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Housing Funding in Philadelphia: Evaluating the Impact of Public Spending

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Overview

This brief is presented to offer policymakers and other stakeholders a framework for understanding the *return on investment*, or ROI, connected with public sector spending on different housing programs in Philadelphia. It serves as a companion to our November 2023 report: [“Housing Funding in Philadelphia: the Sources and Uses of Public Dollars”](#) which details all of the funds administered by three local public sector entities¹ for housing activities and the decision making processes for allocating those funds.

As described in that report, policymakers have to make hard decisions about how to allocate public resources. The city’s housing needs are great and multi-faceted, the resources available to address them are limited, and the share of those resources over which local officials have control is constrained. This framework is just one tool to guide decision making within a complicated budget and policy environment. The simplest concept of an ROI is the financial return an investment ultimately yields. Adapting an ROI framework to the world of social programs, like housing, is a more complex proposition.

In this document, we lay out a multi-dimensional ROI framework and apply it to a selected set of locally administered housing programs. Rather than examine every housing program, this analysis focuses on four of the largest programs supported by locally-raised revenue: Emergency Shelters, Affordable Rental Production, Basic Systems Repair, and Philly First Home. Each program, to a varying degree, augments local funding with federal and/or state resources, and some also leverage private market dollars, to achieve their goal(s). For each, we provide a general estimate of the related need and the per-unit public sector spending for the activity, but we do not put dollar amounts on the returns. We outline program outputs and describe the ways each housing activity aligns with five high-level housing goals last set forth by the City of Philadelphia in a 2018 Action Plan: (1) Housing our Most Vulnerable Residents; (2) Preserving and Protecting Long-Term Affordability; (3) Encouraging Equitable Growth without Displacement; (4) Providing Pathways to Sustainable Homeownership and Wealth Creation; and (5) Enabling Efficient and Innovative Development and Rehabilitation to Promote Greater Housing Choice.²

Key Findings

Analysis of this subset of housing programs illustrates the breadth of objectives that are addressed by the city’s local housing entities as well as the complexity of making direct comparisons among the dozens of housing programs operating in the city. In evaluating the four programs we find that:

- Collectively the four selected programs reach more than 13,000 beneficiaries per year but, as expected, none of the four are able to completely resolve the needs associated with their programs given the vast scale of those needs and limited funding.
- The Emergency Shelter system serves the City’s goal to house its most vulnerable residents. The program assists an average of 7,500 people each year, the largest number of individuals among the four programs we examined and the *per beneficiary* spending is modest at \$5,200. Although the share of the program budget derived from local funds is higher than the other programs, the

¹ The three entities are the Philadelphia Housing Authority, the City of Philadelphia’s Division of Housing and Community Development, and the City’s Office of Homeless Services. Over three recent fiscal years (2021-2023), they spent nearly \$2.3 billion on housing activities.

² [“Housing for Equity: An Action Plan for Philadelphia,” Department of Planning and Development, City of Philadelphia, 2018.](#)

City's use of local dollars for emergency shelter unlocks substantial federal matching dollars for other vitally important programs such as supportive housing. Spillover benefits include public health and safety.

- The City's affordable housing production efforts reach a relatively small number of households (546 on average), but the program leverages more than five times the public investment from private developers. The program increases the supply of high-quality rental units, advances the City's goal of securing long-term affordability, and is a long-term investment in neighborhood stability.
- The Basic Systems Repair Program (BSRP) is the only program among the four in this analysis that we classify as having a moderate or high degree of alignment with all five of the Action Plan housing goals. In recent years, the City has substantially increased the amount of local dollars flowing to this program in order to serve a larger number of households, but federal Community Development Block Grant (CDBG) dollars remain the largest source of funds. Additional benefits of BSRP include preserving home values, reducing vacancy, and improving health and safety.
- Philly First Home (PFH) has a relatively small budget among local housing programs, but it leverages almost twenty times the public sector per unit investment in the form of mortgages to low and moderate-income buyers. Additionally, while most of the 2,700 program recipients earned less than 80% of the Area Median Income (AMI), the program also benefitted several hundred households between 80 and 100% of AMI, a group that typically earns too much to qualify for local housing programs, but which may still struggle with saving for a down payment. Relying on local dollars allows the program to serve somewhat higher income households than federal dollars can. Secondary effects of the program include the preservation of Philadelphia's legacy as a city where low and moderate income households can attain homeownership and long-term wealth building.

Housing Operations: Emergency Shelters

Housing operations accounted for nearly a quarter of all public sector spending on housing (23%) and totaled nearly \$521 million in fiscal years 2021-2023. Two of the local housing entities are responsible for services in this category: the Philadelphia Housing Authority (PHA) and the Office of Homeless Services (OHS).

Most of the funding for housing operations (76%) flows through PHA to support the operation and maintenance of public housing. The remainder goes to OHS to run different types of shelter housing. This section describes the Emergency Shelter system, which represents just one type of public shelter operated by OHS.

The need for emergency shelters in Philadelphia is great. The latest data from OHS suggest that on a single night in 2023 there were nearly 4,700 homeless individuals living in Philadelphia.³ However, there are also a large number of individuals in Philadelphia who, as defined by the federal government, are at risk of becoming homeless (those earning less than 30% of their region's Area Median Income, which is

³ Office of Homeless Services (2023) "Philadelphia Point-In-Time Count" Available: <https://www.phila.gov/media/20231004093640/2023-PIT-Count-Summary-Report.pdf>

\$28,463 for a family of three). The American Community Survey estimates that there are just over 360,000 Philadelphians living in households earning less than 30% of the Area Median Income.⁴

Program Mechanism

Emergency shelters provide temporary housing to individuals and families while they seek more permanent housing arrangements.

The staff at emergency shelters may connect individuals to services that help them transition into more stable housing situations. This assistance is delivered through Philadelphia’s federally-funded Continuum of Care (CoC) program. In FY 2022, 23% of the people who enrolled in an emergency shelter exited to a long-term housing destination.

Who Benefits?

Emergency shelters house people experiencing or at immediate risk of homelessness. The shelter system is open to anyone in Philadelphia regardless of race, religion, sexual orientation, gender, disability, family composition, age, or income. Individual shelters, however, may be intended for specific populations (e.g., families with children, single women).

Providing temporary shelter also has the potential to create social benefits for the broader community:

- **Public Health.** Shelters reduce the risk of illness or injury that may result from sleeping outside. Additionally, services offered in shelters can help individuals experiencing homelessness access medical care that improves their health and reduces the spread of communicable diseases.
- **Public Safety.** Individuals experiencing homelessness can contribute to perceptions of crime and disorder. At the same time, homeless individuals are themselves vulnerable and may become victims of crime. Shelters may protect individuals from becoming crime victims and help improve perceptions of safety in public spaces.

Program Costs

In FY 2021 and FY 2022 (the most recent years for which data are available), Philadelphia’s emergency shelters had an average annual budget of about \$39 million.⁵ Emergency shelters served an average of 7,500 people each year, equating to an annual cost of roughly \$5,200 per person. The total number of people served each year is larger than for the other three programs, although it should be noted that outcomes for many programs are reported at the household, rather than individual, level. On average, individuals stayed 77 nights, translating to an average of \$68 local dollars spent per person per night. To be sure, many individuals experiencing homelessness view emergency shelters as housing of last resort, and as such, emergency shelters tend to reach capacity only when weather makes sleeping outside particularly dangerous or uncomfortable.⁶

⁴ RF Analysis of American Community Survey, 2022

⁵ These number represent funding averages for FY 2021 and FY 2022, the two years for which outcomes data were available and may not match figures cited in our previous report “Housing Funding in Philadelphia: The Sources and Uses of Public Dollars” which covers FY 2021 through FY 2023. The average annual funding for emergency shelters across all three years covered in the previous report was \$41M per year.

⁶ Shelters tend to experience higher demand in the summer and winter months, which means that they are not at full capacity at all times. See Gregg Colburn (2017) Seasonal Variation in Family Homeless Shelter Usage, Housing Policy Debate, 27:1, 80-97, DOI: [10.1080/10511482.2016.1158200](https://doi.org/10.1080/10511482.2016.1158200).

Funding Sources and Leverage

Funding for the Emergency Shelter program comes primarily from the City’s General Fund, which supports 89% of the program budget at roughly \$34 million each year. The remaining 11% come from the Commonwealth of Pennsylvania (\$2 million) through the Homeless Assistance Program (HAP) and Human Services Development Fund (HSDF) programs and the federal government (\$2 million) through the Emergency Solutions Grant (ESG) and Housing Opportunities for Persons With Aids (HOPWA).

Although most of the funding for emergency shelters comes from local revenue, that investment unlocks substantial additional federal funding that is used for other critical programs. The City’s spending on emergency shelters serves as the City’s match for the federal CoC funds, which provide roughly \$33M per year to support other homelessness prevention services. The bulk of CoC funding is allocated to OHS’s supportive housing programs, which provide services to help individuals and families find permanent housing options and build their self-sufficiency.

Direct Beneficiaries	Annual Program Cost (Average Public Dollars)	Public Spending Per Beneficiary (Average)	Annual Outcome (Average)	Total Annual Funds (Average)
Residents at immediate risk of homelessness	\$39M	\$5,200	7,500 Individuals Sheltered	\$34M (Local) \$2M (State) \$1M (Federal) \$33M (Federal CoC Funding match for other programs)

Note: Cost and outcome figures are based on spending in FY 2021 and FY 2022, the last years for which outcome data were available. Components of Total Annual Funds do not sum to Annual Program Cost due to rounding.

Alignment with City Goals

The Emergency Shelter program aligns directly with the goal to *House the City’s Most Vulnerable Residents*. The program does not significantly contribute to the City’s other housing Action Plan goals.

Affordable Housing Production: Department of Housing and Community Development

Philadelphia’s major housing entities spent \$501 million in federal, local, and state funding on housing production (rental and for sale) between FY 2021 and FY 2023, accounting for 22 cents of every dollar spent on all housing programs citywide.

Although PHA administers the bulk of housing production spending, the Division of Housing and Community Development (DHCD), also plays a significant role. From FY 2021 to FY 2023, DHCD spent about \$109 million specifically on affordable rental housing production, which amounts to 22% of all housing production spending.

The need for affordable housing in Philadelphia is substantial, as many low and moderate income renters struggle to cover their housing costs. The Census estimates that in 2022 there were over 172,000 renter

households in Philadelphia that earned below 80% of AMI (less than \$75,900 for a family of three) and spent over 30% of their income on housing.⁷ There are approximately 37,000 subsidized rental units in Philadelphia, leaving a gap of 135,000 units.⁸

Program Mechanism

DHCD provides gap financing to private developers (nonprofit and for-profit) who commit to creating affordable rental units in their construction or rehabilitation projects. The funding provided by DHCD makes it financially feasible for developers to produce below market-rate units; in Philadelphia, as in many U.S. cities, the rents generated by affordable units are generally too low to support the cost of new construction or significant rehabilitation. Developers seeking Low Income Housing Tax Credits (LIHTC) sometimes obtain additional financial support through this funding stream.

DHCD awards housing production funds through a competitive RFP process.⁹ Each RFP lays out specific development preferences, which may include the number or percent of units that must be affordable, level of affordability (i.e., rent linked to the maximum income of targeted tenants), the preferred locations for new housing, or length of time the units will be priced below market rates. Mandated affordability periods range from a minimum of 15 years to as long as 99 years, during which owners must maintain rents at affordable levels. After this period, owners may choose to raise rents, sell the property, or extend their affordability period.

Who Benefits?

The direct beneficiaries of DHCD's program are the low-income renters who occupy the new units. Although each project has its own income-eligibility threshold, most set a maximum income at 60% of the Area Median Income (\$61,800 for a family of three in 2023) as calculated by the U.S. Department of Housing and Urban Development (HUD).

Providing housing for low-income renters has the potential to create other important spillover benefits:

- **Moderating Rents.** Research demonstrates that increases in the supply of housing can slow increases in rents and, in some cases, new construction actually reduces rents in the surrounding area (Been, Ellen, & O'Regan, 2023).
- **Reducing Homelessness.** There is an established correlation between the price and supply of housing and the rate of homelessness in a community. By increasing the availability of housing for low-income residents, cities can reduce the likelihood that individuals become or remain homeless (Horowitz, 2023; Colburn & Aldern, 2022).
- **Neighborhood Stabilization.** New affordable housing developments can stabilize or even boost property values in surrounding homes. Researchers have found that new subsidized housing either increases surrounding property values or has no measurable negative impact (Stacy & Davis, 2022; Galster, 2002).

Program Costs

To understand DHCD's affordable housing production program, we analyzed 10 projects that were developed between FY 2021 and FY 2022 that utilized DHCD's gap financing. These projects represent

⁷ RF Analysis of American Community Survey, 2022

⁸ RF Analysis of Philadelphia Housing Authority data.

⁹ See: <https://www.phila.gov/documents/previous-dhcd-requests-for-proposals/>

only a portion of DHCD’s housing production activities over this time period. Development costs and outputs vary from project to project, but the 10 developments created a total of 546 units of affordable housing.

Funding Sources and Leverage

In FY 2021 and FY 2022, most of DHCD’s housing production budget (66%) came from the federal HOME and CDBG programs. These federal entitlement grants give the City a moderate level of flexibility over how to use funds. Both programs require the City to support activities targeted to low-income households.

The remainder of the production budget in FY 2021 and FY 2022 (34%) came from local funding through the Housing Trust Fund, over which the City has a high level of authority and flexibility. More recently, in FY 2023, a much larger proportion of DHCD’s production budget came from the bond-financed Neighborhood Preservation Initiative (NPI). It is important to note that NPI funds are a temporary source of local funds that is only available for four years; half of the funds had been allocated as of the adoption of the FY 2024 budget. To contribute the same level of local-raised revenue in future years, officials would need to identify a new source of revenue or divert money from other programs.

The 546 affordable housing units that DHCD helped produce in FY 2021 and FY 2022 each cost an average of \$362,000¹⁰, of which DHCD contributed an average of \$59,000 in gap financing and private developers matched with \$303,000 in other funds.¹¹

Since the affordability compliance period for this program lasts 15 years, after which the project may be re-capitalized, we estimate that public funds contributed to rental housing production amounted to about \$3,900 per unit for each year of affordability leveraged, or about \$11 per night.¹²

Direct Beneficiaries	Annual Program Cost (Average Public Dollars)	Public Spending Per Beneficiary (Average)	Annual Outcome (Average)	Total Annual Funds (Average)
Low-Income Renters	\$32M	\$59,000	546 New Units of Affordable Housing	\$32M (Public) ¹³ \$165M (Private)

¹⁰ Across the country, subsidized affordable housing units frequently have higher per-unit construction costs than unsubsidized units for a number of reasons that include requirements for accessibility and energy efficiency, fees and financing complexity associated with subsidy sources (see [What makes affordable housing development so expensive | Crain's Chicago Business](#)), and prevailing wage laws that require employees on public works to receive the same hourly compensation paid for similar private projects (see Hinkel and Belman, “Should prevailing wages prevail? Re-examining the effect of prevailing wage laws on affordable housing construction costs,” <https://doi.org/10.1111/bjir.12663>.)

¹¹ Funds used for developer match may come from private financing, from tax credits or other publicly-derived funds the developer was able to secure independently.

¹² The Pennsylvania Housing Finance Agency, which administers LIHTC awards, requires a Restrictive Covenant Agreement committing the property to affordability for at least forty (40) years, but units will likely need substantial financial investment in their physical preservation after the initial 15-year affordability period.

¹³ Due to program organization and budgeting practices, it is not possible to precisely differentiate local and federal dollars supporting these 11 affordable rental production projects. Over the three-year period studied in the “Sources and Uses” report (FY 2021-FY 2023) we calculated that 59% of DHCD’s housing production budget

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Note: Cost and outcome figures in this table are based on data from projects developed in FY 2021 and FY 2022, the last years for which project cost and unit production figures were available.

Alignment with City Goals

The city’s housing production efforts strongly align with two of the Housing Action Plan goals: *Housing our Most Vulnerable Residents* and *Preserving and Protecting Long-Term Affordability*. Affordable rental projects have restrictions on resident income typically set below 60% AMI and requirements that they remain affordable for at least 15 years.

To a lesser degree, housing production also supports the City’s goals to *Encourage Equitable Growth without Displacement* and *Enable Efficient and Innovative Development and Rehabilitation to Promote Greater Housing Choice*. Because the rents are protected from market fluctuations, they provide a buffer against market-driven displacement of the tenants in these units during the period for which affordability is pledged. Properties may stay affordable long after the surrounding neighborhood has appreciated in value. However, not all developments are geographically targeted to areas with a high risk of price-based displacement. The gap financing model can support innovative development models through partnerships with a range of developers and leveraging multiple funding streams.

Housing Preservation: Basic Systems Repair Program

From FY 2021 to FY 2023, the city’s housing entities (PHA, DHCD, and OHS) collectively invested \$158 million from federal, local, and state sources in housing preservation, about 7% of total public sector housing spending. These investments included grants and loans to individual homeowners and landlords, as well as investments in the upkeep and preservation of existing public housing developments.

DHCD managed 65% of housing preservation spending. This section reviews the Basic Systems Repair Program (BSRP). Prior to the introduction of NPI in FY2023, the city invested approximately \$12M per year into BSRP.

The age of Philadelphia’s housing stock and prevalence of low incomes among homeowners mean that many homes in the city have substantial repair and maintenance needs. A recent report from the Federal Reserve Bank of Philadelphia estimated that in the Philadelphia Metro Area, 36.8% of owner-occupied homes has repair needs, with an average repair cost of \$4,321. Applying that figure to Philadelphia would suggest that there are nearly 52,200 homeowners living in the city who need home repairs and are income eligible for the BSRP program. This is a conservative estimate, since lower income

(including homeownership units) came from the federal HOME and CDBG programs, with the remainder derived from the local Housing Trust Fund and Neighborhood Preservation Initiative

homeowners in Philadelphia likely live in older homes with greater repair needs than the average household in the metro area.¹⁴

Program Mechanism

BSRP offers low-income homeowners grants to pay for the cost of critical repairs to basic housing systems including electrical, plumbing, heating, roofing and structural issues. The program focuses on urgent property concerns that, if left unchecked, could make homes uninhabitable. After applying to the program, owners are matched with a contractor who inspects and repairs the home up to the program's minimum standards.

Who Benefits?

The program is open to homeowners that meet the program's maximum income thresholds (60% of AMI or \$61,800 for a family of three in 2023) and live in a single-family home. All participants are required to be current on their property taxes and water bill (or on a payment plan) and cannot own other residential property.

In addition to individual homeowner benefits, the program has the potential to create several other social benefits:

- **Reducing Blight and Vacancy.** Poor housing conditions can be a precursor to homes becoming blighted and eventually abandoned (Hillier, et al., 2003). Moreover, as a city of rowhomes, poor conditions in one home can affect neighboring houses. A leak in one home's roof, for example, can easily cause water intrusion in an adjacent home. Repairs to basic housing systems can prevent damage on one home from spreading to neighbors.
- **Protecting Resident Health and Safety.** Inadequate housing heightens the risk of injury and sickness. Poor housing conditions can exacerbate chronic health issues like asthma and COPD and potentially expose occupants to toxins, which can be especially hazardous to children and the elderly. (Divringi, 2020) Preventing the illnesses and injuries caused by inadequate or unsafe conditions can reduce health care costs and reduce the likelihood of injuries or conditions (e.g., asthma from mold) that affect quality of life (Gould, 2009; Trasande & Yinghua, 2011).
- **Neighborhood Crime and Perceptions of Safety.** A 2021 study of the BSRP program found that blocks where homes had been repaired through the BSRP program had a 21.9% reduction in total crime, compared with other similar blocks without BSRP activity (South, MacDonald, & Reina, 2021). These findings follow a body of research that shows that people feel unsafe in areas with vacant and poorly maintained housing.

Program Costs

Between FY 2021 and FY 2022, the last years for which complete program data were available, the BSRP program supported approximately 2,300 home repairs each year with an annual budget of about \$12 million of which roughly \$2M annually came from local sources. The average cost of a home repair was \$13,700. Assuming that BSRP repairs extend the habitability of homes by 10 years or more, the cost per year amounts to about \$1,370, and the cost per day to approximately \$3.75. This estimate does not include administrative costs associated with running the program.

¹⁴ RF Analysis of Eileen Divringi. "Updated Estimates of Home Repair Needs and Costs." (March, 2023) Federal Reserve Bank of Philadelphia

Funding Sources and Leverage

In FY 2021 and FY 2022, most of BSRP’s funding 86%—about \$11 million each year came from the federal CDBG program. The remaining portion of the program’s budget 14%—roughly \$2 million annually comes from the Housing Trust Fund. In FY 2023, however, the City dedicated \$9.5 million in new local funding from NPI, greatly (and only temporarily) expanding the program’s reach, eliminating its two-year waiting list and increasing the City’s contribution of local dollars.

Direct Beneficiaries	Annual Program Cost (Average Public Dollars)	Public Spending Per Beneficiary (Average)	Annual Outcome (Average)	Total Annual Funds (Average)
Low-Income homeowners	\$12M	\$13,700	2,300 Homes Repaired Per Year	\$2M (Local) \$11M (Federal)

Note: Cost and outcome figures in the table above are based on average expenditures and program outputs in FY 2021 and FY 2022. Components of Total Annual Funds do not sum to Annual Program Cost due to rounding.

Alignment with City Goals

Of the programs included in this exercise, BSRP is the only one that we classified as having high or moderate alignment with all of the City’s five major housing goals.

It most substantially addresses the City’s goal of *Preserving and Protecting Long-Term Affordability*. The program preserves homes that are already owned by low-income families through repairs to major housing systems, which may substantially lengthen the period of ownership and prevent the loss of units to disrepair and deferred maintenance. The program serves homeowners who might otherwise be at risk of losing their homes if they cannot afford to make essential repairs.

With its focus on the lowest income owners, BSRP also serves the goal of *Housing our Most Vulnerable Residents*. The program also supports the goal of *Providing Pathways to Sustainable Homeownership and Wealth Creation* by preserving the value of the home as a financial asset.

Finally, BSRP enables *Efficient and Innovative Development and Rehabilitation to Promote Greater Housing Choice* because repairing homes is more cost-efficient than demolishing uninhabitable homes and building new ones. Additionally, repairing homes for low-income households helps preserve affordable housing options, creating more choices for residents.

It should be noted, however, that the extent of repairs addressed by BSRP vary from home to home and the program is not intended to address the underlying financial issues (e.g., fixed-income, housing cost-burdens, limited savings) that would enable households to keep up with ongoing housing maintenance or repair needs.

Housing Assistance: Philly First Home Program

Philadelphia housing entities operate a number of programs that make payments to directly assist households with their housing costs. These programs include one time and ongoing support for renters

as well as homeowners. Over three years, the entities spent \$783 million on housing assistance, roughly a third (34%) of Philadelphia's annual housing spending.¹⁵

Most housing assistance funding comes from the federal government and flows through PHA to operate the housing choice voucher program. The housing choice vouchers program represented 70% of the housing assistance budget, roughly \$551 million over three years from federal, local and state sources.

Other housing assistance programs include rental and mortgage support for households at risk of eviction or foreclosure, and downpayment programs that help residents become homeowners.

This section reviews the Philly First Home program (PFH), a downpayment assistance program designed to help moderate income households become homeowners in Philadelphia.

A substantial number of Philadelphia residents could benefit from PFH. The average price of a home purchased the PFH in 2021 was just over \$174,000. Using the rule of thumb that households can afford homes that are priced less than three times their annual income, we estimate that there are 50,800 renter households in Philadelphia that are income eligible for PFH and could afford to purchase a home priced at \$174,000. This figure does not include families that currently rent outside of the city, but would be interested in buying a home in Philadelphia.¹⁶

Program Mechanism

In a typical home sale, buyers are expected to pay for closing costs and make a down payment towards their mortgage. These expenses can place homeownership out of reach for households that might otherwise be able to afford the monthly mortgage payment. PFH offers grants to eligible households to defray this expense; the program will cover up to 6% of the purchase price in downpayment assistance, with a cap of \$10,000. Participants are only permitted to purchase single-family homes or condominium units. Participants that move or refinance their home before living in it for 15 years are required to pay back their PFH grant.

Who Benefits

PHF is open to all households that meet the program's income thresholds (100 percent of the HUD-established AMI or \$103,000 for a family of three in 2023), complete a City-sponsored housing counseling workshop, and have not owned a home in the last three years. Both Philadelphia residents and non-residents are eligible, so long as the purchased home is within city limits.

By helping to facilitate the purchase of homes for low- and moderate-income households the program has the potential to create important spillover benefits:

- **Preservation of Philadelphia's Legacy of Homeownership for Low- and Moderate-Income Households.** PFH supports the local market for moderately priced homes. Absent this support, a greater share of this stock of affordable homes might be upgraded for sale to higher income buyers or converted to rental properties.
- **Creation of Intergenerational Assets.** Historically, homes have served as an asset to create and preserve wealth that can be passed down intergenerationally. Helping households create these assets can help build wealth among low- and moderate-income households. In fact, for low-

¹⁵ This spending calculation exclude substantial pandemic-related funds for mortgage and rental assistance.

¹⁶ RF Analysis of American Community Survey, 2022

income households housing equity is the primary form of wealth (Orzechowski & Sepielli, 2003; Haurin & Rosenthal, 2005).

Program Costs and Leverage

In FY 2021, PFH helped 2,700 households purchase a home. On average, each household received a grant of \$9,000. One-hundred percent of these grant dollars were funded with local resources. PFH grants in FY 2021 helped households secure an average of \$165,500 in home mortgage financing.¹⁷

As with every home sale in the city, each PFH transaction generates local transfer tax revenue for the City’s General Fund and recording fees that flow directly into the City’s Housing Trust Fund to support a virtuous cycle of investment in housing. The 2,700 PFH homes that were purchased in FY 2021 generated \$16 million for the City of Philadelphia through taxes and fees, substantially offsetting the \$24 million cost of the program. For recipients who stay in their homes for the required 15 years, the average annual program cost is \$600, or \$1.65 per day, not including administrative expenses.

Direct Beneficiaries	Annual Program Cost (Average Public Dollars)	Public Spending Per Beneficiary (Average)	Annual Outcome (Average)	Total Annual Funds (Average)
Low and Moderate-Income Homebuyers	\$24M	\$9,000	2,700 new homeowners	\$24M (Local) \$447M (Private leverage - mortgages)

Note: Cost and outcome figures are based figures from FY 2021, the year for which the most complete program data were available.

Funding Sources

PFH is funded entirely with local dollars. In FY 2021 and FY 2022 the City used the Housing Trust Fund to support the program. In FY 2023, the City increased funding for PFH with an additional \$23 million from NPI, representing roughly 26% of the annual NPI budget (which, as noted above, is a temporary source of funds).

Households participating in PFH must enroll in a City-approved housing counseling program. Housing counseling is funded through federal CDBG grants and local funding from the Housing Trust Fund and the General Fund. The cost of housing counseling is not included in the calculation of the program costs for PFH. Housing counseling is offered free of charge to participants.

Alignment with City Goals

Providing Pathways to Sustainable Homeownership and Wealth Creation: The program supports the creation of new homeowners by addressing an important barrier for low- and moderate- income renters who wish to purchase a home. The program’s housing counseling requirement is intended to improve the sustainability of ownership by preparing buyers for homeownership.

¹⁷ This analysis examines program costs and outcomes in FY2021. Although the program was also operating in other years, outcomes and costs in FY2022 and FY2023 were both heavily impacted by the COVID-19 pandemic and the availability of funds, and as a result were not representative of a typical program year.

Preserving and Protecting Long-Term Affordability: Buying a home is generally considered a long-term investment and most of the program’s benefits are designed to accrue over a longer term as households build equity in their homes. The program preserves long-term affordability by helping renters become homeowners. Owners are more insulated from fluctuations in housing costs than renters, and homeowners typically have longer tenures. The program has a 15-year residency requirement which, if the beneficiary leaves before the 15 years lapses, requires a repayment. Thus, the program incentivizes long-term affordable residency.

Promoting Housing Choice: PFH creates an opportunity for renters to choose homeownership. Additionally, program data show that PFH beneficiaries have generally purchased homes in Philadelphia’s widely recognized “middle markets,” increasing mobility out of lower income areas. (<https://www.phillyvoice.com/philadelphia-real-estate-home-buyer-grants-neighborhood-development-affordable-housing/>)

Evaluating Objectives and Outcomes Across Programs

As decisionmakers look at the mix of housing programs, their recent funding levels, and expected available funding for the coming year, this framework can inform discussions around decisions to apply discretionary funds or efforts to seek additional funds to achieve specific goals. This framework can also guide future efforts to refine or adjust policy and investment priorities. This report includes only a small subset of local housing activities, and the summaries presented below are intended to serve as an example of how to use the framework to evaluate objectives and outcomes across programs. This analysis demonstrates the necessity of a certain degree of strategic planning, creativity, and agility in assembling and deploying the funds necessary to achieve housing goals.

The table below summarizes the goal alignment for all four programs, illustrating the breadth of city goals as well as how different activities can meet them. While BSRP stands out for meeting all goals to a moderate or high extent, emergency shelters meets the goal of housing vulnerable residents most directly, and the program is able to serve the largest number of individuals. A balanced set of programs is essential to meeting multiple goals and making use of available funding sources – many with their own goals and specifications.

	Housing Vulnerable Residents	Preserving Affordability	Equitable Growth Without Displacement	Pathways to Ownership and Wealth	Promoting Housing Choice
Emergency Shelters	High	Low	Low	Low	Low
Affordable Rental Production	High	High	Moderate	Low	Moderate
Basic Systems Repair	Moderate	High	Moderate	Moderate	Moderate
Philly First Home	Low	High	Low	High	Moderate

Looking at the total cost and per beneficiary spending across programs illustrates just how much funding structures differ from one program to another, and the opportunities and limitations associated with these differences. Shelters and the PFH are both largely reliant on local funds, but the decision to use local dollars for the shelter system stems from federal priorities around supportive housing and a matching mechanism, whereas the downpayment program became a local policy priority and generated broad support to fill what was seen as programming gap with locally raised funds. Relying on local dollars

for PFH also introduced more flexibility, making it possible to serve somewhat higher income households and in all neighborhoods, rather than in only specific CDBG-eligible census tracts. However, this reliance also brings uncertainty about the program’s future once NPI funds are exhausted. Affordable rental production is a long term investment and leverages substantial private sector dollars for each unit, but it would be difficult to scale that program up due to the complexity of assembling sites and financing, high total per unit cost (beyond public dollars) and limits on resources like LIHTC or grants that developers rely on to make an affordable project feasible.

	Annual Program Cost (Average Public Dollars)	Public Spending Per Beneficiary (Average)	Annual Outcome (Average)	Sources of Funding (Average Public Dollars)
Emergency Shelters	\$39M	\$5,200	7,500 Individuals Sheltered	\$34 Million program costs (Local) \$4 Million program costs (State & Federal) \$33M (Federal) match for CoC Funding
Affordable Rental Production	\$32M	\$59,000	546 New Units of Affordable Housing	\$32M (Public) \$165M (Private)
Basic Systems Repair	\$12M	\$13,700	2,300 Homes Repaired Per Year	\$2M (Local) \$11M (Federal)
Philly First Home	\$24M	\$9,000	2,700 new homeowners	\$24M (Local) \$447M (Private)

Note: Cost and outcome figures are based on averages of expenditures and program outputs over years for which data were available.

Applying an ROI Framework to Other Housing Programs

To gain a fuller picture of the tradeoffs housing policymakers make each year, the ROI framework could be applied to Philadelphia’s full suite of housing programs. The following section describes the steps in our multi-dimensional ROI framework, structured around a set of questions that can be answered for any housing program.

Step 1: Program Goals and Objectives

The first step in analyzing housing programs is to understand their goals and objectives. In other words, what is the program trying to accomplish? This requires an understanding of how the program operates, who its direct beneficiaries are, and what sort of secondary or spillover benefits it might produce.

Program Objectives	<i>What is it designed to accomplish and why is it necessary? What problem is the program solving or gap is it filling? Is any aspect of the program legally mandated?</i>
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Program Mechanism	<i>How does the program accomplish its objectives? What does it do and how does it operate?</i>
Direct Beneficiaries	<i>Who is eligible to participate in the program? How do the outcomes of the program benefit individuals or neighborhoods in a direct and tangible way? Is there research demonstrating the expected direct benefits?</i>
Spillover Benefits	<i>If the program is successful, what other benefits might the program create for individuals or neighborhoods? Outside of direct beneficiaries or program participants, who else will be impacted by the program? Is there research demonstrating the expected additional direct benefits? How long do benefits last?</i>

Step 2: Program Costs and Funding Mechanisms

The next step is understanding how much each program costs to operate and what resources are available to support it. It can be helpful to think about program costs in per-unit increments, although this metric should not be used in isolation to compare programs because of the complexity of housing needs, the wide variety of housing goals, and the need for multifaceted approaches to achieve them. Identifying if or how programs leverage resources and where funding for existing programs has come from historically are useful for contextualizing decisions to expand or shrink programs.

Total Program Costs	<i>What is the program's total budget? What outcomes or outputs has the program produced historically? Total cost per beneficiary?</i>
Public Dollars Allocated	<i>What is the public spending per direct beneficiary or per unit? (e.g., household)?</i>
Funding Sources	<i>Where has the program's funding come from historically and has that changed over time? Does the program leverage private, state or federal resources? Do the program's funding sources have any relevant requirements or restrictions? Are there philanthropic resources that can augment government and private resources?</i>

Step 3: Alignment with City Goals

This framework uses the goals set forth in the 2018 Housing Action Plan, which housing officials and stakeholders from across the city worked together to articulate based on a public listening process, independent research and related reports (e.g., the City's Assessment of Fair Housing). While goals may change going forward, these goals provide a structure for prioritizing activities and funding to support housing – and notably are not framed around monetized returns. The final step in our multidimensional approach, then, is to understand how each program achieves or does not achieve each of the City's housing goals. Not every program will support every goal, but understanding how individual programs

align with each goal provides the information necessary for making priority decisions. There should also be consideration of the scale of need for particular programs (e.g., number of cost-burdened low income renters) in order to prioritize across these goals, and the “but for” nature of the spending (i.e., the likelihood that the outcome would not be achieved *but for* this program intervention).

City Goals & Needs	Summary of Program Alignment	Degree of Alignment
Goal 1	<i>How does the program support this goal?</i>	<i>High, Medium, Low?</i>
Needs associated with Goal 1	<i>What is the estimated size of need related to this particular program? By how much is the citywide need reduced by investment in this program?</i>	

Prioritizing Investments and Resources

The goal of this brief is to offer policymakers and other stakeholders a framework for understanding the objectives, needs, outcomes, costs, and tradeoffs associated with public sector spending on housing programs in the city of Philadelphia. We selected four programs that received substantial allocation of local dollars, and which highlight the range of housing activities supported with public funding and described their goals, costs, and outcomes.

The results highlight the challenge of simplifying complex public programs into a single quantitative measure. On the investment side, the cost of housing programs are often complicated by the availability of funds, their restrictions, and the requirements for (or opportunities for) matching and leverage. On the return side, housing programs produce multi-dimensional benefits that accrue to individuals, but also neighborhoods and communities simultaneously. Simplifying these outcomes into a single quantified number, while possible, involves substantial subjectivity and risk of error.

Moreover, governments do not have the latitude to make purely economic decisions. Public decision making takes place in the context of legal mandates, constituent demands and public interests, funding sources and their associated rules and priorities, municipal capacity, and dozens of other considerations. High return programs cannot always be scaled, and low return programs cannot always be eliminated or reduced. Although a long-term investment perspective is essential in housing, the reality is that the local housing entities operate year to year with fixed income and expense categories.

Our quantitative and qualitative approach examines housing program within the context of the city’s goals and the opportunity for broader community benefits. Taken together, this approach offers policymakers the opportunity to examine what programs are designed to accomplish and how closely those accomplishments align with the city’s goals.

As we highlighted in our November 2023 report “Housing Funding in Philadelphia: the Sources and Uses of Public Dollars” the city’s housing system is constellation of programs and policies designed to address many different needs and concerns. No single program can solve all of the city’s housing issues, because the issues themselves are diverse and multi-faceted. The multi-dimensional framework described in this brief provides a robust approach to understanding how different programs help achieve the city’s goals and where opportunities exist for additional support and investment.

Reinvestment Fund has published a range of reports related to housing and market impact. For details, please visit the Reinvestment Fund's Policy Publications site at: www.reinvestment.com/research/policy-solutions/

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



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