



Gentrification and the Philadelphia Housing Authority

The Impact of PHA Property Sales from 2011-2019 on Local Communities

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Overview

- Background
- Literature Review
- Data Analysis
- Interviews with Community Members and Government Officials
- Case Studies: Houston & Seattle
- Policy Recommendations



Philadelphia Housing Authority

- **Mission: To provide quality housing; achieve excellence in property management; provide opportunities for residents; and form strategic partnerships with surrounding communities.**
- The Philadelphia Housing Authority (PHA) is the fourth largest in the US
- Philadelphia Homeless Population
 - Over 6,000 individuals experiencing homelessness in 2020
 - 14,266 on waiting list for PHA Public Housing
 - Majority of those looking for housing in Allegheny West, Strawberry Mansion, and Tioga areas



Overview of the Problem

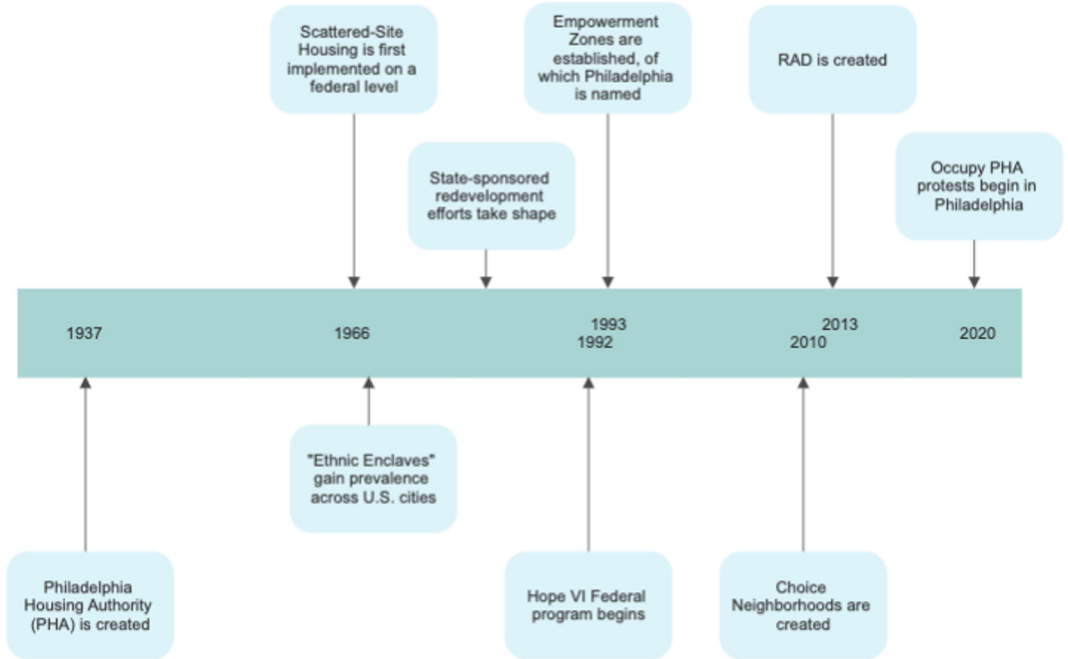
1. Are dispositions by the Philadelphia Housing Authority (PHA) contributing to gentrification?
2. What are the consequences of these property sales on the community?
3. Can PHA's budget deficit be addressed without property dispositions?

Literature Review

Literature Review

The Urban Renewal movement sets the tone for urban policy.

- Hope VI: Predecessor to The Choice Neighborhoods Initiative
- Empowerment Zones
- RAD program
- Scattered- Site Housing



Data Analysis



Overview

- PHA sold 1000+ scattered sites between 2011 - 2019
 - Not viable for rehabilitation
 - Too costly to maintain
- Sold mostly to private developers but sometimes to non-profit organizations
- The sales were intended to balance the growing deficit in PHA's budget
- Report examines where/how PHA's sales may have contributed to gentrification



Quantitative Research Questions

1. What is the relationship between gentrification and the sale of PHA scattered sites?
2. Which Philadelphia communities are most affected by gentrification?
3. Is the sale of affordable housing the driving force behind gentrification, or do the property sales only play a minor role in the reshaping of many Philadelphia communities and neighborhoods?



Methods

Gentrification, as defined by the Pew Research Center:

- Decrease in poverty rate
- Increase in median rent and median home value
- Increase in level of education (high school & college)
- Demographic shifts - increase in proportion of minorities



Gentrification Model

6 variables at the census tract level



Six Dependent Variables

↓
Percent change from 2012-2019

↓
Normalized on a scale of 0 - 1

↓
Geometric mean of averaged variable

↓
Final Gentrification Index (0 least gentrified, 1 most)

↓
Census tracts over \$60k/year income removed

↓
Ran regression on gentrification index by sold PHA
scattered sites weighted by population

1. **Poverty Rate** - % decrease
2. **Rent** - % increase in median rent
3. **Property Value** - % in median owner-occupied home value
4. **High School** - % increase in high school diploma holders aged 25+
5. **College** - % increase in Bachelor's degree holders aged 25+
6. **Demographics** - % increase in proportion of white individuals



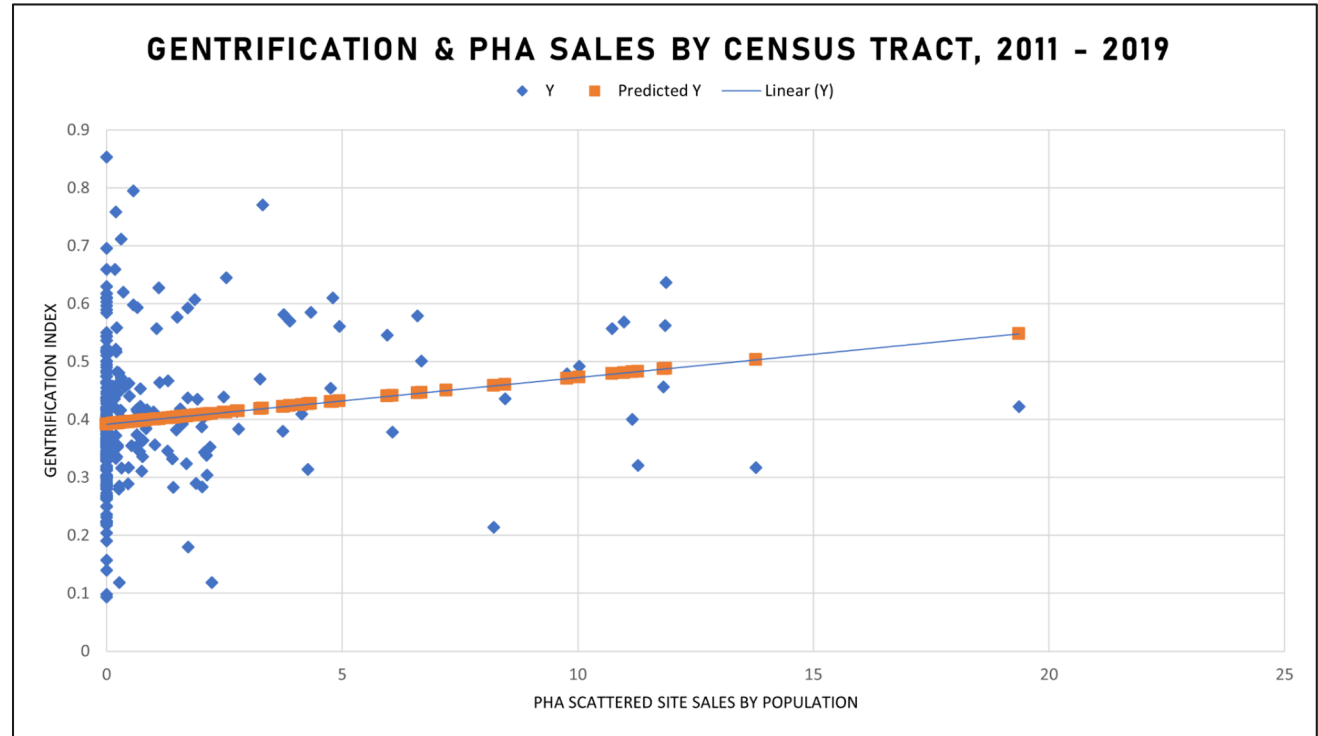
Models

1. PHA & Gentrification
 - 'x' = PHA sales by tract per 1000 population, broken down by year, and totaled from 2011 - 2019
 - 'y' = gentrification index coefficients from 2012 - 2019
2. Gentrification and Demographic Composition Change
 - 'x' = gentrification index coefficients from 2012 - 2019, excluding the demographic data
 - 'y' = percent change in proportion of white to nonwhite residents from 2012 - 2019
3. Gentrification and Raw Population Change
 - 'x' = gentrification index coefficients from 2012 - 2019
 - 'y' = raw population change in nonwhite residents from 2012 - 2019

Findings: Model #1

R = 0.18

P-value = 0.001

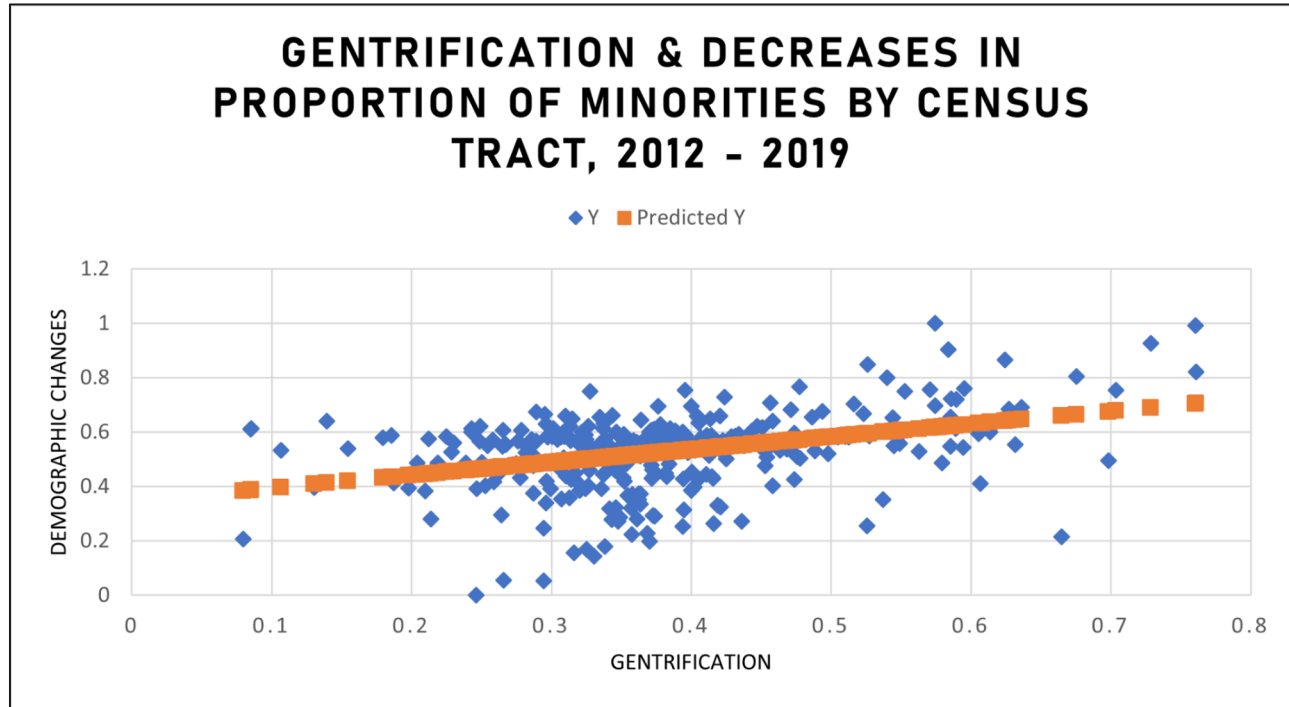




Findings: Model #2

R = 0.37

P-value = <0.0001

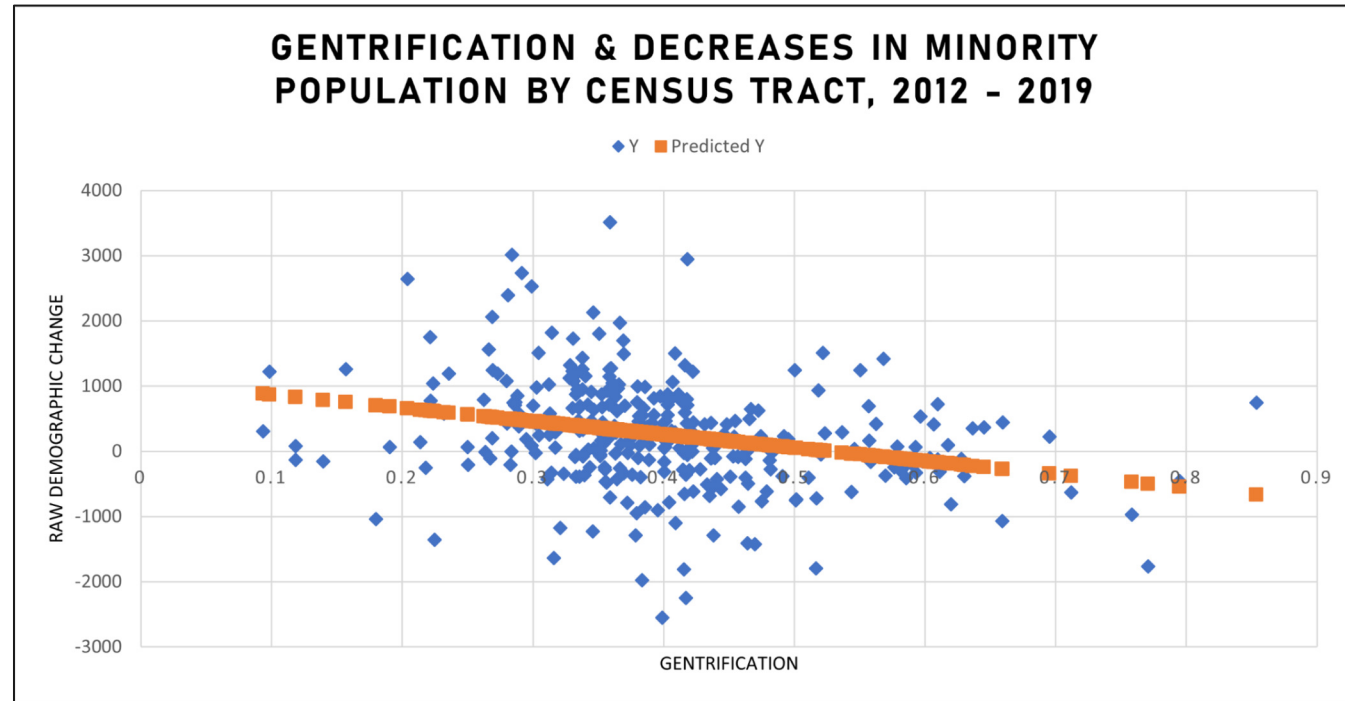




Findings: Model #3

R = 0.27

P-value = <0.0001



Gentrification & Philadelphia Housing Authority Property Sales, 2011-2019

Research Question: Has the sale of 1000+ PHA affordable housing units caused gentrification in Philadelphia?

Findings:

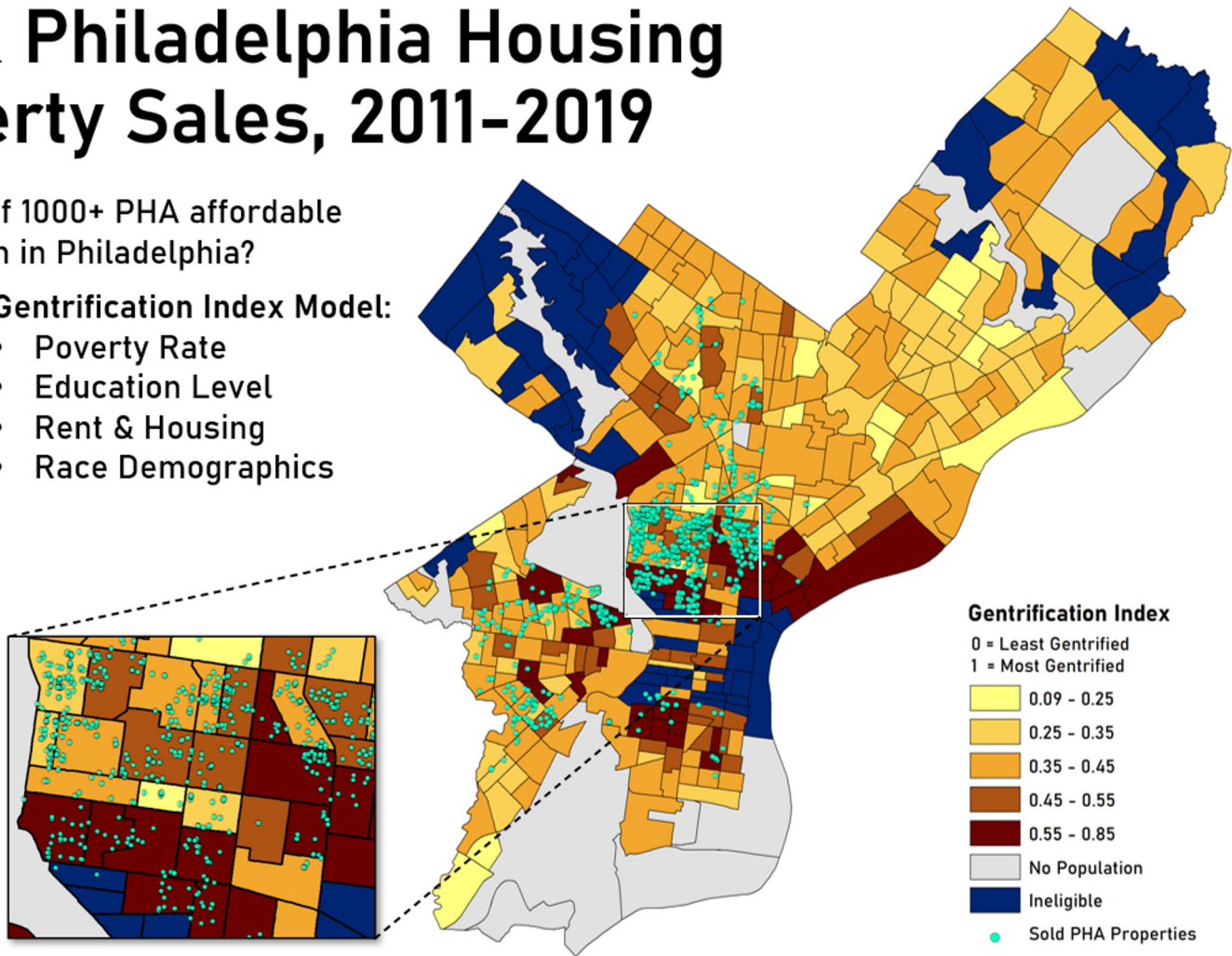
0.18 correlation (low) between gentrification index and PHA sales by population.

0.27 - 0.37 correlation (moderate) between gentrification index and displacement of minorities.

Analysis: PHA's contribution to gentrification is limited to a minor correlation, and only select neighborhoods. University development and broader urban revitalization are more likely to blame for any displacement that occurs in Philadelphia.

Gentrification Index Model:

- Poverty Rate
- Education Level
- Rent & Housing
- Race Demographics



Community & Government Relations



Interviews

- Melissa Long, Director of Housing & Community Development, City of Philadelphia
- Marcella Maguire, Director at Health Systems Integration Corporation for Supportive Housing and former Director of Homeless Services for City of Philadelphia
- Jennifer Ragen, Director of Policy at PHA
- Sterling Johnson, Legal Analyst and community activist
- Jennifer Bennetch, Founder of Occupy PHA and community member
- PHA Tenant



Government Role in Affordable Housing

- “PHA currently seems to operate much more like a profit-driven developer. That is not their mission.” -*Marcella Maguire, Former Director of Homeless Services*
- “When you sell the scattered sites, more people will be unhoused! It’s that simple.” -*Sterling Johnson, Legal Analyst & Housing Activist*
- “There just are not enough resources.” -*Melissa Long, Director of Division of Housing & Community Development*



Community Involvement

- Criticism:
 - Not including community members in decision-making or soliciting input from existing residents
 - Changes to properties result in a change in culture of the neighborhood
 - Not applying best practices for community engagement
- Tenant Experience
 - 8 years on waiting list
 - Efficient and reliable maintenance of property
 - PHA is the only reason her and her children have a safe home

Case Studies



Houston Case Study: Elimination of Scattered Sites

- HHA Scattered-Site Program Collapse
 - Open-market auction in Nov. 2011
 - Harsh criticism and lack of public trust prior to auction
 - \$8M profit on sale of 171 homes
 - No affordability requirements
- Results:
 - Current President feels the decision was “worth it” a decade after auction
 - Criticism subsided after auction



Seattle: Portfolio Realignment through Tenant Management

- Divested of 200/787 scattered-site units
 - Decisions made on resident needs-basis
- Employ tenant-management programs
 - “Right-sizing,” in placement
 - Assigning navigators to support housing voucher recipients
- Results:
 - Needs-matching = positive tenant relations
 - Housing voucher experiment as “reverse-gentrification”

Recommendations



Initial Matrix

Approach	Condition	Recommendation Framework
No Change	If there is no correlation at all between sales and gentrification and no adverse community affects...	Then PHA should continue the sale of their properties.
Halt Sales	If PHA had systematically and significantly contributed to gentrification and severely impacted the community...	Then PHA should halt all current and future sales indefinitely.
Hybrid Approach	If PHA has contributed to gentrification in any degree, and had an impact on the community in a observable way...	Then PHA should enact reforms to agency policies that mitigate gentrification and improve community relations.

The research team recommends that PHA adopt the hybrid approach in our recommendation matrix.



Hybrid Approach

Policy recommendations under the hybrid approach were separated into two separate sections of initiatives and reforms.

1. Local government collaboration,
2. Internal operational changes,

A few recommendations were not able to be thoroughly researched due to time constraints or scope so were placed under the subsection of “Additional Considerations.”

Local Government Collaboration



	Policy Recommendation	Reasoning	Implementation Schedule
1.	Fair Housing Ordinance Amendment	<ul style="list-style-type: none"> - Codification of the existent PHA policy - Right of First Refusal (ROFR) - Additional avenue for enforcement outside of PHA 	Longer Term
2.	Tax Increment Financing and Special Service Tax District	<ul style="list-style-type: none"> - TIF can be levied from the local city and awarded to PHA as a longer -term, “pay as you go,” financing system to tackle the agency’s systemic debt. 	Longer Term

Internal Operational Changes



	Policy Recommendation	Reasoning	Implementation Schedule
3.	Set conditions on the sale and development of the properties	<ul style="list-style-type: none"> - Covenants that address affordability standards - Similar in existing city ordinances 	Short Term
4.	Market-rate sales only after local community consultation	<ul style="list-style-type: none"> - Other community uses - If the financial benefits to PHA are minor - Avenues for community collaboration and cooperation 	Short Term
5.	Include current waiting lists in the market-value assessments of properties at auction	<ul style="list-style-type: none"> - Will more adequately reflect the demand that is exceeding supply for public housing 	Short Term
6.	Set a percentage of vacant lots per neighborhood that PHA will retain	<ul style="list-style-type: none"> - To avoid the future issue of having to buy back property in gentrifying neighborhoods - To provide affordable units in that neighborhood 	Short Term

	Policy Recommendation	Reasoning	Implementation Schedule
7.	Set a specific limit to the number of properties PHA can sell in a given year	<ul style="list-style-type: none"> - Prevents the sudden supply destabilization PHA can have on a neighborhood, including aiding in the rapid change of development in neighborhood. 	Short Term
8.	Notify to City Council Members regarding property dispositions	<ul style="list-style-type: none"> - Council members would be given the time to discuss neighborhood changes with their constituents. 	Short Term
9.	PHA expands and grows existing non-profit partnerships	<ul style="list-style-type: none"> - Existing partnerships have been very successful for PHA. - Help reduce financial burdens while improving supply. 	Short and Long Term
10.	Housing Choice Homeownership Program (HCHP) expansion	<ul style="list-style-type: none"> - Homeowners better stabilize neighborhoods by keeping property ownership local. 	Long Term



Recommendation Highlights

#2 Tax Increment Financing (TIFs)

- The City will establish TIFs and/or special service tax districts to help fund PHA's scattered site rehabilitation.
 - Will lead to greater cooperation
 - Pay as you go and systemic solution to help begin chipping away at PHA's capital deficit
- Numerous cities have used TIF to fund housing repairs and construction.



Recommendation Highlights

#3 Conditions of Sale

- Occupant-for-Occupant replacement
- MPDU program
 - Conditions at sale work very well in other municipalities.
- Require all sales to come with agreements that a percentage of units meet affordability standards
- Standards and percentages set internally by PHA through existing and known affordability measures.



Recommendation Highlights

#5 Waiting List Included Market-Value

- 59,000 families on waiting list including all PHA subsidiaries
 - PHA has 12,900 units
- Factor in a portion of the estimated monthly cost of a voucher into property sales
 - Estimated \$42,185,000 in demand
 - **\$32,450 per property at the minimum**



Additional Considerations

1. PHA Police Department

- a. Duplication of security services provides a wasteful expenditure that PHA cannot absorb because of their inability to raise taxes like a local or city government.
- b. PHA has spent approximately \$3,608,000 to \$4,100,000 annually in additional salary expenditures based on inflation-adjusted 2012 salary estimates.

2. Implications of the COVID-19 Pandemic

- a. Eviction moratorium expiration
- b. Unclear how long it will take for the housing production volume to increase back to pre-pandemic levels
- c. Displacement begins, “investors purchase and seek to reposition the properties to a higher rent level once the crisis has subsided”



Additional Considerations cont.

3. Sell to Nonprofits

1. Any losses in profit or housing stock could be calculated, and PHA could ask the city to fund the loss to the agency
2. Concerns were raised by community members in the interviews regarding the type of housing that nonprofits provide
 1. Efficiency units with fewer family housing opportunities

4. 2021 Infrastructure Bill

1. \$40 billion allocated for public housing infrastructure
2. One-time investment and not a long-term systemic change to PHA's financial troubles

5. Expert Panel Recommendations

- a. Pursuit of additional community land trust approaches
- b. Exploration of similar Seattle tenant management programs for replication



Thank you!



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