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Housing Funding in Philadelphia: The Sources and Uses of Public Dollars

Prepared by **REINVESTMENT FUND**

Published **NOVEMBER 2023**



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Produced in Partnership with The Pew Charitable
Trusts Philadelphia Research and Policy Initiative

Reinvestment Fund is a mission-driven financial institution committed to making communities work for all people. We bring financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities: affordable places to live, access to nutritious food and health care, schools where their children can flourish, and strong, local businesses that support jobs. Reinvestment Fund's Policy Solutions team works with government, philanthropic, and nonprofit partners to understand markets, communities, and impediments to opportunity. We build analytic tools and conduct research to help communities and their leaders identify effective interventions and address entrenched challenges.

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HOUSING FUNDING IN PHILADELPHIA: OVERVIEW

Philadelphia, like many large cities, directs a considerable amount of money each year to meet its residents' needs for quality affordable housing and related services. Over three recent fiscal years (2021-2023), local public sector entities expended nearly \$2.3 billion on housing. These dollars supported a broad range of activities including the operation of public housing units and shelters, new construction, home repairs, and the delivery of financial and informational resources to individual households. Although the investment of public dollars is substantial, it is still not nearly enough to fully meet the housing needs of every Philadelphian.¹ Each year, officials have to make difficult choices about how to allocate limited resources in ways that are cost effective and that make meaningful progress on housing priorities and goals. This report describes the major sources of funds for housing efforts conducted by the public sector in Philadelphia, the local entities that administer those funds, and the activities that those funds support. This report also explores the process through which funding allocation decisions are made.

A number of factors influence the total amount of money allocated to housing and its distribution across different types of activities, including funding program restrictions and the policy priorities of the mayor and city council. Most dollars for housing activities in Philadelphia flow from the federal government, largely from the U.S. Department of Housing and Urban Development (HUD). However, city policymakers have taken steps in recent years to increase the amount of local money that goes to housing, including dedicating of a portion of local tax revenue and raising new funds through bond financing. Committing more money from city sources to housing increases local influence over which activities the city will prioritize. A very small share of funding for housing flows from the state level through local housing entities.²

Three entities are responsible for administering the bulk of housing funding and services locally: the Philadelphia Housing Authority (PHA), and two City departments: the Division of Housing and Community Development (DHCD), and the Office of Homeless Services (OHS). Each entity relies on a mix of funding sources and conducts multiple types of housing activities. To better describe how housing resources are deployed and what they accomplish, Reinvestment Fund categorized all housing spending into the following activities, which are fully defined in the body of the report: production, preservation, facility operations, housing assistance, housing services and program administration. This report aggregates funding by activity across the three entities to create a complete overview of local public spending and priorities as expressed through spending.

¹ For example, in 2021 Reinvestment Fund used cost burden estimates to calculate that the aggregate gap between what Philadelphia households earn and what they can afford (at 30% of their income) is as much as \$73.5 million each month. In its 2020 Comprehensive Housing Study, the Pennsylvania Housing Finance Agency (PHFA) estimated an unmet need for 72,610 affordable units for Philadelphia households earning less than 50% of the Area Median Income: phfa.org/forms/housing_study/2020/county-profiles.pdf

² The state does play an important role in supporting affordable housing via administration of the Low Income Housing Tax Credit (LIHTC), which is discussed in more detail in the sidebar on page 14.

Due to annual fluctuations in funding amounts and programmatic commitments, the sources and uses of funds are examined over three fiscal years to produce a more generalized analysis of funding and spending in recent years: 2021, 2022, and 2023. Although this report necessarily examines past budgets, it is intended to serve as a forward-looking tool for decision makers and the public to understand the City's ability to set and fund housing priorities in a typical year. For this reason, the analysis excludes most pandemic-related federal funds, with one exception.³ The analysis includes the CARES Act Emergency Solutions Grants, which were used by the Office of Homeless Services to maintain flat funding levels in the face of a temporary reduction in local funding that resulted from the pandemic. See sidebar "Pandemic-era Funds and Housing Activities" for more information.

The key findings of this analysis include:

- The overwhelming majority of dollars for housing in Philadelphia comes from the federal government, comprising 78% of funding over three years. Much of the federal money is formula-based and comes with restrictions on how it can be used.
- PHA has the largest budget by far among the three local entities, accounting for 71% of public spending on housing activities, and is more reliant on federal sources than the City's housing departments, at 93% of its budget.
- Total spending on housing grew by 49% from fiscal year 2021 to 2023, from \$640 million to \$952 million.
 - The City more than doubled its own spending on housing in this period, from \$118 million to \$241 million. The additional dollars came from a newly dedicated portion of General Fund revenue and a bond issuance, which were both approved by voters. Much of these new resources went to expand the city's downpayment assistance program, housing preservation programs, and new affordable housing production.
 - Federal dollars increased by \$190 million (37%), largely driven by the competitive Choice Neighborhoods grant award to the Philadelphia Housing Authority for the construction of new affordable units and a national expansion of the Housing Choice Voucher program initiated by the Biden Administration.
- Identifying key points of decision-making around funding allocation is difficult— federal program requirements, objectives of the mayoral administration and city council, advocacy by nonprofit service providers, and decisions by program administrators all play a role in determining how much money is spent and on which activities.
- Local officials' level of discretion over each of the 18 major housing funding programs identified in this report varies substantially. The five funding sources with the greatest opportunity for local influence are the City's General Fund, Housing Trust Fund, and locally issued bonds, along

³ This report excludes housing-specific pandemic programs, such as Emergency Rental Assistance, as well as more general relief dollars such as the Coronavirus Relief Fund (CRF) grant, which assisted public health and businesses along with housing activities. More information about the use of pandemic-related funds is available through the City's COVID-19 Recovery Office at <https://www.phila.gov/departments/covid-19-recovery-office/plans-and-reports/#/>.

with the federal Community Development Block Grant and Home Investment Partnership programs.

While this report seeks to present a broad picture of government spending for housing in Philadelphia, it is not all encompassing. In addition to direct spending, the City supports housing affordability through property tax exemptions such as LOOP, Homestead, and a property tax abatement for new construction and renovation. It also facilitates new housing development through Land Bank dispositions. Although each of these programs reduce the revenue that flows to Philadelphia's general fund each year, they support the city's housing goals. Because this report was intended to describe direct spending on housing, these important programs and other forgone or deferred revenue programs are not included in our analysis.

Finally, there is a great deal spent on housing each year that does not flow through the three local housing entities which are the focus of this report. This includes Low Income Housing Tax Credits (LIHTC) administered by the Pennsylvania Housing Finance Agency (PHFA); philanthropic and private investments in housing⁴; and money dedicated from banks to comply with Community Reinvestment Act requirements and as the result of affirmative litigation relating to Fair Housing law violations. This report focuses on locally administered government funds only and does not include these other sources.

PHILADELPHIA'S HOUSING ECOSYSTEM

Many partners are engaged in funding, producing, and supporting housing within the city of Philadelphia. Within City Government, these include the Mayor, City Council, and several housing departments. The Philadelphia Housing Authority (PHA) which is governed separately from the City of Philadelphia, manages a significant pool of resources to support the housing needs of the city's most vulnerable residents. The City and PHA work with private developers, housing counseling agencies, outside funders, and other providers to ensure that Philadelphia residents across a range of incomes have access to a full suite of housing services.

LOCAL GOVERNMENT HOUSING ENTITIES

This analysis focuses on three major public sector entities administering housing funds in Philadelphia. The first and largest, is the city's Housing Authority. PHA is an independent local entity—separate and apart from city government—whose funding comes primarily from the Federal Government and decision-making authority from the Commonwealth of Pennsylvania.⁵ The other two entities—the Division of Housing and Community Development (DHCD) and the Office of Homeless Services (OHS) are City departments, under the authority of Philadelphia's Mayor and City council, and are supported by both Local and Federal funds.

⁴ The local housing entities do receive occasional support through private grants, but these are also excluded.

⁵<https://www.legis.state.pa.us/cfdocs/legis/LI/uconsCheck.cfm?txtType=HTM&yr=1937&sessInd=0&smthLwlnd=0&act=265&chpt=0&sctn=4&subsctn=0>

DHCD is part of the Department of Planning and Development (DPD) which was created in 2015 when voters approved the consolidation of multiple agencies and commissions under one cabinet level director.⁶ The DPD director serves as the mayoral administration's point person to set and implement funding priorities for numerous housing and related programs. The Office of Homeless Services was not included in the reorganization; it operates under the purview of the Deputy Managing Director for Health and Human Services.

THE PHILADELPHIA HOUSING AUTHORITY (PHA)

PHA is responsible for managing and developing affordable housing for low-income residents in traditional public housing and other subsidized units. The Authority also oversees the Housing Choice Voucher program for renters living in privately-owned housing. The Authority is the largest landlord in the city, operating more than 13,000 rental units. In addition to housing, PHA runs job training, financial self-sufficiency, and youth development programs for its tenants.

PHA has the largest budget of the three entities, accounting for 71% of housing spending over three years and relies almost entirely on federal grants, which comprise 93% of its budget. Over the study period, PHA's annual budget increased from \$461 million to \$654 million, largely due to a competitive grant award to the Housing Authority through the Choice Neighborhoods program, which supports the construction of new affordable units.⁷ The 2022 expansion of the Housing Choice Voucher program initiated by the Biden Administration also increased the funds available to PHA to support low-income renters in the city.⁸

THE DIVISION OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD).

DHCD is charged with supporting the development and maintenance of housing for residents at all income levels, creating healthy neighborhoods, and supporting commercial corridors. The division oversees a broad array of programs and services, which it manages both independently and through contracts with community service providers and other city agencies.

DHCD receives funding through several federal formula grants and local sources including the Housing Trust Fund (HTF), the General Fund, and bond proceeds. In 2021 and 2022, DHCD's annual housing budget was about \$90 million, but it dramatically increased to \$190 million with the introduction of the bond-funded Neighborhood Preservation Initiative in 2023.⁹

DHCD passes a significant portion of its spending through the *Philadelphia Housing Development Corporation (PHDC)*, a quasi-governmental nonprofit organization which serves as the operational arm for the Department of Planning and Development. Although the PHDC is independent, its board includes

⁶ DPD consolidated the Office of Housing and Community Development, Planning Commission, Art Commission, Historical Commission, Zoning Board of Adjustment, and a new Housing Advisory Board. <https://why.org/articles/philadelphia-reorganizes-development-related-agencies-into-single-department-of-planning-and-development/>

⁷ Philadelphia has been notably successful with the Choice Neighborhoods program, receiving three implementation awards in the last decade: <https://www.pha.phila.gov/pha-receives-its-third-choice-neighborhoods-implementation-grant/>

⁸ https://www.hud.gov/press/press_releases_media_advisories/hud_no_22_182

⁹ <https://phdcphila.org/neighborhood-preservation-initiative/>

city officials and nearly all of its budget for housing related activities flows from DHCD. The organization conducts a wide range of housing and community development activities including construction financing, vacant land management, and the Percent for Art program.¹⁰ PHDC also implements important DHDC-funded activities such as the Basic Systems Repair Program and Adaptive Modifications Program.

DHCD is also responsible for administering the city’s HTF although individual allocation decisions for this fund are informed by an oversight board appointed by the Mayor and comprised of local official and community members. Planned uses for HTF dollars are also described in the Consolidated Plan and Annual Action Plan.

THE OFFICE OF HOMELESS SERVICES (OHS).

OHS leads the city’s efforts to reduce and end homelessness. The office works with numerous community service providers and other agencies to deliver services. OHS operates shelters, emergency housing, and supportive and transitional housing. The office and community partners also provide emergency rental assistance vouchers to people at immediate risk of homelessness, support homeless prevention activities like landlord mediation, and conduct street outreach for individuals experiencing homelessness.

OHS receives funding through several federal grant programs designated specifically for homeless services and prevention as well as local and state funds. Across the three-year study period, local funds accounted for just over half of the office’s budget; the share and total amount of local funding increased from 2021 to 2023. OHS also receives pass-through dollars from DHCD.

Total Housing Related Spending in Philadelphia by Agency (in Millions), FY2021 to FY2023

	FY2021	FY2022	FY2023	Total Three-Year Funding
PHA	\$461 72%	\$515 74%	\$654 69%	\$1,630 71%
DHCD	\$93 15%	\$87 13%	\$193 20%	\$374 16%
OHS	\$86 13%	\$94 13%	\$104 11%	\$283 12%
Total	\$640 100%	\$697 100%	\$951 100%	\$2,288 100%

Note: Funding flows between DHCD and OHS. The numbers in this table only include these funds in OHS’s budget.

MAKING DECISIONS ABOUT THE USES OF FUNDS

Each of Philadelphia’s local housing entities have multiple objectives and inadequate resources with which to achieve them. Moreover, the total volume of funding for housing is uncertain, dependent on factors like federal formula allocations, local revenue collection, and competitive grant processes. Decisions about the uses of funds are made through multiple budget and funding allocation processes

¹⁰ PHDC staff manage the Philadelphia Redevelopment Authority and the Land Bank, which each have their own boards and provide support for housing through a portion of their property disposition and development activities.

every year, and each decision is rife with legal, administrative, and political complexities. Organizations try to maximize the amount of money they have available, but ultimately make difficult decisions among their own competing priorities. In some cases, entities work together to secure funds for specific purposes, but in other cases they compete for scarce grant dollars. Many funding processes and decision points are required by statute or federal guidelines, but others—and the extent to which there is cross-entity coordination—are determined by the leadership at the various housing entities.

This section of the report will describe the processes and decision makers involved in allocating funds to support the city’s housing activities.

THE ANNUAL CITY BUDGET

Each spring, the Mayor’s Office presents an initial budget plan which includes proposed allocations from the City’s General Fund for specific departments and activities.¹¹ The budget plan incorporates funding requests from mayoral appointees who lead city departments, including the Director of Planning & Development, who oversees DHCD, and the Deputy Managing Director for Health and Human Services, who oversees OHS. The Mayor’s Office also solicits input from community focus groups, leaders from nonprofit and civic organizations, and city employees.

City Council holds public hearings on the mayor’s proposed budget each year, which include testimony from many of the departments seeking General Fund dollars, including the Department of Housing and Community Development and the Office of Homeless Services. Council sets aside time during these public hearings to allow city residents to comment on the proposed budget.

In addition to public hearings, the council members engage in closed-door budget negotiations with the Mayor’s office and administration officials. As a result of public hearings and private negotiations, Council may adjust the budget initially proposed by the mayor. Ultimately, the final budget is the result of negotiations between these two government bodies, as Council must vote to approve and the mayor must subsequently sign the budget, before it is officially adopted. Allocations for housing typically represent 1% of all general fund spending.

THE CONSOLIDATED PLAN

The Director of Planning and Development is authorized by local ordinance to file applications with HUD on behalf of the City for major ongoing federal grant programs (which are discussed in more detail in the “Funding Program Profiles” section). As a condition of funding, HUD requires local governments to complete two documents each year. The first, the 5-year Consolidated Plan¹², describes the specific activities that will be funded with housing dollars, and it includes federal, state, and local resources—including allocations of HTF dollars. The second document, the Annual Action Plan, lays out how the department proposes to allocate funds in the upcoming fiscal year. As the primary recipient of HUD funding for the City, DHCD oversees the development of these documents.

¹¹ <https://controller.phila.gov/philadelphia-audits/budget-primer-part-1/>

¹² <https://www.phila.gov/media/20230719145231/Consolidated-Plan-2022-2026.pdf>

To comply with HUD requirements, DHCD coordinates the development of the 5-year and annual plans with public sector partners including the Office of Homeless Services, the Continuum of Care (CoC), and the Health and Commerce Departments, as well as with numerous organizations that provide assisted housing, health services and social services. DHCD holds its own public hearings on the plans and participates in hearings before City Council that are also open to the public on the content of the plans. HUD requires City Council approval of the consolidated plan, which also serves as an application for federal funding, before it can be submitted.

Public hearings on the consolidated plan are typically held after the proposed citywide budget has been presented by the mayor, and after DHCD has testified before council concerning their departmental allocation of General fund dollars. The Consolidated plan hearings generally end before the citywide budget negotiations have concluded.

CONTINUUM OF CARE APPLICATION

HUD directs much of its funding for homeless services to local planning bodies called Continuums of Care. In Philadelphia, OHS is the lead agency and staffs the CoC, which, as required by HUD, brings together members from multiple agencies and organizations to make decisions on governance, policy, and priorities to ensure a coordinated network of service delivery. OHS serves as the “collaborative applicant” for CoC program funds.

Philadelphia CoC activities are governed by an 18-member board that includes a wide range of stakeholders (e.g., local government representatives, non-profit housing and service providers, health providers, individuals with lived experience of homelessness, and advocates). Each year the CoC Board holds a competition to rank and prioritize projects to submit to HUD, in accordance with federal regulations. Although there are not public hearings on the Board’s funding decisions, broader CoC membership is open to anyone, and members can vote in Board elections and attend full membership meetings. The CoC’s decisions are informed by a strategic plan, which in turn was driven by qualitative and quantitative data, and significant community input.

HOUSING AUTHORITY ANNUAL BUDGET

PHA operates independently of the City—it is not a department— although it is managed by a 9-member Board of Commissioners largely appointed by the mayor and approved by City Council. Under state law, two of the commissioners must be PHA residents elected by their fellow residents. The PHA Board must approve the budget submitted by the Executive Office as well as large contracts and all acquisitions and dispositions. Board meetings are open to the public and include a public comment period.

PHA has more discretion than other housing authorities in deciding how to allocate federal grant dollars to different activities as a result of being a HUD-designated Moving to Work (MTW) community since 2001. The MTW demonstration program allows PHA to combine multiple HUD funding programs into a single block grant, and from there set priorities over how it should be allocated. MTW activities must promote the statutory objectives of expanding housing choice, reducing cost and promoting efficiency,

and/or encouraging self-sufficiency of families with children. Each year, PHA must submit an MTW Annual Plan which includes details on expected spending across different activities and expense categories. PHA posts the draft Plan on its website and provides a thirty-day public comment period to allow for resident and general public review. PHA also conducts a public hearing and must obtain Board approval prior to submission of the plan to HUD.

OTHER OPPORTUNITIES TO INFLUENCE HOUSING EXPENDITURES

Not all housing funding decisions take place within the city's major budget processes. Many decisions on how to allocate resources for specific projects are made in more discrete administrative processes.

City Council may direct funding through independent legislative actions. For example, the Neighborhood Preservation Initiative (NPI) was created by council through legislative action and the distribution of funds to specific activities was also achieved through legislative action.¹³ Council actions do not always yield immediate funding, however. The 2019 Right to Counsel legislation dictated that the city provide "access to free legal representation to the City of Philadelphia's low-income residents facing eviction in Landlord-Tenant Court."¹⁴ The accompanying regulations specified that "if there is insufficient funding to provide Full Legal Representation citywide, the Right to Counsel entitlement shall begin when there are sufficient funds to fund at least two zip codes."¹⁵ Sufficient funding for implementation in the first two zip codes was not in place until February of 2022.

In another example, one of the City's largest home repair programs—Basic Systems Repair Program (BSRP)—was long oversubscribed, and applicants sometimes had to wait years for a needed repair. Although there was widespread support for the program, there had not been interest in diverting money from other activities to address the waitlist; in 2016, City Council passed an increase in the real estate transfer tax to raise \$100 million specifically to eliminate the waitlists for BSRP. Council also used a portion of this money to create Restore Repair Renew, a loan program for moderate income households not eligible for BSRP and for small landlords.¹⁶

And after the unexpected success and popularity of the Philly First Home down payment program in 2018, which provided forgivable loans of up to \$10,000 to income-eligible households, officials sought additional funds to recapitalize and expand the program; currently the program is reliant on bond revenue.¹⁷

¹³ <https://phlcouncil.com/city-council-approves-npi-legislation/>; [https://www.phila.gov/2021-09-16-funding-plan-for-400-million-neighborhood-preservation-initiative/#:~:text=Permanent%20Housing%20for%20Homeless%20\(%24,Title%20support%20\(%247.6%20Million.\)](https://www.phila.gov/2021-09-16-funding-plan-for-400-million-neighborhood-preservation-initiative/#:~:text=Permanent%20Housing%20for%20Homeless%20(%24,Title%20support%20(%247.6%20Million.))

¹⁴ <https://phila.legistar.com/LegislationDetail.aspx?ID=3943568&GUID=EC5846F5-CECE-414F-A9F4-CA2F49D698B1&Options=ID|Text|&Search=eviction;>

¹⁵ <https://www.phila.gov/2022-01-31-city-launches-right-to-counsel-for-eligible-philadelphia-tenants/>

¹⁶ <https://why.org/articles/city-council-introduces-home-repair-loan-bill/>

¹⁷ The Philly First Home program was initially funded with the proceeds of a legal settlement between Wells Fargo and the City of Philadelphia in which the City had alleged Fair Housing Act violations by the bank: <https://www.phila.gov/2019-12-16-city-of-philadelphia-and-wells-fargo-resolve-litigation/>

Some decisions concerning how funds are deployed are made within agencies by administrative personnel. For example, DHCD issues Requests for Proposals and awards contracts for housing counseling services and the construction of new affordable rental housing without direct sign off by Council or the Mayor. In the case of rental housing construction, these decisions have a significant impact on where and what type of housing is built.

COMMUNICATION AND COORDINATION

In a number of instances, the city's housing leaders have worked together to develop a collective vision. In 2018, the Department of Planning and Development led the initiative to create *Housing for Equity: An Action Plan for Philadelphia*, a document which informs the city's housing expenditures.¹⁸ The Plan describes its foundation as “research and data analysis; cross-sector engagement to develop recommendations for the Plan; briefings with City Council; and four public meetings with the Housing Advisory Board.”¹⁹

Sometimes, the emergence of a new funding stream creates new opportunities and incentives for coordination across departments. For example, before the introduction of the Choice Neighborhoods program—an Initiative by HUD designed to improve struggling neighborhoods with distressed public housing through locally driven strategies, PHA and the City housing departments rarely worked together to identify housing priorities. But the program required Housing Authorities to apply for the grant jointly with local government; this requirement had a lasting impact on coordination between these two branches of government. To date, Philadelphia has received three Choice implementation grants, and the City has coordinated with the Housing Authority on the creation of the Assessment of Fair Housing, the Housing Security Working Group, and the distribution of pandemic-related funds.

The development of the Emergency Rental Assistance Program during the COVID-19 pandemic is another example of organizations working together to take advantage of a short-term funding opportunity, including DHCD, PHDC, PHA, groups representing landlords and tenants, and the city's housing counseling agencies.

Although coordination of housing decision making has increased, the decision making process for allocating resources for housing remains complex, and sometimes obscure. Decision making is distributed across multiple stakeholders and entities. Seemingly simple questions, like where authority resides on how much to spend and on what activities, are complicated by shared responsibility across entities and ongoing adjustments across competing priorities.

Even participants within the system have conflicting views about where authority lies. Interviews conducted in 2022 highlighted how different stakeholders disagree on the level of transparency within the decision-making process. For example, individual city councilmembers, who ostensibly have

¹⁸ <https://www.phila.gov/media/20190115161305/Housing-Action-Plan-Final-for-Web.pdf>

¹⁹ In 2015 voters created the Housing Advisory Board, which includes members of the housing, real estate, and lending industries and relevant government agencies. <https://www.phila.gov/departments/division-of-housing-and-community-development/about/housing-advisory-board/>

authority over General Fund allocations, reported different levels of agency over, or line of sight into, the budget process. Some service providers who receive financial support through the City reported that it was not clear how spending or grant award decisions were made, which left them with uncertainty about their finances from year to year.

SOURCES OF FUNDS FOR HOUSING

Philadelphia’s three major housing agencies received nearly \$2.3 billion to support housing activities from FY2021 to FY2023. The federal government is the largest funder, supplying nearly three-quarters of the city’s housing resources over three years. Local funding sources comprise close to 20% of the budget while the Commonwealth of Pennsylvania provided just one percent of funds administered by the three entities studied in this report.

Sources of Philadelphia Housing Funds (in Millions), FY2021 to FY2023

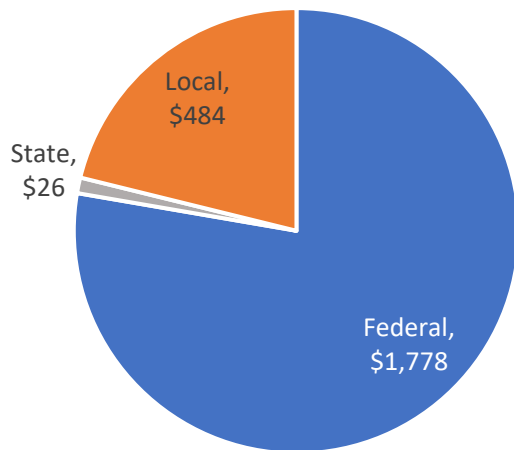


Figure 1: Sources of Funding for Housing in Philadelphia by Level of Government. Reinvestment Fund Analysis.

Federal funding sources comprise a substantial portion of each entity’s budget; PHA receives the bulk of these funds. DHCD receives the plurality of local funding and OHS receives nearly all of the state funds.²⁰

²⁰ A majority of the state level funds come from Pennsylvania’s [Homeless Assistance Program \(pa.gov\)](https://www.pa.gov/housing).

Housing Funding by Level of Government (in Millions), FY2021 to FY2023

	PHA	DHCD	OHS	Total	Share
Federal	\$1,488.8	\$177.6	\$112.0	\$1,778.3	78%
Local ²¹	\$141.5	\$195.6	\$146.4	\$483.6	21%
State	\$0.0	\$0.9	\$24.8	\$25.7	1%
Total	\$1,630.3	\$374.1	\$283.2	\$2,287.6	100%

TYPES OF FUNDING

Housing funding comes in a number of different forms. This report categorizes them into five groups based on how they are allocated, which are described below.

Housing Funding by Type (in Millions), FY2021 to FY2023

	3 Year Funding	Share
Formula Grants	\$1,606	70%
Local Revenue	\$229	10%
Entitlement Grants	\$157	7%
Discretionary Funds	\$175	8%
Competitive Grants	\$121	5%
Total	\$2,288	100%

²¹ Local Funding in this analysis includes both resources authorized by city government as well as funding from income earned by local agencies. These earned income dollars were particularly important for PHA. Nearly all of the local dollars that flowed to PHA came from income earned from rents in PHA properties.

Formula Grants are awarded annually based on a codified set of factors like population and the poverty rate, and jurisdictions do not need to compete for these funds, although they must apply and comply with program guidelines and regulations. These programs provide a generally consistent funding stream although the funding amount changes with demonstrated need or because of a change in the total amount Congress allocates to a program. Federal formula grant allocations (including entitlement grants, described below) have generally declined in inflation adjusted dollars over time.^{22, 23} Formula programs accounted for the majority of funds (70%) received by housing entities in Philadelphia.

EXAMPLES: Housing Choice Vouchers, Emergency Solutions Grant, Housing Opportunities for People With Aids.

Entitlement Grants are a type of formula program awarded to defined “entitlement communities.”²⁴ HUD entitlement communities are principal cities of Metropolitan Statistical Areas (MSAs), other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities). Another distinction between entitlement and formula grants is that entitlement funding is typically fixed, so it does not adjust each year to year to account for factors like inflation or population growth. Funding from entitlement programs comprised 8% of all the total housing budget.

EXAMPLES: Community Development Block Grant, Community Services Block Grant, Housing Assistance Program, HOME, Housing Solutions Development Fund.

Local Revenue is derived from taxes, fees, or other user payments, and their use is determined locally. For example, the City of Philadelphia uses revenue from the property transfer tax to support housing initiatives. The level of resources provided by taxes and fees can vary substantially from year to year, based on economic conditions and other factors. Local funds comprised 10% of the total housing budget.

EXAMPLES: Earned income from rent and mortgage payment paid to PHA, bond revenue dedicated to the Neighborhood Preservation Initiative.

Discretionary Funds are appropriated in a single year or across multiple years for a specific purpose set out by one or more decisionmakers, rather than by program rules. For example, the mayor can propose an allocation of general fund dollars to wholly fund or supplement a specific program, such as housing counseling or resolving “tangled title” issues on inherited homes. What makes these funds unique is that once they are exhausted or at the end of the period for which the funds have been issued, they are not automatically renewed. Funding from discretionary funds may not be a reliable source of funding year to year. Discretionary funds comprised 7% of the total housing budget.

EXAMPLE: General Fund appropriations

²² https://www.urban.org/sites/default/files/publication/89551/cdbg_brief_finalized_1.pdf

²³ The City’s 2016 Assessment of Fair Housing observed that “the City experienced drastic funding cuts -- DHCD’s Federal funding has been cut by over \$40 million [in inflation adjusted dollars], a reduction of nearly 50 percent.” <https://www.phila.gov/media/20190502115754/afh-2016-for-web.pdf>

²⁴ https://www.hud.gov/sites/documents/DOC_17136.PDF

Competitive Funds are resources that agencies must compete for against other organizations and jurisdictions. Typically, these programs award funding each year through a competitive process. Most competitive funds are administered by state and federal agencies that publish award criteria against which applications are judged. Competitive funds vary in their regularity as a funding source and comprised the smallest share (5%) of the total housing budget.

EXAMPLES: Choice Neighborhoods Initiative, Continuum of Care, Home 4 Good, Keystone Communities Partnership, Pennsylvania Housing Affordability and Rehabilitation Fund (PHARE)

LOW INCOME HOUSING TAX CREDITS (LIHTC)

The LIHTC program is a critical tool in financing the construction of new homes for low income households. In fact, the program is used to finance the majority of new affordable units produced every year both in Philadelphia and nationally.

Under the program, the U.S. Treasury Department allocates federal tax credits to each state to distribute through their own competitive processes. The purpose of LIHTC is to support the acquisition, construction, and rehabilitation of affordable rental housing by private sector actors. Projects that receive LIHTC awards must meet certain minimum requirements: at least 20% of units must be rented at rates affordable to residents earning 50% of AMI or at least 40% of units must be rented at rates affordable to residents earning 60% of AMI, and affordability must be maintained for at least 30 years.

The Pennsylvania Housing Finance Agency (PHFA) administers the state's LIHTC allocation. The average annual amount of LIHTC credits PHFA allocated to projects in Philadelphia was approximately \$14 million over the three most recent fiscal years, which each year leveraged an estimated \$130 million in private investment in affordable housing and created approximately 1,700 new or rehabbed units.

Although the tax credit dollars do not flow through the three local entities, both DHCD and PHA influence and provide financial support for LIHTC development. DHCD regularly issues Requests for Proposals to provide gap financing for LIHTC projects. The City draws on multiple sources of funding for these awards: the Housing Trust Fund (HTF), Neighborhood Preservation Initiative (NPI), federal Community Development Block Grant (CDBG) and HOME funds. DHCD uses its gap financing to encourage certain types of units or construction in particular locations based on a set of "development preferences" guided by the City's Assessment of Fair Housing (e.g., units with 3 or more bedrooms, units affordable at 30% of Area Median Income, or in defined "High Opportunity Areas"). City officials sometimes provide letters of support to preferred LIHTC applications. PHA has leveraged LIHTC financing for Rental Assistance Demonstration (RAD) rehabilitation projects and its Choice Neighborhood Initiative efforts.

FUNDING PROGRAM PROFILES

From fiscal year 2021 to fiscal year 2023, Philadelphia’s housing funding came from 18 distinct programs. This section profiles each one.²⁵

FEDERAL FUNDING

Program Name, Source Agency	Housing Choice Voucher Program (HCV), HUD
Funding Type	Formula Grant
Purpose	To help low income households afford the cost of a privately owned rental unit. The recipient is responsible for paying 30% of their income towards rent and the program pays the balance up to the federally established “fair market rent” or “small area fair market rent.”
Major Uses	Housing Assistance
Limitations	Seventy-five percent of new households admitted into the program each year must have incomes no higher than the poverty line or 30% of Area Median Income (AMI) ²⁶ , whichever is higher. Remaining households may have incomes up to 80% of AMI. Up to 30% of vouchers can be used for subsidies tied to particular properties rather than to individual households. The waiting list for vouchers in Philadelphia was closed for years, and briefly reopened in 2023 when new funds became available.
Degree of Local Flexibility	Low
Recipient Entity	PHA
Average Annual \$	\$287.1 million ²⁷

²⁵ Organized from greatest to least total three-year funding within each level of government.

²⁶ The Philadelphia Area Median Income (AMI) for a family of three was \$114,400 in FY 2023, 80% was \$80,350. https://www.huduser.gov/portal/datasets/il/il2023/2023summary.odn?STATES=42.0&INPUTNAME=METRO37980M37980*4210199999%2BPhiladelphia+County&statelist=&stname=Pennsylvania&wherefrom=%24wherefrom%24&statefp=42&year=2023&ne_flag=&selection_type=county&incpath=%24incpath%24&data=2023&SubmitButton=View+County+Calculations. Accessed on 5/30/2023.

²⁷ Includes both dedicated HCV program dollars and Moving to Work block grant dollars allocated to HCV by PHA.

Program Name, Source Agency	Public Housing Program – Moving to Work (PHP-MTW), HUD
Funding Type	Formula Grant
Purpose	To operate and maintain affordable housing, and provide services to residents.
Major Uses	Housing Operations, Housing Preservation, Housing Services
Limitations	Units have resident income limits of 80% AMI and sometimes lower. Some units have additional eligibility criteria such as age or disability status. Potential tenants must apply to the housing authority for a unit and the waiting list may be years long.
Degree of Local Flexibility	Moderate (because of Moving to Work Status)
Recipient Entity	PHA
Average Annual \$	\$136.7 million

Program Name, Source Agency	Capital Fund Program – Moving to Work (CFP-MTW)²⁸, HUD
Funding Type	Formula Grant
Purpose	To develop, finance, and modernize public housing developments and manage improvements.
Major Uses	Housing Production, Housing Preservation
Limitations	PHA must enter into a Capital Fund Annual Contributions Contract Amendment with HUD. Funds require use of appropriate wage categories (i.e. Davis-Bacon and prevailing wages). ²⁹
Degree of Local Flexibility	Moderate (because of Moving to Work Status)
Recipient Entity	PHA
Average Annual \$	\$66.4 million

²⁸ PHA also includes HUD’s Replacement Housing Factor (RHF) capital funds in its MTW block grant. RHF provides a formula-based add-on to Capital Funds for up to 10 years after a housing authority has removed units from its inventory for HUD approved demolition or disposition.

²⁹ <https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF>

Program Name, Source Agency	Community Development Block Grants (CDBG), HUD
Funding Type	Entitlement Grant
Purpose	To provide quality housing, expand economic opportunity and improve low- and moderate-income (LMI) communities.
Major Uses	Housing Production, Housing Preservation, Housing Services
Limitations	Spending must be tied to one of the program's national objectives: benefit low or moderate income persons; prevent or eliminate blight; or address immediate threats to community health or welfare. While these categories are broad, in practice additional HUD regulations and guidelines limit flexibility. Furthermore, the size of the City's CDBG allocation has fallen in recent years – a continuation of a decades-long trend.
Degree of Local Flexibility	Moderate
Recipient Entity	DHCD, OHS
Average Annual \$	\$37.6 million

Program Name, Source Agency	Continuum of Care (CoC), HUD
Funding Type	Competitive Grant
Purpose	To promote collaboration and the strategic use of resources at the local level among public sector agencies and service providers working to end homelessness.
Major Uses	Housing Assistance
Limitations	Must serve individuals and families experiencing or at immediate risk of homelessness. Grant recipients must match no less than 25% of all grant funds.
Degree of Local Flexibility	Moderate
Recipient Entity	OHS
Average Annual \$	\$33.1 million

Program Name, Source Agency	Home Investment Partnership Program (HOME), HUD
Funding Type	Entitlement Grant
Purpose	To support affordable housing development and renovation or rental assistance for low-income people.
Major Uses	Housing Production
Limitations	In general, HOME funds must benefit residents earning below 80% of the HUD-established AMI.
Degree of Local Flexibility	High
Recipient Entity	DHCD
Average Annual \$	\$12.3 million

Program Name, Source Agency	Housing Opportunities for Persons With AIDS (HOPWA), HUD
Funding Type	Formula and Competitive Grants
Purpose	To provide resources to local communities, states, and nonprofits to benefit low-income people living with HIV/AIDS.
Major Uses	Housing Assistance
Limitations	Programs and services must target the intended population and include coordinated support services.
Degree of Local Flexibility	Low
Recipient Entity	DHCD
Average Annual \$	\$9.0 million

Program Name, Source Agency	Choice Neighborhoods Initiative (CNI), HUD
Funding Type	Competitive Grant
Purpose	To comprehensively redevelop neighborhoods with distressed public or HUD-assisted housing and support the creation of mixed-income and mixed-use communities.
Major Uses	Housing Production
Limitations	Can pay for the construction, acquisition or rehab of housing units for households earning 80-120% of AMI with income restrictions for at least 20 years, and must provide replacements for subsidized units for households with incomes up to 80% AMI for at least 40 years.
Degree of Local Flexibility	Moderate
Recipient Entity	PHA
Average Annual \$	\$19.7 million

Program Name, Source Agency	Emergency Solutions Grant (ESG), HUD
Funding Type	Formula Grant
Purpose	To address the needs of people experiencing homelessness through outreach, the operation of shelters and supportive housing, homelessness prevention services, and rapid rehousing.
Major Uses	Housing Assistance, Facility Operations
Limitations	Must serve individuals and families experiencing or at immediate risk of homelessness.
Degree of Local Flexibility	Moderate
Recipient Entity	DHCD, OHS
Average Annual \$	\$8.7 million

Program Name, Source Agency	Community Services Block Grant (CSBG), Administration for Children and Families, US Department of Health and Human Services
Funding Type	Entitlement Grant
Purpose	To support community agencies working to reduce poverty, revitalize low-income communities, and support self-sufficiency
Major Uses	Housing Assistance
Limitations	Funding can be used for a variety of services and activities shown to have a measurable impact on the causes and conditions of poverty or that promote self-sufficiency for low-income individuals. Beneficiaries must earn less than 125% of the federal poverty line (\$31,075 for a family of 3).
Degree of Local Flexibility	High
Recipient Entity	OHS
Average Annual \$	\$0.7 million

LOCAL FUNDING

Program Name	General Fund
Funding Type	Discretionary Funding
Purpose	The repository of taxes and other revenues collected to support operations. Although some of the General Fund is obligated to recurring expenses, such as pensions, the Mayor and City Council have latitude to allocate resources to support strategic policy priorities.
Major Uses	Facility Operations
Limitations	None
Degree of Local Flexibility	High
Recipient Entity	DHCD, OHS
Average Annual \$	\$52.2 million

Program Name	Earned Income, PHA
Funding Type	Local Revenue
Purpose	PHA uses revenue from rent and mortgage payments to support the ongoing operation of its housing units.
Major Uses	Facility Operations
Limitations	Rental payments are generally considered operating income and are used for qualifying operating expenses.
Degree of Local Flexibility	Low
Recipient Entity	PHA
Average Annual \$	\$47.2 million

Program Name	Housing Trust Fund ³⁰
Funding Type	Formula Grant
Purpose	A city-created repository of revenue dedicated to housing activities.
Major Uses	Housing Assistance, Housing Production
Limitations	There are two fund components which accrue dollars through different mechanisms. The original fund, established in 2005, receives local real estate <i>recording fees</i> that are collected anytime a property is sold. By statute, these resources must benefit households earning less than 115% of AMI (\$109,135 for a family of 3) with a portion targeted to lower incomes. The second component, established in 2020, derives from a dedicated portion of the General Fund (0.5% each year) and the income limit is slightly higher, at 120% of AMI (\$113,880 for a family of 3). The Housing Trust Fund was established (and then expanded) following advocacy from the community development sector and other advocates.
Degree of Local Flexibility	High
Recipient Entity	DHCD, OHS
Average Annual \$	\$32.6 million

Program Name	Neighborhood Preservation Initiative (NPI)
Funding Type	Local Revenue
Purpose	A four-year, bond-financed program approved by voters in 2021 and first deployed in the FY2023 budget to support a range of housing and community development programs. ³¹
Major Uses	Housing Production, Housing Assistance
Limitations	The uses of NPI were outlined in the enabling legislation with specific amounts of revenue dedicated to various activities such as housing production, home repairs, support for first time homebuyers, and rental assistance. ³² NPI funding can only be used for residents who earn less than 100% of AMI (\$94,900 for a family of 3).
Degree of Local Flexibility	High
Recipient Entity	DHCD
Average Annual \$	\$87.7 million

³⁰ DHCD publishes annual reports on Housing Trust Fund spending and outcomes:

<https://www.phila.gov/documents/housing-trust-fund-report/>

³¹ <https://www.phila.gov/departments/department-of-planning-and-development/about/our-results/neighborhood-preservation-initiative-npi-dashboard/>

³² In 2023 12.5% of NPI funds were set aside for non-housing activities (neighborhood infrastructure and small business support). <https://www.phila.gov/2021-09-16-funding-plan-for-400-million-neighborhood-preservation-initiative/>.

STATE FUNDING

Program Name	Homeless Assistance Program (HAP)
Funding Type	Formula Grant
Purpose	To help counties design and implement programs that focus on individuals who, with HAP intervention, can demonstrate their ability to meet their basic housing needs in the future.
Major Uses	Housing Assistance
Limitations	HAP can support case management, rental assistance, transitional housing, emergency shelter, or supportive services. Beneficiaries must earn less than 200% of the US Department of Health and Human Services poverty guidelines.
Degree of Local Flexibility	Moderate
Recipient Entity	OHS
Average Annual \$	\$7 million

Program Name	Human Services Development Fund (HSDF).
Funding Type	Entitlement Grant
Purpose	To meet the locally identified needs of children and individuals experiencing homelessness or drug addiction, individuals with disabilities, or the elderly.
Major Uses	Facility Operations
Limitations	Counties have the ability to use their resources for a wide variety of uses but must annually submit an approved plan describing their use of resources.
Degree of Local Flexibility	Moderate
Recipient Entity	OHS
Average Annual \$	\$0.7 million

Program Name	Pennsylvania Housing Affordability and Rehabilitation Fund (PHARE)
Funding Type	Competitive Grant
Purpose	Provide funding for locally developed housing programs that assist with the creation, rehabilitation, and support of affordable housing throughout the Commonwealth.
Major Uses	Housing Assistance
Limitations	Legislation requires that 30% of PHARE funding benefit households earning less than 50% of AMI (\$47,450 for a family of 3). Most PHARE awards go directly to private developers or other housing organizations; in the last three fiscal years, more than 60 unique organizations received PHARE grants for work in Philadelphia, representing in aggregate about \$6.5 to \$15 million awarded in the city each year. Only a fraction of those funds moved through the three entities.
Degree of Local Flexibility	Moderate
Recipient Entity	OHS
Average Annual \$	\$1.0 million

Program Name	Keystone Communities Program (KCP)
Funding Type	Competitive Grant
Purpose	To support public-private partnerships that create strong neighborhoods.
Major Uses	Housing Preservation
Limitations	Funding can be used for planning, façade grants, development, or accessible housing programs.
Degree of Local Flexibility	Moderate
Recipient Entity	DHCD
Average Annual \$	\$0.3 million

Program Name	Home4Good
Funding Type	Competitive Grant
Purpose	To support innovative approaches to addressing homelessness.
Major Uses	Housing Assistance
Limitations	Activities must target individuals experiencing or near to experiencing homelessness. Eligible activities include outreach, transitional and emergency housing, employment services, and rental assistance.
Degree of Local Flexibility	Moderate
Recipient Entity	OHS
Average Annual \$	\$0.6 million

The table below breaks down the amount of three-year funding from each program for each entity.

Housing Funding Programs and Types by Recipient Entity (in Millions), FY2021 to FY2023

Level of Government	Program	Funding Type	DHCD	OHS	PHA	Total	Annual Average
Federal	HCV	Formula	\$0.0	\$0.0	\$861.3	\$861.3	\$287.1
	PHP – MTW	Formula	\$0.0	\$0.0	\$408.5	\$408.5	\$136.7
	CFP – MTW	Formula	\$0.0	\$0.0	\$199.2	\$199.2	\$66.4
	CDBG	Entitlement	\$111.5	\$1.4	\$0.0	\$112.9	\$37.6
	CoC	Competitive	\$0.0	\$98.7	\$0.0	\$98.7	\$33.1
	HOME	Entitlement	\$36.8	\$0.0	\$0.0	\$36.8	\$12.3
	HOPWA	Formula	\$25.4	\$0.0	\$0.0	\$25.4	\$9.0
	CNI	Competitive	\$0.0	\$0.0	\$19.7	\$19.7	\$19.7
	ESG	Formula	\$3.8	\$9.7	\$0.0	\$13.5	\$8.7
	CSBG	Entitlement	\$0.0	\$2.2	\$0.0	\$2.2	\$0.7
Local	General Fund	Discretionary	\$12.8	\$143.9	\$0.0	\$156.7	\$52.2
	Earned Income	Local	\$0.0	\$0.0	\$141.5	\$141.5	\$47.2
	HTF	Formula	\$95.2	\$2.5	\$0.0	\$97.7	\$32.6
	NPI	Local	\$87.7	\$0.0	\$0.0	\$87.7	\$87.7
State	HAP	Entitlement	\$0.0	\$21.1	\$0.0	\$21.1	\$7.0
	HSDF	Entitlement	\$0.0	\$2.0	\$0.0	\$2.0	\$0.7
	PHARE	Competitive	\$0.0	\$1.1	\$0.0	\$1.1	\$1.0
	KCP	Competitive	\$0.9	\$0.0	\$0.0	\$0.9	\$0.3
	Home 4 Good	Competitive	\$0.0	\$0.6	\$0.0	\$0.6	\$0.6

PANDEMIC-ERA FUNDS AND HOUSING ACTIVITIES

The federal government enacted a series of major funding programs to state and local governments to manage and recover from the COVID-19 pandemic. Some were designed specifically to address housing-related needs, and some could be applied to a broad set of activities according to local priorities, including housing. This sidebar describes the key COVID programs used for housing activities in Philadelphia. Some of these programs flowed through the state and some went directly to the local entities. Philadelphia used some of these programs to backfill departmental budgets in the face of revenue shortfalls during the pandemic, but also stood up new programs, such as the Emergency Rental Assistance Program, which combined multiple pandemic-era funding sources (CARES CDBG-CV, CARES CRF, ERA, and ARPA dollars, all described below) to assemble and distribute close to \$300 million to landlords and tenants.

Coronavirus Aid, Relief, and Economic Security (CARES) Act Community Development Block Grant (CDBG-CV): This program provided funds to states and entitlement communities to prevent and respond to COVID. At least 70% of funds had to benefit low- and moderate-income people. Philadelphia's uses of CDBG-CV included supplementing BSRP, providing emergency mortgage and rental assistance, and also supporting non-housing activities such as technical assistance to small businesses.

CARES Act Coronavirus Relief Fund (CARES CRF): The CARES CRF made money available for "necessary expenditures incurred due to the public health emergency." These dollars could not fill budget shortfalls. CRF spending in Philadelphia included emergency rental assistance, substantial set asides for payroll for public health and safety employees, and small business relief.

CARES Act Emergency Solutions Grants (ESG-CV): The purpose of ESG-CV was to prevent and respond to COVID among individuals and families who are homeless or receiving homeless assistance and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts of the pandemic. Philadelphia used ESG-CV to maintain funding levels in the face of budget shortfalls for emergency shelter, rapid re-housing, rental assistance, and administrative costs.

CARES Act Housing Opportunities for Persons with AIDS (HOPWA-CV): This program supplemented the traditional HOPWA program with a focus on COVID-related concerns.

CARES Rent Relief Program: This program provided rent relief for individuals with loss of income due to COVID-19.

(Pandemic-Era Funds and Housing Activities Continued)

Emergency Rental Assistance (ERA): Two separate ERA programs provided money for households to receive up to 12 months of assistance (rent, utilities, and other housing-related expenses), plus an additional 3 months, with payment of arrears prioritized. Households had to demonstrate hardship and have income at or below 80% AMI.

CARES Act Funding for Public Housing Authorities: PHA received supplemental Funding for public housing operations and for administrative activities related to the pandemic.

American Rescue Plan Act (ARPA) HOME Investment Partnerships Program (HOME-ARP): This program provided supplemental funding to address homelessness.

American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds (SLFRF): This program provided flexible funds that state and local governments could use to replace lost revenue, respond to the negative economic impacts of the pandemic, pay essential workers, and invest in water, sewer, and broadband infrastructure. Philadelphia did not direct local SLRF dollars to housing activities, but Pennsylvania allocated some of the statewide SLRF funds to the Whole Home Repairs program, of which Philadelphia receives the largest county-level allocation.

USES OF FUNDING

Reinvestment Fund classified all housing activities into five categories: assistance, facility operations, production, preservation, and services. Administrative costs for running the entities and managing programs are presented as a separate spending category although they play a support function to each of the other activities. This section describes the five categories and the spending within each.

Summary of Spending by Activity Type and Funding Source (in Millions), FY2021 to FY2023

	Federal	Local	State	Total	Share
Housing Assistance	\$683	\$85	\$15	\$783	34%
Facility Operations	\$308	\$206	\$7	\$521	23%
Housing Production	\$442	\$59	\$0	\$501	22%
Program Administration	\$230	\$41	\$0	\$271	12%
Housing Preservation	\$100	\$58	\$1	\$158	7%
Housing Services	\$16	\$35	\$3	\$53	2%
Total	\$1,778	\$484	\$26	\$2,288	100%

HOUSING ASSISTANCE

These activities help individuals afford the cost of housing. This category includes housing choice vouchers, which offset the cost of rent for low income households, and rental assistance for individuals at risk of eviction or homelessness. It also includes downpayment and closing cost assistance for homebuyers. In total, the three housing entities allocated \$783 million towards housing assistance, or roughly one third of total spending.

The table below describes the housing assistance activities funded from FY2021 through FY2023. PHA's HCV program was the largest in this category, comprising 70% of all funding. Programs for individuals at risk of eviction or experiencing financial hardships received 22% of funding. The remaining 8% was allocated to downpayment assistance for low-income homebuyers, homeless services and rapid-rehousing to prevent homelessness, and mortgage assistance for individuals at risk of foreclosure.

Summary of Housing Assistance Spending by Activity (in Millions), FY2021 to FY2023

Activity	Three-Year Spending	Share of Spending
Housing Choice Vouchers	\$551	70%
Rental Assistance	\$172	22%
Downpayment Assistance	\$26	3%
Homeless Services	\$19	2%
Rapid Re-housing	\$14	2%
Mortgage Assistance	\$1	0.1%
Total	\$783	100%

FACILITY OPERATIONS

There are numerous public housing developments, shelters, and other emergency housing facilities across the city. Across three years, the entities spent \$521 million on expenses like maintenance, security, utilities, and insurance to keep these housing units online. Roughly three quarters of this spending (\$395 million) was used to support public housing, while one quarter (\$125 million) was used for shelters and emergency housing facilities. Operations costs are more evenly shared between federal and local sources than other spending categories. City housing entities allocated over \$200 million in local revenue to operations over three years, including \$90 million generated from HCV rents.

HOUSING PRODUCTION

To address unmet demand for affordable housing units and replace aging units, both DHCD and PHA continually work to produce new units. The city spent \$501 million on housing production over three years, with most of the spending occurring in the last year. In fact, spending on production grew by nearly 300% between FY2021 and 2023.

DHCD supports the development of new properties with affordable rents through gap financing for private developers (nonprofit and for-profit), typically through a Request for Proposal process.³³ DHCD invested nearly \$32 million into housing production over the last two years through this RFP process. In exchange, the developer guarantees to set rents at levels affordable at specific income thresholds in a certain number of units for a certain amount of time. Projects in which a developer is also seeking Low Income Housing Tax Credits are sometimes eligible for support. Funding sources for production include local and federal sources. PHA has used HUD capital dollars and CNI funds to support the development of new affordable units at and adjacent to existing public housing sites.

The growth in production funding allocated by DHCD was driven by the introduction of NPI, which increased the city's housing production spending from \$10 million per year in FY2022 to \$38 million per year in FY 2023. HUD's allocations to PHA for housing production almost doubled each year, growing from \$53 million in FY2021 to \$106 million in FY2022 and to \$199 million in FY2023 as a result of the CNI grant and increased federal allocations to build new subsidized units.

PROGRAM ADMINISTRATION

Administrative costs comprised roughly 12% of housing spending, or \$271 million over three years. These costs include each entity's overhead and program management expenses as well as spending on data systems such as OHS's use of a HUD-required Homeless Management Information System (HMIS), employee benefits, and RFP and grant management expenses.

³³ [Previous DHCD Requests for Proposals | Division of Housing and Community Development | City of Philadelphia](#)

HOUSING PRESERVATION

Philadelphia has an aging housing stock, and older homes require investment and renovation to maintain their habitability. The city allocates 7% of its budget to preservation activities like home repairs, modifications, and renovation of existing housing developments to preserve critically needed affordable housing units.

The largest portion of preservation funding supported modernization and capital improvements for PHA's housing developments. The second largest use of funding was the city's suite of home repair programs, such as Basic Systems Repair and the Heater Hotline, that fund emergency repairs for low- and moderate-income households to preserve the habitability of their homes. A substantial portion of funding was allocated to rental rehab programs that support repairs and capital improvements to extend the life of existing subsidized and market-rate affordable housing.

Summary of Housing Preservation Spending by Activity (in Millions), FY2021 to FY2023

Activity	Three-Year Funding	Share of Funding
Public Housing Preservation	\$56	35%
Home Repair Programs	\$51	32%
Rental Rehab	\$44	28%
Adaptive Modification Program	\$8	5%
Total	\$158	100%

HOUSING SERVICES

Over three years the city entities spent \$53 million on direct services to individuals and households. Services included housing counseling for new buyers and individuals at risk of foreclosure or eviction, legal representation for eligible tenants in Landlord-Tenant Court, and homelessness prevention and outreach programs. Housing counseling and legal services was the biggest allocation category over three years, followed by homeless services.

Summary of Housing Services Spending by Activity (in Millions), FY2021 to FY2023

Activity	Three-Year Funding	Share of Funding
Housing Counseling and Legal Services	\$27.5	52%
Homeless Services	\$22.6	42%
Youth Services	\$2.4	5%
Domestic Violence	\$0.5	1%
Relocation Services	\$0.3	1%
Total	\$53.3	100%

FUNDING DISCRETION AND INFLUENCE

The level of discretion exercised by local officials over each of the 18 funding programs and sources varies substantially. While some programs restrict how resources can be deployed (e.g., Housing Choice Vouchers), others offer city stakeholders the ability to set their own goals and priorities. The five funding sources that allow the greatest level of local discretion are the city’s General Fund, Housing Trust Fund, and NPI (or any bond-financed programs in the future) along with the federal CDBG and HOME programs. These programs offer policymakers in Philadelphia the greatest ability to set and achieve local housing goals.

Collectively, these programs accounted for about one fifth (21%) of the City’s housing budget over three years. CDBG and HOME are both federal entitlement programs, meaning their funding level is largely consistent from year to year. The remaining programs are local. The General Fund is the largest pot of money among the five sources and its total amount and uses is subject to negotiation every year. NPI’s budget was set at the time of the bond issuance in 2021 and its enabling legislation dictates uses of funds that reflect the priorities of City Council at the time it was passed. The dollar amount available from the Housing Trust Fund is based on a formula and reflects the volume of taxes the City collects each year. Although the Housing Trust Fund legislation set limits on the household income levels that its dollars will support, those limits are fairly permissive, and stakeholders have wide discretion to determine how resources are allocated. In recent years, officials have used these sources to increase funding to home repairs, first time homeownership, and eviction prevention. In looking to the future, these programs represent financial tools that officials can use to shape a housing agenda for the City.

Five Housing Funding Programs in Philadelphia with the Greatest Amount of Local Discretion

Funding Program	Funding Type	Funding Source	Three-Year Funding
General Fund	Discretionary	Local	\$156.74
CDBG	Entitlement Grant	Federal	\$112.91
HTF	Formula Grant	Local	\$97.66
NPI	Local Revenue	Local	\$87.65
HOME	Entitlement Grant	Federal	\$36.85
Total			\$491.81

In recent years, the City has chosen to allocate proportionally more of its discretionary funds to preservation and housing services and less to housing assistance and administration. For instance, officials called for, and then implemented, increases to the Basic Systems Repair program as a housing preservation strategy. To some extent, the choice to allocate more discretionary funds to preservation and housing services reflect the priorities of local decisionmakers.

However, allocation decisions do not take place in isolation and may also be a response to the requirements and limitations of less discretionary sources. As shown in the table below, only three percent of non-discretionary housing funds have been used to support housing preservation and

services. Thus, another driver behind the decision to direct a larger share of funds to these two activities may be the need to fill a gap in what non-discretionary funding sources are able to support.

Another example of this dynamic is the requirement that recipients of various federal, local, and state resources for home buyers, renters facing eviction, and others seeking housing assistance or services be offered housing counseling. To accommodate this requirement, the city has shifted more of its CDBG funds toward housing counseling over time to ensure that residents can benefit from all available programs. This shift reduces the funds available to support other housing activities that would otherwise be eligible for CDBG dollars.

Comparison of Spending by Activity Type, Discretionary Sources and All Other Sources

	Five Discretionary Funding Sources	All Other Sources	All Funds
Housing Assistance	19%	38%	34%
Housing Production	22%	22%	22%
Housing Operations	23%	23%	23%
Admin	5%	14%	12%
Housing Preservation	21%	3%	7%
Housing Services	10%	0%	2%
Total	100%	100%	100%

APPLICATIONS FOR THIS REPORT

This report is intended to serve as an overview of the sources and uses of locally administered housing funds and as a tool for officials and other stakeholders to contextualize past and future housing funding decisions.

Philadelphia residents have many different types of housing needs and there are insufficient resources to fully meet all of them and limited levers to shift funding between housing activities intended to achieve various housing goals. Creating new sources of funds can be the swiftest means of forging a new housing agenda, given that most of the longstanding sources come with restrictions for their use. In recent years, the City dramatically increased the amount of local dollars available through dedicating a portion of the general fund to the Housing Trust Fund and initiating the bond-financed NPI effort. As a result, the city was able to expand programs including Philly First Home and key efforts such as resolving tangled titles. Continuing to increase these local funding sources may be difficult, but officials now have considerably more discretionary resources at their disposal.

Decision making authority over the city's housing activity is distributed rather diffusely across many actors and agencies. Processes that build consensus among stakeholders and explicitly lay out housing priorities can help the City set and work toward common goals. The annual city budget process and the HUD-required consolidated planning process are opportunities to coalesce around housing goals, reevaluate existing programs and priorities, and chart a course that best aligns with current community needs.

In 2018, housing officials and stakeholders from across the city worked together to articulate the city's housing needs and to develop "Housing for Equity: An Action Plan for Philadelphia," which cited the following five broad objectives:

- Housing our most vulnerable residents
- Preserving and Protecting Long-Term Affordability
- Encouraging Equitable Growth without Displacement
- Providing Pathways to Sustainable Homeownership and Wealth Creation
- Enabling Efficient and Innovative Development and Rehabilitation to Promote Greater Housing Choice

In January 2024 a new mayor, several new city councilmembers, and a new council president will all take office, each with their own housing agendas. They, together with the city's incumbent leaders, will influence the budget process and programmatic housing decisions in the coming years.

Tools like the action plan dashboard, along with this examination of past spending decisions over the last three fiscal years, can help officials assess whether it is necessary to reallocate resources – or raise new funds – to close any gaps between stated and funded priorities. It will be critical for incoming officials to understand much more than what funding sources are available and how they have been and can be used. Ideally, decisionmakers would have information about how well different programs achieve

diverse housing objectives. Stakeholders observed that there could be more inclusive coordinating among the entities to address targeting areas, displacement concerns associated with rising prices in some neighborhoods, concentrations of poverty, and other key issues.

Evaluating the effectiveness of housing activities is a complex undertaking because, like many government services, there are often intentionally designed to achieve multiple outcomes to maximize social returns. Having a complete grasp of the city’s major housing activities—their primary goals, direct beneficiaries, length of impact, required leverage as well as their positive spillover effects and ability to meet one or more City housing goals—is essential to understanding their potential.

In a companion report we will explore a subset of the city’s major housing activities in an effort to illustrate the expected “returns” the City might expect to see when it invests dollars to meet housing needs.

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