restaurants. These jobs are often occupied by lower wage earners, thereby increasing the need for affordable housing.

New development is uprooting beloved green spaces that have transformed blight into centers of community and sources of nutrition and health.

“Today, the neighborhood is gentrifying, and I AM all for beautification of the neighborhood, but **WE BUILT THIS COMMUNITY FOR THE PEOPLE THAT LIVED HERE, AND NOW THEY CAN’T AFFORD TO STAY AND OTHER PEOPLE ARE CALLING THE SHOTS.**”

– DEMETRIUS RICHARDSON, POINT BREEZE

WHAT NEEDS TO BE DONE?

Federal funding for affordable, accessible housing is more uncertain than ever, so **CITY COUNCIL MUST ACT NOW TO MEET THE NEEDS OF ALL PHILADELPHIANS.**

A **CONSTRUCTION IMPACT TAX** is a tax per square foot on development used to fund affordable housing or other community uses. The revenue generated is designed to offset the negative impacts of high-end development on neighborhood affordability.

- A construction impact tax on new market-rate housing and commercial development of between \$2 and \$4 per square foot would generate between \$7M to \$14M each year⁶ for the Housing Trust Fund
 - These funds would leverage another \$45.5 million in public and private dollars, together yielding \$77 million in economic impacts in the Philadelphia economy as well as \$1.2 million in tax revenues to the city

The City is currently providing significant support to developers through Real Estate Tax Abatements:

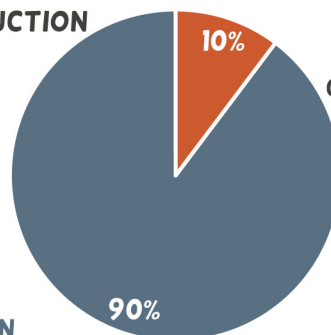
- Based on the 1,453 properties that received tax abatements in 2014, the City will exempt a total of \$135.7 million tax dollars over ten years.⁷
 - A construction impact tax of \$2 per square foot on those same new construction projects would total just shy of \$14 million, or 10% of the total exempted real estate taxes
 - Developers would still receive the other 90% in forgiven taxes, or \$121.7 million

END NOTES

- ¹ 2000 Census and 2008-2012 American Community Survey Five-Year Estimates, adjusted to 2012 dollars.
- ² Statistics reflecting change in Median Residential Sale Price compare sales occurring between 2000-2002 with sales occurring between 2012-2014 to ensure a sufficient number of sales with which to measure change.
- ³ 2000 Census and 2008-2012 American Community Survey Five-Year Estimates.
- ⁴ Chizeck, Seth. “Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014.” Cascade Focus. Federal Reserve Bank of Philadelphia. Jan 2017.
- ⁵ 2011-2015 American Community Survey Five-Year Estimates, adjusted to 2015 dollars.
- ⁶ Calculations based on data from the Office of Property Assessment.
- ⁷ Ibid.

WITH THE CONSTRUCTION IMPACT TAX,

DEVELOPERS WOULD STILL RECEIVE 90% OF THE \$135.7 MILLION IN TAX ABATEMENTS GRANTED OVER 10 YEARS... THAT’S \$121.7 MILLION



10% OF THE \$135.7 MILLION IN TAX ABATEMENTS GRANTED OVER 10 YEARS WOULD BE RECLAIMED TO SUPPORT NEW AND PRESERVED AFFORDABLE HOUSING... THAT’S \$14 MILLION

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