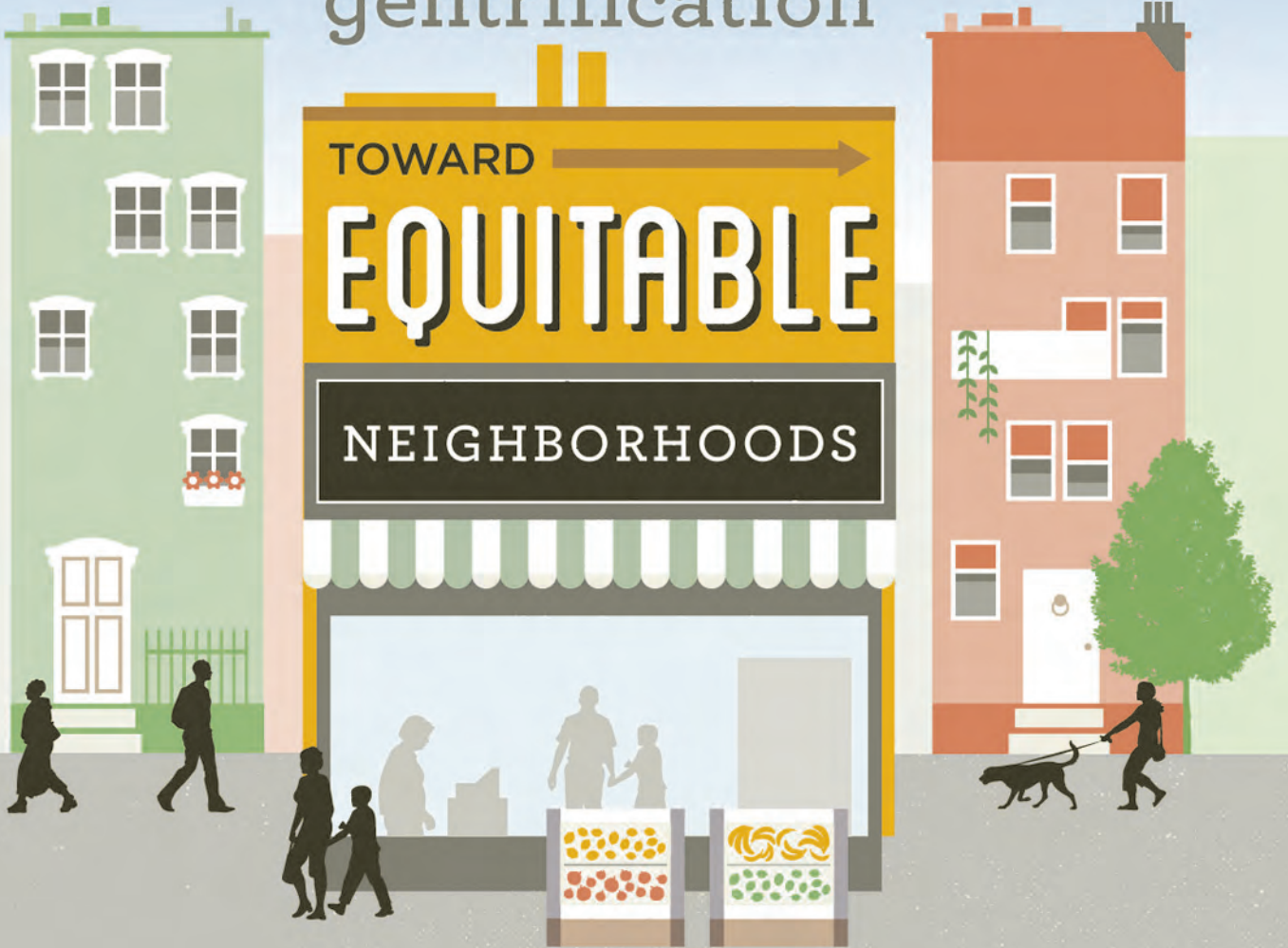


# BEYOND gentrification

TOWARD

EQUITABLE

NEIGHBORHOODS



## An Equitable Development Policy Platform —FOR PHILADELPHIA—



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## About PACDC

**A STRONG VOICE IN POLICY.** PACDC's advocacy is a unifying and compelling voice in government, business and funder forums where decisions affecting neighborhoods are made.

**STRONG CDCS.** PACDC strengthens CDCs through professional development, funding and networking opportunities.

**A STRONG CITY.** PACDC and member organizations build strong neighborhoods—and a strong Philadelphia—by increasing housing and economic opportunities and providing programs and services that sustain families and good jobs.

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## An Equitable Development Policy Platform —FOR PHILADELPHIA—

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# Executive Summary

After decades of population loss, job loss and disinvestment, parts of Philadelphia are on the rise again. Our population is experiencing slow but steady growth, our housing market and unemployment rate are showing signs of improvement, and new high-end development projects are transforming Center City and University City. Growth and development are reaching some of our neighborhoods too, with Northern Liberties, Francisville, Point Breeze, Passyunk Square and other areas seeing an explosion in new market-rate home construction, and opening up of new shops and restaurants.

As much as we need to celebrate and encourage redevelopment, the enthusiasm about this renewed Philadelphia can feel like it's about a different city if you are one of the many Philadelphians still struggling, or live in a neighborhood fighting decline. Some moderate-income neighborhoods that have been stable for decades are seeing decreasing homeownership rates, property values flattening or declining, and properties that are staying vacant for too long. Other neighborhoods are still reeling from decades of devastation where poverty rates are persistently high, and low wages means too many Philadelphians are paying an unsustainably high percentage of their income on housing. Crumbling buildings and empty lots can be found in every neighborhood, and are magnets for garbage and crime. Vacant storefronts and poor property conditions on our commercial corridors frustrate small businesses that work hard to contribute to the local economy. Long time homeowners and renters live in properties that are becoming uninhabitable due to inadequate maintenance.

It's imperative that Philadelphia nurtures new market-rate development and investment in order to strengthen our tax base, turn vacant properties into vibrant spaces, and make our city a world-class destination. But we must also recognize that the new private investment transforming some of our neighborhoods does not automatically "trickle down" and benefit those who are most economically disadvantaged or struggling to remain in the middle class. We must build the pipes and direct resources toward our neighbors and communities who have

Fig. 01 **RESIDENTIAL INCOME SEGREGATION INDEX (RISI)  
IN THE 10 LARGEST METROS, 1980 - 2010**

	1980	2010	Change 1980 to 2010
HOUSTON	32	61	+29
DALLAS	39	60	+21
NEW YORK	49	57	+9
LOS ANGELES	47	51	+4
<b>PHILADELPHIA</b>	<b>39</b>	<b>51</b>	<b>+11</b>
MIAMI	30	49	+20
WASHINGTON	43	47	+4
ATLANTA	42	41	0
CHICAGO	35	41	+6
BOSTON	31	36	+5

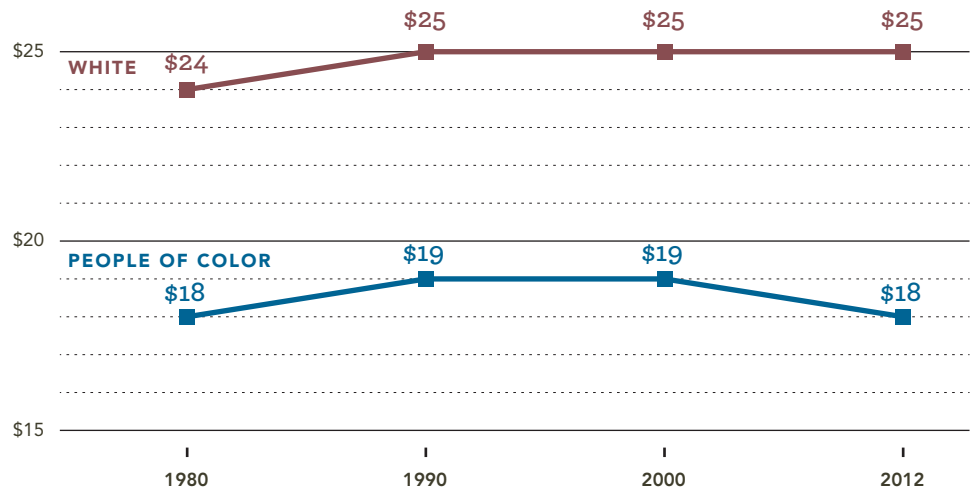
SOURCE: Richard Fry and Paul Taylor, "The Rise of Residential Segregation by Income," Pew Research Center, Washington D.C., (August 2012).



Paseo Verde, developed by Asociación Puertorriqueños en Marcha (APM), is an example of Equitable Development: 120 mixed-income apartments, just steps away from SEPTA's Temple Regional Rail stop, and near the bustling Temple University campus where rents and property values are rising.

PHOTO CREDIT: PETER TOBIA

Fig. 02 **MEDIAN HOURLY WAGE BY RACE/ETHNICITY: PHILADELPHIA-CAMDEN-WILMINGTON METRO AREA**



By 2040, nearly 50% of the Philadelphia region's workers will be people of color. But in 2012, the average wage for workers of color was \$7 per hour less than white workers. If we don't close that income gap, our region's GDP will suffer.

CREDIT: PolicyLink, National Equity Atlas, [www.nationalequityatlas.org](http://www.nationalequityatlas.org)

IN 2012, the Philadelphia metro region's economy would have been **\$57.28 billion** larger if there had been no racial disparities in income.

SOURCE: Policy Link, National Equity Atlas, [www.nationalequityatlas.org](http://www.nationalequityatlas.org)

historically been hurt most when our city declined, and left out when things have improved. Without such a strategy, we will deepen the already inexcusable inequalities and economic segregation that exist today, and we'll hamper the economic stability of our city and region for generations to come.

Philadelphia does better when we *all* do better. That's why policy makers must advance Equitable Development:

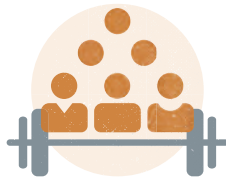
A pro-growth strategy that confronts structural and institutional forms of *inequality* by creating sustained *equality* in **HOUSING, HEALTH, EDUCATION** and **ECONOMIC OPPORTUNITY** for low- and moderate-income households and institutions by ensuring they:

1. Have influence over decision making that shapes their neighborhood inclusively;
2. Benefit from improved neighborhood conditions;
3. Have access to community resources and services that improve their quality of life and fulfill their basic needs close to where they live;
4. Have choices about where to live and work;
5. Are not involuntarily displaced from their neighborhood of choice.

Advancing Equitable Development in Philadelphia requires targeted interventions in neighborhoods that are experiencing rising property values and rents as a result of new development to ensure that long-term residents and businesses are not involuntarily displaced from their improving community. It also requires a renewed and strengthened commitment to direct public and private investment to neighborhoods that continue to be plagued by the negative consequences from decades of decline, or which are seeing their stability threatened by new forms of decline.

We offer the following policy platform on the areas of Equitable Development that PACDC and our members have the greatest expertise in: strengthening community participation at the neighborhood level, creating and preserving affordable homes, creating economic opportunities in our neighborhoods, better understanding and addressing involuntary displacement, and attacking blight and vacancy.

We urge candidates for Mayor and City Council seeking voters' support in the May 2015 primary and November 2015 general election to embrace these policy recommendations, and tell voters how they will work to create an Equitable Philadelphia.



① Strengthen the Ability of Neighborhood Groups and Residents to Create Inclusive Communities

Strong neighborhoods are made up of neighbors who care about their communities and welcome new residents, as well as community-based organizations that provide a forum for input and action to create inclusive neighborhoods. Through the Philadelphia Planning Commission's Citizens Planning Institute, community residents should be given the knowledge and tools to participate in the Registered Community Organization (RCO) process and other planning and zoning decisions in effective, inclusive ways. Non-profit community, civic and neighborhood associations play a vital role in engaging neighborhood residents and connecting them to vital services and programs, yet are vastly under-resourced. The City should boost to \$4 million per year its investment in Neighborhood Advisory Committees (NACs) and other neighborhood-based groups that engage the community. Market-rate development projects that receive public subsidies should be required to advance Equitable Development in a meaningful way.



② Create and Preserve Quality, Affordable Home Choices in Every Part of the City

Housing policies are a significant way we can attack economic segregation in Philadelphia. The new Administration must lead by creating a comprehensive housing strategy to address our city's needs for quality affordable homes, including at least doubling dedicated funding for the Philadelphia Housing Trust Fund to \$25 million per year. We must boost strategies to end homelessness, build and preserve more affordable homeownership and rental homes in every part of the city, including homes that are permanently affordable, spur more market-rate development, and ensure that residents are not involuntarily displaced from the neighborhoods they call home. It's time to review the 10-Year Property Tax Abatement to determine if it must be updated for our current real estate market.



③ Expand Economic Opportunities on Our Neighborhood Corridors and Increase Local Hiring and Sourcing by Major Employers and Developers

If Center City is the heart of commerce in Philadelphia, our neighborhood commercial corridors are its economic veins. Funding for programs to improve the property conditions of stores, clean and green the corridors, organize shop owners, and market corridors should be boosted to \$4 million per year with a mix of local and federal funds. The City should allocate \$3 million in local funds to leverage another \$1.5 million from the state to finance mixed-use developments on our neighborhood corridors that could help small businesses and residents alike. The Philadelphia CDC Tax Credit Program, which supports neighborhood economic development, should be expanded.



The next Mayor should continue and improve efforts to increase hiring of Minority, Women and Disabled Owned Business Enterprises (M/W/DBEs) and workers in projects where public funds are involved by maintaining a commitment to Equal Opportunity Plans (EOPs), and should expand EOPs to include goals for hiring of city residents. The next Mayor should also use his or her leadership to gain a commitment from developers and their contractors to create EOPs and reports for large projects that are not publicly subsidized. Large employers in Philadelphia have an important role to play in advancing Equitable Development, and the next Mayor should do more to bring them to the table by encouraging them to source more of their services locally, as well as prioritize hiring from the local workforce.



#### ④ Understand the Threats and Impacts of Displacement and Expand Assistance Programs

One of the greatest fears about gentrification is involuntary displacement: long-time residents and small businesses that want to stay in their neighborhoods but can no longer afford rising rents or property taxes. There is much we don't know about displacement: how many people does it affect and what happens to them if they are displaced? Policy makers need to collect better data to understand what's happening in our neighborhoods and craft effective policy solutions, particularly for small business and residential renters for whom few protections exist. The existing measures to protect homeowners from displacement due to rising property taxes must be better promoted, and homeowners must be educated about the value of their growing asset and how to manage it in their own best interest. More can be done to help small business and residential renters to provide them with stability in improving communities, and give them more notice when rents are increasing.



#### ⑤ Attack Blight, Vacancy, and Abandonment in All Neighborhoods

Decades of disinvestment in some of our neighborhoods and declining conditions in once-stable neighborhoods have created a scourge of vacant lots, abandoned buildings, and poor property conditions, harming those that chose to remain, or who can't afford to live in more attractive, safer neighborhoods. These blighted conditions also strip wealth from neighborhood property owners, as home values near vacant properties are decreased by an average of \$8,000 according to a recent study<sup>1</sup>. The City took major steps toward implementation of the Philadelphia Land Bank in 2014 in order to more strategically address vacant properties and get them into productive re-use more quickly, as well as improved Code enforcement on vacant properties in order to hold owners accountable to their neighbors. The next Council and Administration must maintain a strong commitment to both of these strategies, ensure that L&I has adequate resources to hold landlords accountable for poor property conditions, and help low-income homeowners become Code compliant through assistance with needed repairs.

### **Quality Schools Build Quality Neighborhoods**

While the five Equitable Development strategies above are core to the work of the local community development industry, we cannot ignore the crises in our schools. Our struggling public school system is itself a structure of inequality: families with means are sending their children to private schools or moving to the suburbs to provide them with a better K-12 education, and low-income families are left with no choice but to send their kids to schools that cannot offer them some of the most basic needs such as school supplies, nurses, and guidance counselors, let alone the highest-quality instruction to prepare them for today's jobs or higher

education. This trend also threatens to reverse our city's economic recovery because when those with means make choices about where to live, they are deterred by our poor school system, thus take their dollars and tax revenues elsewhere.

Quality schools are a tool for building stronger neighborhoods, and every child should have access to a quality public education near their home. Although many CDCs run programs to help our young people get a better education, such as after school and early childhood education programs, or even running schools themselves, PACDC does not offer any particular expertise on education policy. But we could not advocate for a comprehensive approach to attacking inequality without acknowledging this vital problem of school quality. We stand with those calling on the next Administration and Council to work together, and with Governor Wolf and leaders in Harrisburg, to make Philadelphia's schools a place where inequality can be addressed, not where it is institutionalized.

### **Achieving a More Equitable Philadelphia Requires Many Strategies as well as Evaluation**

Attacking inequality by advancing Equitable Development is a huge task, and it will take a steadfast commitment by policy makers, businesses and institutional leaders, the non-profit community, and others over many years. In addition to the recommendations in this platform, as well as solving the crisis in our public school system, it will take creative strategies to end disparities in health outcomes, and recognition that vibrant arts and culture are integral to a high quality of life. It will take new, more sustainable approaches toward wage growth, economic development and job creation.

CDCs throughout Philadelphia build healthy neighborhoods, which is why their work has evolved to address these challenges. Some CDCs provide job-training programs for the un- or under-employed. CDCs have recruited artists into neighborhoods to advance "creative place-making" strategies, and have partnered with health care providers to serve neighborhood residents' wellness needs. PACDC looks forward to partnering with policy experts on education, health and wellness, arts and culture, and workforce development to explore more ways community development practitioners can help advance Equitable Development in those areas, both in policies and in practices.

Creating an Equitable Philadelphia will also require much more than policy solutions. Community development practitioners need training and technical assistance, help building partnerships with other organizations and institutions, as well as skills and leadership development. Through PACDC's Philadelphia Community Development Leadership Institute, we are advancing Equitable Development through those methods, and on areas beyond this policy agenda.

It will also take establishing tools to measure whether we are making progress, and a commitment to doing a better job of tracking the outcomes of public investments and programs on whether they reduce inequality. That includes both investments targeted directly toward those who are economically disadvantaged, and subsidies and tax incentives that advantaged firms and programs regularly benefit from.

### **Philadelphia Can Afford to Invest in Equitable Development**

Full implementation of the recommendations in this Platform requires a much more significant investment of City General Fund dollars and new, locally generated funds into our neighborhoods and our low-income residents by an increase of around \$20 million per year. That is an extremely modest investment in our communities in the context of the deep sub-



The Uptown Entertainment and Development Corporation advances Equitable Development by building on the rich history of the Uptown Theater on North Broad Street to engage at-risk youth around song, dance, poetry, and acting as a way to gain professional and personal development.

PHOTO CREDIT: PETER TOBIA





Southwest CDC employs staff to clean the Woodland Avenue commercial corridor to make it more attractive for shoppers and businesses.

PHOTO CREDIT: SOUTHWEST CDC

sidies Philadelphians provide to large, profitable corporations and institutions through various tax abatements, credits and exemptions, as well as direct subsidies. For example, just two high profile market-rate developments built in Philadelphia in 2009 received subsidies valued at nearly \$320 million over ten years due to the 10-Year Property Tax Abatement. In the last few months of 2014, two other developments were awarded \$14 million in local funds for infrastructure improvements that will boost the economic value of these private, market-rate projects. Valuable vacant land owned by the public and worth millions of dollars has been transferred to private owners for market-rate projects for \$1. We can afford to invest in our neighborhoods, but it may require a shift in thinking about where public subsidies can do the most to create a more equitable city.

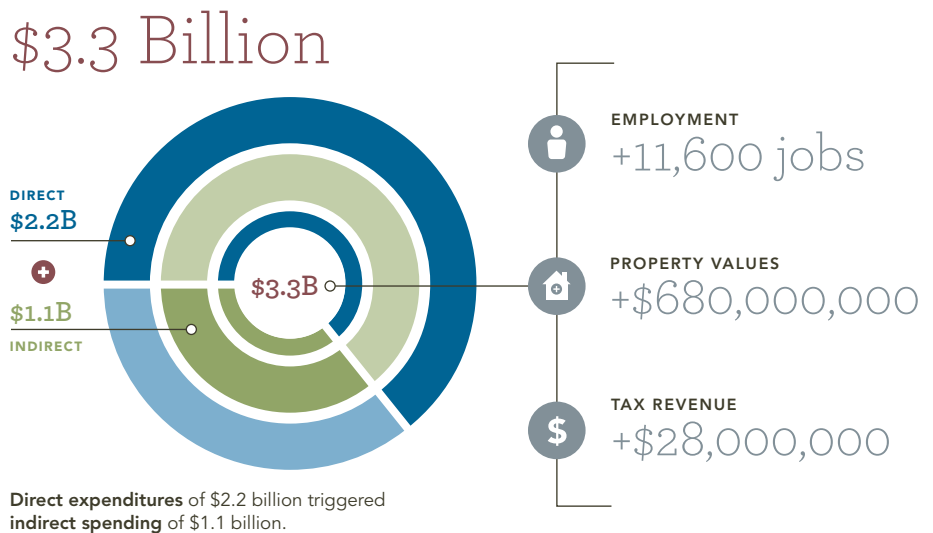
This agenda reflects the priorities of PACDC’s members, a strong network of more than 100 non-profit and for-profit organizations that work every day to improve our communities. PACDC members have built thousands of affordable homes for very low- to moderate-income Philadelphians; have provided services to thousands of Philadelphians facing homelessness; have helped small businesses in our neighborhoods become more sustainable; have cleaned and greened thousands of vacant lots; transformed vacant, blighted properties into vibrant spaces; offered social services to those in need; and engaged community residents in countless initiatives. All of this work has had a tremendous economic impact, and shows that attacking inequality through investments in Equitable Development makes Philadelphia a stronger city for everyone.

PACDC is releasing this Platform as a way to engage candidates for Mayor and Council, but the current Council and Mayor Nutter don’t have to wait to act. They can lead by beginning to implement these strategies right away.

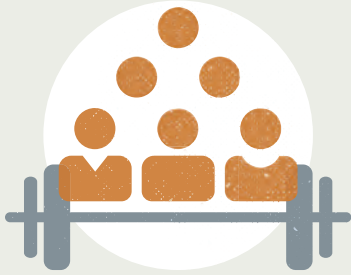
Together, we can take this unique moment in our city’s history to build a Philadelphia where the neighborhood you live in does not determine your future, because every neighborhood will be a neighborhood of choice.

**Fig. 03 IMPACT OF PHILADELPHIA COMMUNITY DEVELOPMENT CORPORATIONS**

**TOTAL CITY ECONOMIC IMPACT OVER THE PAST 20 YEARS**



A recent report showed that Philadelphia’s CDCs had a \$3.3 billion economic impact on the City of Philadelphia over the past 20 years. To read the report, Collective Strength, go to <http://pacdc.org/cdcimpactreport>



## STRENGTHEN THE ABILITY OF NEIGHBORHOOD GROUPS AND RESIDENTS TO CREATE INCLUSIVE COMMUNITIES

### RECOMMENDATIONS IN THIS SECTION:

- Educate Residents and Developers on How to Be Inclusive, Effective Participants in the Registered Community Organization (RCO) Process.
- Maintain a Commitment to the Philadelphia City Planning Commission's Citizens Planning Institute and Expand It.
- Increase Funding for Neighborhood Advisory Committees (NACs) and Other Community Organizations to \$4 Million Per Year.
- Require that Market-Rate Projects that Receive Public Subsidies Advance Equitable Development and Consult Nearby Residents and Businesses on Local Needs.

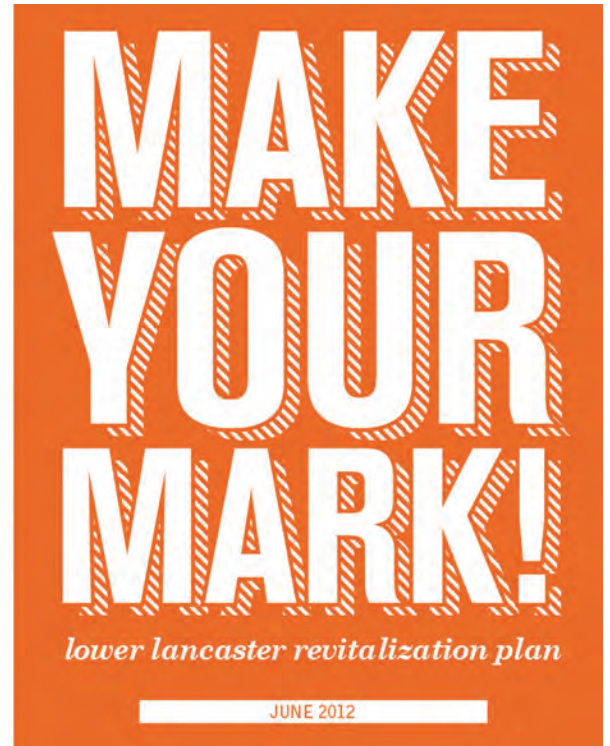
You can't have a neighborhood without neighbors: people that care about their communities, welcome new residents, and want to get involved in shaping decisions that affect it. When neighbors are armed with good information, are invited and encouraged to offer their input, are respected and heard, and care about inclusive neighborhoods, they make a community stronger, and lead to better decision-making.

### Educate Residents and Developers How to Be Inclusive, Effective Participants in the Registered Community Organization (RCO) Process

Registered Community Organizations (RCOs) were established under the new Zoning Code approved by City Council in August 2012, and changes to the process and eligibility of RCOs were approved by City Council in 2013. The creation of RCOs was meant to formalize the role of community organizations in the development process when projects require action by the Zoning Board of Adjustment (ZBA) or Civic Design Review (CDR), allowing public comment on projects that affect the public realm.

Although the opinions of participants in the RCO process are non-binding, it gives residents and developers an opportunity to hear from each other about their concerns, plans and hopes for the neighborhood and can have a great deal of influence over the District Councilperson's position on the project. It's not a perfect process. Residents can have differing opinions about the same project creating neighborhood tension, and sometimes oppose projects that could create more inclusive communities out of fear or misinformation. Developers' plans are not always clearly articulated or supported, and the process can be politicized. But establishing a dialogue between developers and the community is essential, so the RCO process should be respected, built upon, and improved.

In 2013 and 2014, the Philadelphia City Planning Commission's Citizens Planning Institute (CPI) provided two types of opportunities for RCO members to be effective participants in the process, including open "clinics" to learn about changes to the registration and notification processes, and a series of more in-depth workshops on best practices for how the RCO process should work. Those trainings should be held annually, should stress the value of creating inclusive communities and welcoming new neigh-



People’s Emergency Center partnered with Interface Studio and V. Lamar Wilson Associates to engage over 1,000 neighbors, business owners, and stakeholders to craft the Lower Lancaster Avenue Make Your Mark neighborhood plan in 2012. This community-driven plan is guiding the revitalization of the Belmont, West Powelton, Saunders Park, Mantua, and Mill Creek neighborhoods in West Philadelphia.

neighbors, and be brought out to community members at neighborhood-based RCO meetings. In fact, it should be a requirement that leadership of RCOs participate in one of those trainings. Similarly, CPI should hold trainings for developers on how to effectively and respectfully communicate with RCOs and community members about their proposals for the neighborhood.

### **Maintain a Commitment to the Citizens Planning Institute and Expand It**

Since 2010, the Planning Commission’s CPI has trained 270 Philadelphia “Citizen Planners” on how to be more effective advocates for planning positive neighborhood change. Arming local residents with this kind of information leads to smarter and more effective participation with their neighborhood associations, RCOs, or zoning committees, particularly when strong development pressures are changing neighborhoods quickly.

The next Administration should maintain its commitment to CPI, and leverage its success by expanding its training offerings into the neighborhoods to reach more civic leaders and area residents. For example, CPI could educate community residents about the new Philadelphia Land Bank, and how it could be used as a tool for Equitable Development in their neighborhoods. CPI could also educate neighborhood groups and developers about the value of Community Benefits Agreements to achieve Equitable Development, when negotiated in good faith by both parties. The developer “wins” when they are able to secure community support for their project in a timely manner and the community “wins” when they get some tangible benefit as a result.



“

“Many residents of Point Breeze and Grays Ferry face serious challenges finding housing, employment, and education. They don’t always know where to go to find help, but they know the NAC and come here. I connect them with resources that help them stay safe, secure, and improve their quality of life.”

— Iliyaas Muhammad, NAC Coordinator for Universal Community Homes

PHOTO CREDIT: GARRETT O'DWYER

### Increase Funding for Neighborhood Advisory Committees (NACs) and Other Community Organizations to \$4 Million Per Year

Neighborhood-based community organizations are absolutely vital in implementing strategies in this policy platform, as well as achieving innumerable other City goals and priorities. From combating crime, to getting residents access to the benefits for which they qualify, to leveraging public and private investment to improve disinvested communities, cleaning and greening our streets, and working with residents and developers to negotiate community benefits agreements that lift up the neighborhood—none of it can be done without organizations on the ground that are trusted, respected and that know the community. CDCs, Neighborhood Advisory Committees (NACs), civic associations and others fill these roles, but are vastly under resourced. If Philadelphia policy makers are committed to strong neighborhoods, they must be committed to strong neighborhood-based community organizations. That’s why the City should make \$4 million available per year on a competitive basis for neighborhood-based organizations that connect residents to vital services and resources, serve as a forum for community engagement as well as participation in development and planning, and who can demonstrate they have or can build the capacity to take a modest investment and make a big impact. This should include boosting the NAC program as well as creating a new source for operating support for community groups that organize neighborhood residents, serve as platforms for negotiations around Community Benefit Agreements with developers, build affordable housing, or provide other community benefits.

#### Invest in the NAC Program

The NAC program was created in the 1970’s in order to fulfill federal obligations associated with CDBG funding that require community participation. But as CDBG funding has been reduced by Washington, funding for NACs has been cut as well. Some NACs have disappeared and new ones designated, but the overall number of NACs has been reduced leaving those that remain to do more with less: expand their service territories, serve more residents, and do it with less funding and less capacity. In 2014, the City funded 19 NACs with \$1.053 million in CDBG funds to serve more than 586,000 Philadelphians. That’s about 55 cents per Philadelphia resident in service areas that the NACs are responsible for reaching out to, offering services that help prevent foreclosures and involuntary displacement, engaging in neighborhood planning processes, and providing other services that the City requests. The City needs to boost its NAC funding to better resource the NACs already on the ground, encourage the designation of new NACs (most appropriately housed at existing non-profits for efficiency) so that service territories can be reduced to a more manageable, targeted, and appropriate geographic boundary, and invest in capacity building to help boost NAC effectiveness.

#### Create a New High-Impact Funding Program for Neighborhood Groups

Unfortunately, there is currently no source of general operating funding for other types of neighborhood-based organizations that do the vital work of building affordable homes, or organizing community events. Philanthropic foundations invest little in neighborhood-based organizing, and groups that want to develop affordable homes find limited sources of funding to get the project started such as seeking community support, lining up financing, or getting site control of the property. CDCs, civic associations and other neighborhood groups operate on shoestrings, sometimes with little more than volunteer labor. A small but impactful investment in established groups could help strengthen capacity and lead to more meaningful and effective community engagement, including around negotiations with developers about needed community benefits.



### **Require that Market-Rate Projects that Receive Public Subsidies Advance Equitable Development and Consult Nearby Residents and Businesses on Local Needs**

The City often provides incentives for market-rate development projects in the form of deeply discounted land, grants, tax credits, loans, and capital improvements. Policies around public benefit for subsidies in excess of \$250,000 require that opportunities be created for the hiring of Minority, Women and Disabled Owned Business Enterprises (M/W/DBEs). More must be done to ensure that neighbors get adequate return for the public's investment.

For example, in 2014 it was announced that developers of the East Market project at 11th & Market in Center City would benefit from \$4 million in local funding (and another \$10

million from the Commonwealth of Pennsylvania) for a project that will create 322 market-rate apartments, 160,000 square feet of retail space, as well as parking. The new Comcast Innovation and Technology Center will benefit from \$10 million in City funds as well (and \$30 million more from the state). In these two examples, the public funds will be used to make infrastructure improvements such as a below-ground concourse with links to transit for the Comcast building, and above ground pedestrian walkways on Ludlow Street for East Market. And in both cases, the beneficiaries of the subsidy will be required to create Economic Opportunity Plans (EOP), which are designed to give disadvantaged businesses or workers access to jobs or contracts through all phases of the project.

The EOP policy is smart and should be continued, as it requires a plan for how the

project will provide access to opportunities for workers and businesses owned by people of color, women and disabled individuals. This is designed to correct decades of unfair exclusion of those populations from the workforce, and including them should be standard practice for any and all development projects, whether or not a subsidy is involved. We discuss EOPs and reports more and make recommendations to strengthen them on Page 22.

The public—especially the residents and businesses in the vicinity of the project—should get something more in return than EOP plans or access to the improved infrastructure, which ultimately makes the development more attractive to potential tenants and shoppers, and thus benefits the owners' and developers' profitability. The City must go further, and use the lens of Equitable Development when negotiating what benefit the public will receive in exchange for public subsidies to market-rate development projects (beyond the existing 10-Year Tax Abatement which is available to all new and significantly rehabbed projects). Neighborhood occupants, including nearby residents and businesses, should be consulted to help identify an appropriate community benefit return. This "return" could include below-market rents for small businesses, affordable rental residential units, community meeting space, or other benefits that advance Equitable Development. The public benefit should also be in proportion to the economic value of the subsidy.



Comcast's New Innovation and Technology Center, co-owned by Liberty Property Trust and now under construction at 18th & Arch, was awarded \$40 million in City and State subsidies, and will benefit from the 10-Year Property Tax Abatement once completed.

PHOTO CREDIT: GARRETT O'DWYER



## CREATE AND PRESERVE QUALITY, AFFORDABLE HOME CHOICES IN EVERY PART OF THE CITY

### RECOMMENDATIONS IN THIS SECTION:

- Create a Comprehensive Housing Strategy to Help Residents Stay in their Neighborhood of Choice, Improve Neighborhoods and Properties in Desperate Need of Repair and Investment, and Choose Affordable Options in a Variety of Neighborhoods.
- Double Dedicated Revenues to the Philadelphia Housing Trust Fund to at least \$25 Million Per Year.
- Review the 10-Year Property Tax Abatement.

Research shows that if you live in a poor neighborhood, the chances of you becoming economically mobile—or moving out of poverty—are low. That’s because neighborhoods where people in poverty are concentrated typically have poorer performing schools, higher rates of crime, fewer quality of life amenities like well maintained parks or recreation centers, and few quality jobs available. The most effective tool we have against economic segregation is to eliminate poverty and raise the wages of low-income persons. While we work toward that goal, we must deploy another effective tool: give low-income Philadelphians more high quality choices about where to live affordably, as well as to create more mixed-income neighborhoods.

Investments in affordable housing in Philadelphia have been happening for decades, both through the developments of the Philadelphia Housing Authority (PHA) as well as non-profit and for-profit developers that access local, state and federal subsidies and private funds. As a result, thousands of affordable homes have been constructed or preserved in recent years, but the need is for *tens of thousands*. In fact, there are more than 100,000 people on PHA’s waiting list, and vacancies at non-profit affordable housing developments are virtually unheard of. Despite the distinction of having among the highest homeownership rates of major cities in the U.S., those rates have been dropping fast, particularly in moderate-income neighborhoods in parts of Lower Northeast Philadelphia. Budget cuts from Washington have led to the City eliminating investments in the production of new affordable ownership homes.

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“Children’s chances of moving up the income ladder are higher in communities where low-income families are integrated into mixed-income neighborhoods rather than segregated from more affluent households.”

— Professor Raj Chetty, Bloomberg Professor of Economics, Harvard University. Author of “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States” (Chetty, Hendren, Kline, Saez, Turner), June 2014. Available at <http://www.equality-of-opportunity.org>



Additionally, Philadelphia has made great strides in combating homelessness—particularly in reducing the number of people who are unsheltered and living on the streets or other places not fit for human habitation—but thousands of our residents still have no stable place to call home as they are shuffled through transitional homes and shelters or live “doubled-up” in others’ homes.

### Create a Comprehensive Housing Strategy

While the Office of Housing and Community Development (OHCD) creates the “Consolidated Plan” (a.k.a. Con Plan) each year, which is required by the U.S. Department of Housing and Urban Development (HUD) in order to receive federal housing and community development funds, the Con Plan only considers how the City will spend these funds in the upcoming fiscal year. It is not a comprehensive strategic plan; it does not set long-term goals nor outline a strategy for achieving outcomes beyond immediately available funding. It does not create a city-wide housing strategy for attracting market-rate home development into disinvested

neighborhoods, strengthening and providing stability of moderate-income neighborhoods, nor articulate a plan for how subsidized home developments can be integrated along side market-rate in ways that create truly mixed-income communities. The Con Plan does a good job of budgeting our local, state, and federal subsidies each year, but it is not a replacement for a housing strategy.

Meanwhile, the alphabet soup of agencies and programs that play a role in addressing the city’s housing needs—OHCD, PHDC<sup>2</sup>, PHA, PRA<sup>3</sup>, HTF<sup>4</sup>, OSH<sup>5</sup>, PHFA<sup>6</sup>—need to be better coordinated. Otherwise, this can lead to lost opportunities for the City to be more strategic in how it uses scarce public funds, and puts a strain on affordable home developers that are spending a significant amount of time navigating multiple public agencies and their varied priorities and processes, draining already limited staff and financial resources.

The next Mayor must lead more aggressively by creating a comprehensive, strategic, long-term plan to address Philadelphia’s housing needs. By convening relevant public agencies, housing developers from the non-profit and for-profit communities, members of City Council and other stakeholders, this plan should create a vision and set aggressive but achievable goals, should identify ways to streamline the current process of getting affordable home projects completed, and ensure Philadelphia is fully leveraging every resource at our disposal.



Philadelphia Chinatown Development Corporation and Project HOME teamed up to break ground on 810 Arch Street, a nine-story, mixed-use development with retail space and 94 apartment units for formerly homeless and low-income men and women, including young adults at risk of becoming homeless.

PHOTO CREDIT: PHILADELPHIA CHINATOWN DEVELOPMENT CORPORATION (PCDC)



Any forward-thinking housing plan should include, at minimum, three strategies: **STAY, IMPROVE AND CHOOSE:** Allow residents to *stay* in neighborhoods that are improving so they can benefit from the changes; Ensure we *improve* our existing stock of affordable homes so they are of high quality; Allow people to *choose* the right neighborhood for them by creating more affordable options and mixed income housing developments.

### STAY: Prevent Displacement of Residents That Want to Stay

While new investment in a neighborhood improves conditions, it can also lead to rising rents and property taxes that can push out both renters and homeowners that have lived in and invested in the neighborhood for years. But while fears of involuntary displacement are real, we have very little data on how often it actually happens, whom it affects and how their lives are impacted. Policy makers need to find ways to gather that data in order to craft policy solutions that most effectively respond to the challenge. On page 24, we talk more about ways to address issues of displacement.

### IMPROVE: Preserve Existing Affordable Homes

Philadelphia has a large stock of homes that are affordable to the residents that live in them—for example, the senior who paid off her mortgage years ago and now just pays property taxes and insurance, or the market-rate home that is naturally affordably priced for a moderate-income Philadelphian—but are in desperate need of repair to remain habitable. Modest, strategic, targeted home repair programs for low- and moderate-income homeowners are win-win-win: the homeowner builds wealth and equity, the City avoids the need for more costly new affordable home construction by preserving an existing unit, and nearby property owners get a boost in their homes' equity when blighted properties are improved.

Waiting lists for home repair grant programs are many years-long, demonstrating strong need and demand for these valuable services. The City should make a more significant investment in various housing preservation programs, including Basic Systems Repair, Adaptive Modification and Weatherization programs, as well as similar programs implemented by community groups. Given the size

of the need, it's also time to consider new models to bring home repair programs up to scale, such as leveraging homeowner equity to pay for needed repairs.

Similarly, Philadelphia has a large stock of rental housing that is affordable to low- and moderate-income tenants, but many of the properties are in terrible condition. Some landlords who want to be responsible and improve their properties can't make needed improvements without raising the rents beyond what is affordable, which in some neighborhoods might also require rent increases beyond what the market can bear. As a result, the properties stay in poor condition, bringing down the value of the entire neighborhood. The City could offer low- or no-interest loans to help landlords improve properties with a commitment to maintaining affordable rents.



Philadelphia has a large stock of aging homes that are in desperate need of repair. Boosting investment in housing preservation and repair programs helps low-income residents remain in their homes, reducing the need for more costly new construction.

PHOTO CREDIT: NEW KENSINGTON CDC





## Tools for Permanent Affordability

Homes that are affordable due to some form of public subsidy can be temporarily or permanently affordable. Temporarily affordable homes tend to have “expiration dates” of 10–30 years, then can be sold or rented at market-rate prices. This means additional public subsidies are needed in order to replace the homes that are lost from the inventory of affordable homes. Permanently affordable homes use legal mechanisms to keep rents and sale prices controlled for a much longer period of time or in perpetuity. Philadelphia should explore opportunities to create more permanently affordable homes through:

**Community Land Trusts (CLTs):** The resident rents or owns the home, but leases the ground it’s built on from a CLT, which is typically a non-profit. The lease agreement contains provisions to keep the home affordable when it is re-sold.

**Limited Equity Housing Cooperatives (LECs):** The resident buys into a cooperative, rather than owning an individual unit. Shared decision-making and common responsibility are hallmarks of this model, and sale prices can be set by the LEC’s by-laws to maintain affordability.

**Deed-Restricted Homeownership:** The subsidy put into the home reduces the purchase price, and in return, it is required that when the home is re-sold, the new buyer meets income eligibility restrictions.

## CHOOSE: Build Affordable Home Choices and Address Chronic Homelessness

Philadelphia needs more than 60,000 new affordable homes just to meet the needs of those earning at or below 30% AMI, which is \$18,950 for a two-person household in 2014. Organizations and public agencies that provide temporary and permanent housing for those experiencing homelessness are vastly over-subscribed and are forced to turn people away who have nowhere to go. Ending chronic homelessness requires putting more new affordable homes with support services into the city’s housing inventory for those coming out of transitional housing and shelters and in need of a stable place to call home.

Too often, affordable housing developments occur in neighborhoods where the developer can get free or significantly reduced cost property for a reason: because it’s an area that lacks access to high-speed transit, grocery stores or other basic amenities. In order to reduce economic segregation and give more low-income households an opportunity to live in high-quality neighborhoods, the City should develop affordable homes in neighborhoods where amenities such as transit are strong, or property values are high or rising, by using the valuable tools of the Philadelphia Land Bank to not only develop properties in the existing public inventory, but also identify vacant, significantly tax delinquent parcels that should be targets for acquisition and development of affordable homes.

The City should also do more to encourage the development of mixed-income housing in healthy and improving neighborhoods. This will require partnership between City agencies (such as OHCD, the ZBA, PRA, PHDC, the Land Bank, City Council) to identify the right mix of incentives, subsidies, and requirements needed to achieve that goal. A key tool to achieve this is the Philadelphia Zoning Code, which was re-written in 2012, but for which variances and special exemptions are continuously approved by the Zoning Board of Adjustments without encouraging more mixed-income projects. Other incentives could include low-cost or discounted public land, or mandates that affordable units must be created if any public subsidies are involved.

Often when affordable homes are built—either rental or homeownership—the “covenants” that keep them affordable only last between 10 and 30 years. This means public investments in affordability could be lost at the end of those periods, requiring that more subsidies be

spent to replace lost units that may become market-rate. So it’s important that the City do more to facilitate or encourage the creation of permanently affordable homes, such as through long-term deed restrictions, Community Land Trusts, Limited Equity Cooperatives or other strategies, particularly as we develop affordable and mixed-income homes in neighborhoods with high or rising property values.



In 2014, nearly 150 homeless people died on the streets of Philadelphia. Hundreds gather to memorialize their lives at Project HOME’s Homeless Memorial Day, held in December of each year.

PHOTO CREDIT: GARRETT O'DWYER



## Potential New Revenue Sources for the Philadelphia Housing Trust Fund

As Philadelphia grows and our economy improves, policy makers could look to growth areas to capture some resources to increase funding to the Philadelphia Housing Trust Fund. Policy makers should investigate these ideas and others, assess their potential impact and feasibility and consider which of them—or a combination of them—are appropriate Equitable Development tools for Philadelphia:

### Capturing Growth in Revenue of the Realty

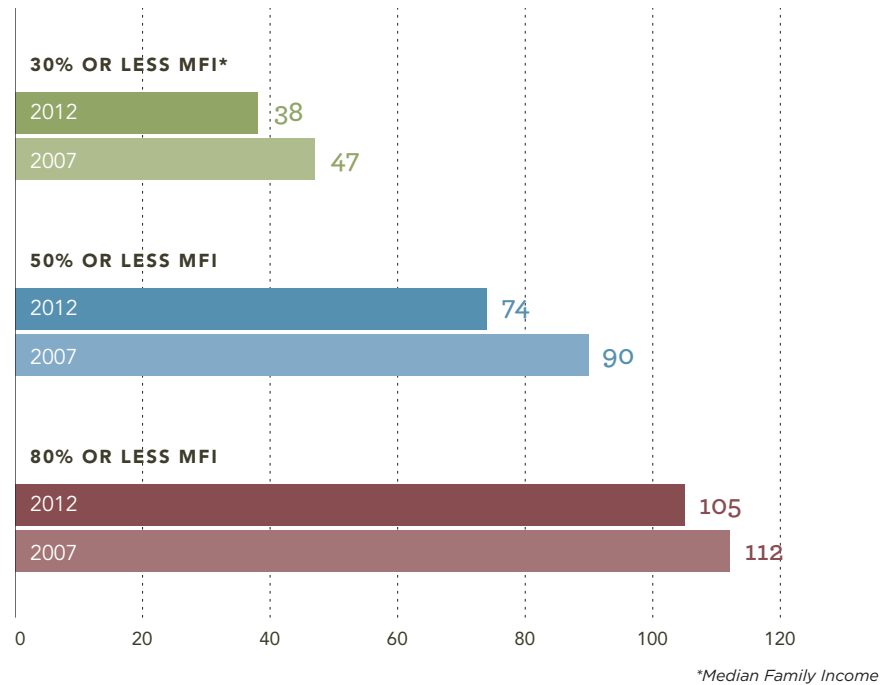
**Transfer Tax:** As the real estate market improves, the revenue the City takes in from the existing local portion of the Realty Transfer Tax grows. If the Housing Trust Fund captured just 50% of the growth in the revenue—without raising the tax itself—above FY15 projections, it could raise \$38 million from 2016 through 2019, or an average of **\$9.5 million per year**.

### Capturing Growth in Property Tax Revenue from

**Expiring Tax Abatements:** All new construction or significant rehab in Philadelphia qualifies for a 10-Year Property Tax Abatement that significantly reduces property tax liability. Abatements on a large number of properties that were built or rehabbed in 2004 and subsequent years are about to expire and as a result, the City's property tax revenue collections are projected to grow. If the City captured just *half* of the projected new tax revenue between 2016 and 2019, nearly \$30 million could be raised, or an average of **\$7.5 million per year**, for affordable homes.

**Development Linkage Fees:** The City could assess a "Linkage Fee" on some new development, a one-time fee per square foot on new construction. If an average linkage fee of just \$3 per square foot were already in place, the City could have raised more than \$30 million just as a result of projects in Center City completed in 2013 or in the pipeline to be completed by 2017 (excluding government, non-profit and public space developments), or an average of **\$6 million per year**.

Fig. 04 NUMBER OF AFFORDABLE UNITS PER 100 RENTER HOUSEHOLDS



SOURCE: Federal Reserve Bank of Philadelphia, *Affordability and Availability of Rental Housing in the Third Federal Reserve District*. February 2015.

## Double Revenues to the Philadelphia Housing Trust Fund to at Least \$25 Million Per Year Through Dedicated Sources

Since 2005, the Philadelphia Housing Trust Fund has helped more than 17,000 households through the production of new homes, preservation/repair of existing homes, home modifications for persons with disabilities, and homelessness prevention programs. These are programs that are working, but need more resources to meet the massive demand and better fill the holes in state and federal funding cuts for affordable homes. For example, funding for programs implemented by community groups that help preserve the existing housing stock through vital repairs have been significantly cut, and the Basic Systems Repair Program has a four-year waiting list. Funding for affordable homeownership development has been eliminated.

The current and next Mayor should work with City Council to identify dedicated revenue sources to increase funding for the Philadelphia Housing Trust Fund to at least \$25 million per year. This would allow the City to leverage more state and federal resources for affordable homes, re-start programs that create new homeownership housing, boost investment in housing preservation, increase the capacity of organizations and services that address homelessness, and ramp up efforts to help low-income homeowners resolve "tangled title" issues that threaten the ownership rights of individuals who inherited a property from a family member that left no will.



### Review the 10-Year Property Tax Abatement

Philadelphia’s 10-Year Property Tax Abatement is intended to encourage new construction and significant rehab by exempting for 10-years property taxes on the improvements made. That means a vacant lot that was developed into a gleaming skyscraper would be taxed only on the value of the vacant lot for 10 years; or a crumbling warehouse turned into condos would be taxed on the value of the land plus the crumbling structure for 10 years. This represents a significant subsidy to both the developer of the properties and the eventual new owners. The developers can sell higher value properties because the buyer factors in their tax savings when calculating how much they can afford to buy. The buyers can then direct their resources towards equity in their property rather than taxes. This subsidy is available to all properties at all price points, and has been used by high-end market-rate luxury development, office and retail space, and low- and moderate-income homes.

There’s no question that Philadelphia experienced a boom in development not seen in decades shortly after an expanded 10-Year Property Tax Abatement was made effective in 2000. It is impossible to say whether the abatement caused the boom in development, or was one of many factors. Similarly, it’s not clear that an abatement that is phased out in years 6 to 10—or one that is capped at a certain amount per unit—would have had a significantly different effect.

But we can say that Philadelphia’s real estate market has strengthened in many neighborhoods in recent years, and it’s simply smart policy to review whether the tax abatement in its current form is the most cost effective and strategic method to encourage the kind of development Philadelphia needs, where we need it, and to achieve Equitable Development.

The next Mayor and Council should conduct an unbiased, thoughtful review relying on quality data and analysis of the tax abatement in order to determine whether the policy should be adjusted to meet our current and future development needs. For example, it may make sense to expand the abatement in neighborhoods that desperately need new market-rate development and some form of subsidy to make the projects viable. But should it be capped to exclude multi-million dollar homes that don’t need public subsidies to be economically attractive for developers and buyers? Should we ask the General Assembly to amend the state authorizing legislation to give us more flexibility, such as longer abatements for developments in some neighborhoods, and shorter for others? These and other questions need to be asked and answered to ensure we are using Philadelphia’s scarce public subsidies in ways that encourage new development and do so equitably.



These luxury homes under construction at 17th & Carpenter in the Graduate Hospital neighborhood are selling at around \$699,000 and above. Like all new construction and significant rehab, the homes qualify for a 10-Year Property Tax Abatement. For these properties, the abatement represents a public subsidy to the owners of approximately \$90,000 per property over the next decade.

PHOTO CREDIT: GARRETT O'DWYER

## EXPAND ECONOMIC OPPORTUNITIES ON OUR NEIGHBORHOOD CORRIDORS AND INCREASE LOCAL HIRING AND SOURCING BY MAJOR EMPLOYERS AND DEVELOPERS

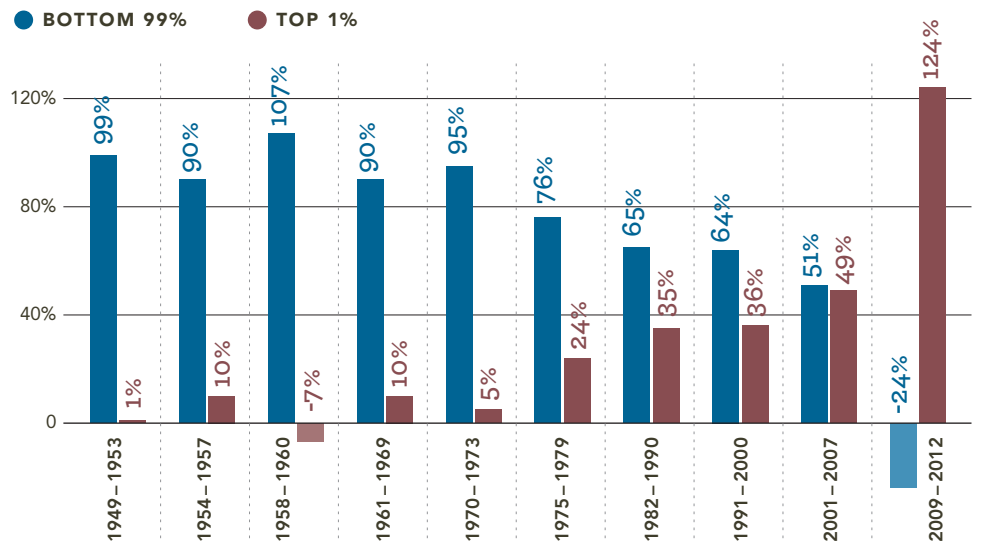


### RECOMMENDATIONS IN THIS SECTION:

- Boost Investment in Neighborhood Commercial Corridor Cleaning, Management and Storefront Improvement Programs to \$4 million Per Year.
- Provide \$3 Million in Local Funds to Leverage Additional State Funds for Mixed Use Development on Corridors.
- Restore Funding to the CDC Tax Credit Program and Expand the Number of Slots.
- Build Here, Hire Here: Hire Local and Disadvantaged Workers for Construction Jobs.
- Enlist Business and Institutional Leaders to Expand Economic Opportunities for Un- and Under-employed Philadelphians By Sourcing More Contracts Locally.

Although Philadelphia's unemployment rate has been slowly decreasing as we recover from the economic recession, it is still far too high at 6.2% as of December 2014. And wages for most actually declined by 24% during the most recent economic expansion, while top earners saw their wages grow by 124%. Philadelphia needs to better capitalize on our strengths as a city to grow jobs and wages for those most disadvantaged. For example, our reputation as a "City of Neighborhoods" could be stronger leveraged by making more significant investments

Fig. 05 THE DISTRIBUTION OF INCOME GROWTH IN PENNSYLVANIA DURING ECONOMIC EXPANSIONS



Pennsylvania's current economic expansion has been great for the top 1% earners while the bottom 99% have seen their incomes decline.

CREDIT: Steven Herzenberg, Keystone Research Center, "The Context for a Fresh Start to Urban Redevelopment in PA." Presentation to the Philadelphia Urban Affairs Coalition, January 2014.



in our neighborhood commercial corridors where small business owners provide goods and services unavailable anywhere else. Our strong “Eds and Meds” sector could be better leveraged with other large employers to increase local hiring and sourcing. Our resurgent real estate market should result in more good-paying construction jobs for neighborhood residents, including disadvantaged workers.

### Boost Investment in Neighborhood Commercial Corridors

Our neighborhood commercial corridors provide local residents jobs, and opportunities for low- and moderate-income people to start and run their own businesses and create wealth. They also offer services and goods to residents near their homes, encouraging local buying, walking and transit. Corridors serve as cultural connectors to people in the neighborhood, and can attract visitors from outside the city if they offer unique products and services. A strong, healthy corridor raises the property values of surrounding homes, also helping build wealth for local residents.

The Commerce Department runs several programs that help small businesses become more stable, attract more customers, and expand their capacity. The Storefront Improvement Program (SIP) provides grants to make properties more inviting to shoppers from the outside, and InStore helps expand the business, build their capacity, and improve the conditions inside the store.

These programs are primarily funded by federal CDBG dollars, which places tight restrictions on how and where the funds can be spent. In fact, the Commerce Department had to significantly revise the SIP program in December 2014 to more closely align it with federal restrictions, which will have the effect of making this successful program far less accessible to small businesses and more expensive to run. Similarly, federal CDBG funds can only be spent in a limited number of neighborhoods that meet HUD’s restrictions. This means that small businesses in gentrifying neighborhoods, which may be owned by low- or moderate-income individuals and/or may serve a low- or moderate-income clientele, cannot access either program when higher-income people move into the neighborhood. The City should provide \$1 million in General Funds to these programs to give the Commerce Department flexibility to run the programs more effectively, and target some resources toward low- and moderate-income small businesses on improving corridors so they can benefit from the improved neighborhood conditions.

Strong neighborhood corridors require strong advocates, organizers, and promoters. Through the Corridor Management Program and Corridor Cleaning program, the Commerce Department provides grants to community groups to hire staff to help businesses on struggling corridors access programs and services, organize the business owners around common purposes, help bring streetscape improvements that make the corridors safer and more attractive to potential shoppers and new businesses, and help market and promote the corridors through events. The Corridor Cleaning program also provides grants to sweep up litter. These are vital programs that are benefitting businesses in high-poverty areas of the city, but are vastly under-resourced. And because nearly all of the funds used for these programs are federal CDBG dollars, there are restrictions that prevent the funds from being spent in some areas of the city that are in need of support. The City should invest a minimum of \$3 million per year in these programs through a mix of local, state and federal funds to allow Commerce to expand them to more corridors, and support corridors that are still in need of investment to stabilize and grow but may be slightly outside of CDBG’s income limits.



The Korean Community Services Center runs the North 5th Street Revitalization Project, which promotes the corridor around 5th & Olney to attract shoppers and diners to this ethnically diverse neighborhood shopping district.

PHOTO CREDIT: NORTH 5TH STREET REVITALIZATION PROJECT



Star Wigs on the 52nd Street corridor in West Philadelphia experienced a dramatic transformation thanks to the Storefront Improvement Program.

PHOTO CREDIT: THE PHILADELPHIA DEPARTMENT OF COMMERCE

### **Provide \$3 Million in Local Funds to Leverage Additional State Funds for Mixed Use Development on Corridors**

The City should also consider ways to create more mixed-use commercial opportunities in neighborhoods where there is a need and demand for diverse retail offerings at various price points. For example, the Pennsylvania Housing Finance Agency (PHFA) is now working with leaders in Allegheny County to launch a pilot of the ReCLAIM program (Revised Community Leveraging Assistance Initiative Mortgage), which will provide financing assistance for mixed-use projects on commercial corridors that often have difficulty accessing traditional forms of financing. But the program will not be offered in Philadelphia until local matching funds are identified. The City should provide matching funds of \$3 million to leverage another \$1.5 million in state funds to bring the ReCLAIM program to Philadelphia, and help disadvantaged small businesses gain access to the newly developed commercial space and revitalize neighborhood shopping districts.

### **Restore Funding to the CDC Tax Credit Program and Expand the Number of Slots**

The Philadelphia CDC Tax Credit has been a vital source of funding—literally a lifeline for many CDCs—to provide flexible support for their work on neighborhood economic development. Under the program, CDCs and non-profit intermediaries partner with one or two businesses in Philadelphia which make a contribution to their non-profit partner of either \$85,000 or \$100,000 per year for ten years (the value of the slots was cut to \$85,000 per year for non-profits entering the program or renewing their 10-Year participation for tax years 2012–2014, but was restored to \$100,000 for tax year 2015). In exchange, their City Business Income and Receipts Tax (BIRT) liability is decreased by that same amount.



“

“The CDC Tax Credit Program provides Tacony CDC a stable dedicated funding stream, allowing us to plan for transformative multi-year projects. We’ve been able to lower our vacancy rate on Torresdale Avenue by 70% and renovate 16 storefronts with 11 more renovations planned over the next year.”

— Alex Balloon, Executive Director and Corridor Manager for Tacony CDC

PHOTO CREDIT: TACONY CDC

PACDC successfully advocated for restoration of the funding for each slot to \$100,000 in 2015. But 30 of the 40 slots were either created or renewed between 2012–2014 and remain at \$85,000 per year until they expire between 2021–2024. The next Administration should work with those CDCs and intermediaries, as well as their tax credit partners, to determine if the businesses have adequate tax liability to allow their slots to be restored to the \$100,000 level sooner. Then, the Administration should work with City Council to expand funding for those slots.

The next Administration should help recruit more business participation in the CDC Tax Credit Program and work with Council to expand the number of slots based on demand. The goal of the CDC Tax Credit Program is to support economic development in neighborhoods that are struggling with high rates of poverty, high unemployment, low wages and few local decent jobs. But the program depends on the CDC to recruit its own tax credit partner, which must be a business in Philadelphia that has a significant tax liability of at least \$100,000 per year (or two businesses with a combined liability of \$100,000). Many CDCs have done this successfully, but some that work in our poorest communities most in need of help don’t have relationships with larger corporate partners. The Mayor, however, has those relationships with Philadelphia’s corporate leaders and can help recruit more businesses to participate and partner with CDCs. When new partnerships are identified, the Mayor should then work with Council to expand the number of slots in the program, since all 40 slots in the program for CDCs and CDC intermediaries are fully subscribed as of early 2015.

### **Build Here, Hire Here: Hire Local and Disadvantaged Workers for Construction Jobs**

Advocates for economic equality have long argued that more construction jobs in Philadelphia need to go to city residents, people of color and women. In 2009 the Mayor’s Advisory Commission on Construction Industry Diversity released a report that documented decades of barriers to jobs in the building and construction trades for women and people of color, including intentional discrimination and its lingering effects that create unintentional roadblocks today. Because these are high-quality jobs that pay family-sustaining wages, and they help Philadelphia residents contribute to our city’s stability and vitality, the next Mayor must commit to making more meaningful progress on access for local and disadvantaged workers.

A 2008 analysis of publicly subsidized projects between 2004 and 2007 showed that 59% of the construction jobs went to workers who lived outside of Philadelphia, 72% were non-minority white, and only 1% were women.<sup>7</sup> No publicly available data exists for projects that are entirely privately funded, but it’s fair to assume participation of disadvantaged workers is lower on projects in which public subsidies cannot be used to leverage better performance. This data shows there is a lot of room to boost local resident and M/W/DBE hiring, particularly at a time when Philadelphia is experiencing a construction boom not seen in decades.



AN ADDITIONAL  
**\$24.7 million**  
in contracts would have been  
awarded to disadvantaged  
businesses and their employ-  
ees between 2009 and 2013  
IF JUST  
19 publicly subsidized private  
projects set and met a  
**30%**  
participation goal.



Construction jobs pay family sustaining wages, but too often, women and people of color lack access to these opportunities. While the City has taken important steps to correct for decades of exclusion, more must be done to achieve equitable access to these jobs on publicly subsidized and privately financed projects.

PHOTO CREDIT: THE WOMEN'S COMMUNITY REVITALIZATION PROJECT

### **Maintain a Commitment to Equal Opportunity Plans and Reports and Expand to Cover Local Residents**

Beginning in 2007, City Council and the Nutter Administration adopted and implemented a series of policies that require public works and publicly subsidized projects with contracts of \$250,000 or more to submit Economic Opportunity Plans (EOP) that set hiring goals on the percentage of disadvantaged contractors, subcontractors or employees (these include construction and non-construction jobs such as materials suppliers). The EOP reports show an intentional effort to increase M/W/DBE hiring, although to varying degrees of success. The number of EOP plans filed increased significantly from just a handful to more than 473, but only 53% of the completed projects reported achieving or exceeding their goals. This contributed \$59.6 million in payments to M/W/DBEs and their employees, or 25.1% of City contract dollars.<sup>8</sup>

PACDC analyzed 19 EOPs from private institutions for projects completed between 2009 and 2013. If all of these projects had set and achieved a 30% goal for M/W/DBE hiring, more than \$208.5 million in contracts would have gone to M/W/DBEs. But their actual performance was just over \$183.8 million, or \$24.7 million less.

The EOPs and reports are an intentional and documented effort to do better, and they assess barriers to participation that the next Mayor should regularly address. For example, access to credit is often cited as a reason a disadvantaged business could not win a City contract, so the next Mayor could look for ways to match up qualified businesses with willing creditors that share the social goals of increased access and participation of women and minorities. If a lack of available and qualified M/W/DBE firms prevents greater participation, the Mayor could align the City's workforce development priorities.

Participation rates will hopefully increase when the Office of Economic Opportunity (OEO) issues its next report, which will cover yet another year in which the participants had experience with these relatively new requirements, and more projects that were in active development or planning stages during the last reporting period will have been completed, ideally showing even stronger participation. In fact, Mayor Nutter has already established a 30% participation goal for FY2015.

EOPs do not include goals for hiring of city residents, which is a missed opportunity to increase hiring of local residents that rent and buy homes here, pay property taxes here, spend more of their discretionary income here, and contribute to a stronger, more stable economic recovery. The EOPs should be expanded to include goals for hiring of individuals or businesses whose primary residence or business location is within the city limits. Bidding preferences already exist for locally owned businesses, so it should be easy to use similar criteria to include local participation goals, as well as to track actual performance.

### **Encourage Privately Funded Projects to Create EOPs and Reports**

The City ordinance requires that EOP reports cover projects that receive more than \$250,000 in public subsidy, so projects that receive less in subsidy, or are entirely privately funded are not required to establish hiring goals or demonstrate good faith efforts to meet those goals. The lack of access to accurate and regularly updated data on private projects led the Mayor's Advisory Commission to include a few key recommendations including union collection and sharing of demographic data, project owner insistence on documentation of and access to that data, City-released quarterly reports on inclusion data and an "Inclusion Report Card." But as of 2014, no updated data has been made publicly available for privately funded projects.

The next Mayor must use his or her leadership and influence to push private real estate developers, contractors, and unions to develop EOP plans and report their progress even when





Large employers in Philadelphia can do more to prioritize hiring from the local workforce and contracting with local firms in order to create economic opportunities for disadvantaged Philadelphians, including women and people of color.

PHOTO CREDIT: NEW KENSINGTON CDC

no public subsidies are involved. He or she must show the players that achieving better access for local and disadvantaged businesses is good for their bottom line: more economic stability for city residents means greater demand for the goods, services and products that drive private, market-rate investment and construction.

### **Enlist Business and Institutional Leaders to Expand Economic Opportunities for Un- and Under-Employed Philadelphians By Sourcing More Contracts Locally**

Attacking inequality is not solely the job of advocacy groups and government. Philadelphia's business and institutional leaders must deploy more of their resources to create economic opportunities that lift people out of poverty, allow for wealth-building, and provide stability. This is a particularly important responsibility for large institutions and corporations that have benefitted greatly from public subsidies, tax breaks, or tax exemptions in prior years before EOPs were required, and non-profit medical and educational institutions that benefit from tax exempt status. Creating economic opportunities and growing wages in the city is in the best interests of these large corporations and institutions as well, as it creates a stronger customer base and stronger markets, contributing to a more stable economy for all Philadelphians.

As noted above, Philadelphia is making a meaningful effort to increase opportunities for M/W/DBEs through the City's own contracting and in construction of projects that receive \$250,000 or more in public subsidies.

The Next Mayor should go further and challenge the City's leading businesses and institutions, including universities and colleges, hospitals and health care systems, airlines, insurers, and others to spend more of their operational dollars locally and with M/W/DBEs on *all* projects, including those that are not subsidized. In the course of regular business unrelated to construction of new buildings, large institutions and businesses buy materials, contract out services ranging from accounting to linens, food service to cleaning service, and everything in between. Philadelphia's leading institutions and businesses should look at where they are sourcing their services or products from outside the City and region, and make an effort to buy local and hire local, including M/W/DBEs.

Modeled on the EOPs and plans, the next Mayoral Administration should work with these employers to set goals for how they will increase their local and M/W/DBE sourcing and hiring over the next four years and report annually on their progress. The idea of local hiring and sourcing as an Equitable Development tool is already being pursued by collaborations of non-profits and institutions in and around University City, which provides a model for taking this idea to scale city-wide.

The Administration should also identify where the City needs to invest in workforce development and local entrepreneurship that could help employers fulfill local sourcing goals by creating new industries in Philadelphia that can serve large and small employers alike, if the existing workforce or industry cannot currently meet the demands created by these new goals. For example, if 10 large institutions in Philadelphia hire non-local firms to do pest control because there is no Philadelphia based industry to meet the demand effectively, the City should help potential pest-control entrepreneurs either start or scale up their current businesses to compete.

This could help those smaller businesses compete for state and federal contracts as well, such as from PHA, which are bound by federal procurement rules that prevent them from prioritizing local sourcing, but could still choose to hire a local firm that is a strong competitor.



## UNDERSTAND THE THREATS AND IMPACTS OF DISPLACEMENT AND EXPAND ASSISTANCE PROGRAMS

### RECOMMENDATIONS IN THIS SECTION:

- **Collect and Analyze Data to Understand Displacement.**
- **Strengthen Enrollment in Property Tax Assistance Programs and Homeowner Education.**
- **Help Small Business Owners Facing Displacement.**
- **Give Renters More Notice of Rent Increases.**

When people talk about gentrification in a negative way, it is because they fear changes to a neighborhood that threaten the stability of long-term residents and businesses. Everyone wants cleaner streets, better access to amenities, improved property conditions and safer communities. Everyone wants the value of their property to appreciate, which strengthens their prospects for wealth creation. What critics of gentrification don't want is to be displaced involuntarily because they can't afford the property taxes or rising rents in improving communities.

But the truth is we simply don't know how big a problem this is in our neighborhoods. We don't know how many property owners lost their properties to tax foreclosure because the neighborhood improved, versus because their own financial situation changed by the loss of a job or a medical crisis. We don't know how many long-time homeowners sold their properties to "cash in" on the equity of their asset, or felt forced to sell to avoid becoming tax delinquent and losing their property involuntarily. We have no data on rents and renters, and how many people had to leave their homes because the landlord increased the rent to an unaffordable level, or sold the property to a new owner-occupant to profit from his or her investment. We also don't know how gentrification affects small businesses: how many go out of business because there simply is no longer a demand for their products or services in the neighborhood, versus how many are forced to leave because rents are skyrocketing? And we don't know how many residents have been displaced from their community of choice, where they went and what impact it had on their lives, the social cohesion of the community they left and the community to which they moved.

### Collect and Analyze Data to Understand Displacement

In order to make smarter policy decisions, the City needs to make it a priority to begin collecting data on displacement. Here are a few ideas that could serve as a starting point for better data gathering and analysis:

- A coordinated effort with City Council offices to collect data based on calls they get from constituents who are faced with displacement.



Long-time residents of neighborhoods that are seeing rents and property taxes rise when the community improves are at risk of being “priced out” and involuntarily displaced. The City must look for ways to protect both homeowners and renters from being forced to leave the communities they call home.

PHOTO CREDIT: NEW KENSINGTON CDC

- Requirements that landlords report rental rates when filing their annual rental licenses, with some protections for the landlords in how the data would be used to encourage honest and accurate reporting.
- Coordination and cooperation between housing counselors, Philadelphia’s model Mortgage Foreclosure Diversion Program, and the City’s tax foreclosure processes to identify how many cases are as a result of rising property taxes due to improving neighborhoods.
- A collaboration between the Commerce Department and neighborhood business associations and commercial corridor managers to survey business owners on our changing neighborhood commercial corridors to identify any that offer vital and needed services and products to the community, but are struggling to keep up with rising rents.
- Public release of data about participation in property tax circuit breaker programs designed to help homeowners avoid displacement.
- Partnerships with area universities to gather ethnographic data about those who are displaced, and what happens to them.

Better data on the scale and impact of displacement from these or other sources is vital to help policy makers determine the most strategic, effective way to ensure all residents and small businesses can benefit from improving communities.

### **Strengthen Enrollment in Property Tax Assistance Programs and Home-Owner Education**

A series of property tax relief measures were adopted by City Council in 2013, and further strengthened in 2014, in order to soften the blow of dramatic spikes in property taxes due to rising property values and reassessments through the City’s Actual Value Initiative (AVI).<sup>9</sup> They have also helped residents whose taxes are rising as a result of a stronger real estate market.

These measures are smart, strong tools we already have in place to help homeowners, but must be better promoted to increase enrollment. In fact as of the summer of 2014, it was estimated that 30% of eligible households were not receiving the homestead exemption, only \$12.5 million of the \$20 million set aside for the LOOP program had been used to provide property tax relief to long time owner occupants, and only 15 households were enrolled in the deferral program city wide, using less than \$18,000 of the \$3 million set aside for it. So there is approximately \$10.5 million that the City budgeted in property tax relief for these programs that is not being used. The City should re-allocate \$2 - \$3 million of those funds towards housing counselors, legal services groups and neighborhood-based groups that are trusted by community residents, and employ culturally appropriate outreach tactics that can more effectively get residents enrolled in the programs for which they qualify.



## Philadelphia Offers Tools to Help With Property Taxes

The City of Philadelphia offers residents several tools to help them avoid property tax delinquency and foreclosure as a result of property taxes. Find out if you're eligible by contacting the City's Department of Revenue or Office of Property Assessment.

### Long-Time Owner Occupants Program

**(LOOP)**—Property tax relief for long-time homeowners experiencing a steep increase in property taxes. (215) 686-9200. [www.phila.gov/loop/Pages/default.aspx](http://www.phila.gov/loop/Pages/default.aspx)

### Real Estate Tax Deferral Program—

Defers payment of increased real estate taxes on principal residence until property sale. (215) 686-6600.

**Low-Income Senior Citizen Real Estate Property Tax Freeze Program**—Freezes tax rates and assessments for qualifying low-income seniors. (215) 686-6442.

[www.phila.gov/Revenue/payments/agreements/Pages/SeniorCitizenPrograms.aspx](http://www.phila.gov/Revenue/payments/agreements/Pages/SeniorCitizenPrograms.aspx)

**Homestead Exemption**—Offers real estate tax savings to all Philadelphia home owner-occupants by reducing the taxable portion of their property assessment by \$30,000.

(215) 686-9200. [www.phila.gov/OPA/ABATEMENTSEXEMPTIONS/Pages/Homestead.aspx](http://www.phila.gov/OPA/ABATEMENTSEXEMPTIONS/Pages/Homestead.aspx)

### Owner-Occupied Real Estate Payment

**Agreement**—Allows homeowners to make monthly payments based on their income and household size to pay down their past due real estate taxes.

(215) 686-6442 <http://www.phila.gov/Revenue/Assistance/Owner%20Occupied%20Payment%20Agreement%20Application%20Packet.pdf>

Similarly, homeowners whose home value has significantly increased need better education on how to manage the asset so they are not taken advantage of by unscrupulous and predatory individuals. Community groups and neighborhood residents tell stories of potential investors offering cash to buy properties at far-below market value, and that some homeowners are easily duped because they don't know the value of their investment. The City should look into matching housing counseling assistance for long-time, low-income homeowners with free or reduced-cost property assessments before a homeowner considers selling.

## Help Small Business Owners Facing Displacement

Small businesses that offer valuable and needed products and services to the neighborhood but rent their stores are at risk of displacement in favor of higher paying tenants when a neighborhood begins to attract more investment. But when a small business is displaced, the fate of their business is at risk as their location is often a critical part of their customer attraction strategy. Low-income neighbors could lose access to amenities they need, forcing them to travel greater distances to find basic goods and services at prices they can afford.



Philadelphia policy makers need better data to understand the threat of displacement on small businesses as a result of rising rents in improving communities.

PHOTO CREDIT: GARRETT O'DWYER



In addition to gathering better data to understand how small businesses are being effected in order to craft effective policy solutions, we can begin experimenting with strategies in rapidly changing neighborhoods as pilot programs. Pilot programs could include:

- **HELP SMALL BUSINESS RENTERS BECOME OWNERS OF THE PROPERTIES FROM WHICH THEY OPERATE**, which could not only give them stability in the neighborhood, but could also help them build equity and wealth. The City should use existing tools at its disposal, such as the Philadelphia Land Bank, to identify properties on commercial corridors that could be available for low-cost purchase by small business owners. The Commerce Department should also evaluate what tools it has at its disposal to help small businesses transition from renters to owners.
- **OFFER RENTAL REBATES TO SMALL BUSINESSES IN CHANGING NEIGHBORHOODS**. Short-term rent rebates were used in the American Street Empowerment Zone in order to attract new businesses or help existing businesses expand. Of the 103 businesses that took advantage of the program, 70 were still in businesses when the program ended after 2 years, and approximately 15 ended up buying property in the area. This program was meant to re-activate vacant and underused commercial space, but it provides a model that could be built upon in order to help provide stability to businesses in rapidly changing neighborhoods.
- **TARGET NEW AFFORDABLE MIXED-USE DEVELOPMENT TO CHANGING NEIGHBORHOODS**. As the City pursues strategies to build affordable homes in gentrifying neighborhoods in order to create economic diversity in housing, it could do the same for commercial space through mixed-use projects: ground floor commercial and upper floor residential, all at affordable rents for income-restricted residents and businesses.

These recommendations will not solve the problem of small business displacement city-wide, and may only help a small number of businesses, but they are options we can pursue while gathering the data we need to craft well-informed policy solutions.

### **Give Renters Notice of Rent Increases and Other Help to Remain**

There are few tools available to us now to help residents being displaced due to rising rents. A healthy real estate market allows responsible property owners to charge rents that are fair and can be borne by the market. The best thing we can do is to build new and preserve existing affordable rental homes in improving neighborhoods, as we advocate for throughout this document. But City Council should also adopt an ordinance to give renters more notice, such as 90 to 120 days, when a landlord plans to raise the rent so the tenant has adequate time to find alternative housing.

Programs to boost homeownership could also be targeted to low- and moderate-income renters whose landlords want to sell their properties to an owner-occupant. This could include homeownership counseling, down-payment assistance, or help with closing costs.

Better data on how renters are being affected—and how big of a problem displacement is for long-term renters—must be used to help develop other appropriate solutions.



## ATTACK BLIGHT, VACANCY, AND ABANDONMENT IN ALL NEIGHBORHOODS

### RECOMMENDATIONS IN THIS SECTION:

- **Maintain a Commitment to an Effective, Transparent, Accountable, and Equitable Philadelphia Land Bank.**
- **Hold Property Owners Accountable to their Neighbors by Fully Funding and Staffing L&I's Vacant Property Unit and Code Enforcement Strategies.**
- **Help Low-Income Home Owners Become Code Compliant By Making Needed Repairs.**

**F**ar too many neighborhoods in Philadelphia are plagued by vacant lots, blighted abandoned buildings, and poor property conditions. This deters investment in neighborhoods that desperately need it, strips equity from nearby homeowners who are often low-income and long-term residents, and creates a welcoming environment for illegal activity. In addition to the other strategies outlined in this paper, we have two other powerful tools to attack vacancy and blight: The Philadelphia Land Bank and Code Enforcement. The next Mayor and City Council must be fully invested and committed to both of these strategies, and implementing them in ways that advance Equitable Development.

### **Maintain a Commitment to an Effective, Transparent, Accountable, and Equitable Philadelphia Land Bank**

Thanks to the advocacy of PACDC and our allies in the Philly Land Bank Alliance, the Nutter Administration and City Council agreed that creating a Philadelphia Land Bank was a necessary reform to get vacant properties throughout the City back into productive re-use more quickly. The Philadelphia Land Bank opened for business in January 2015 when it issued its first Request for Proposals after a year of work by the Nutter Administration, City Council and advocates to craft a Strategic Plan and Disposition Policies.

The Land Bank Strategic Plan and policies—including policies on how and why it will acquire new, privately held tax delinquent vacant properties, as well as how it makes decisions about disposition of those properties—are vital tools for advancing Equitable Development. The Land Bank will be able to use acquisition and disposition to create affordable homes in neighborhoods where property values are rising or already high; create green space or community gardens in neighborhoods that lack access to those vital resources; spur the development of both affordable and market-rate housing in disinvested neighborhoods; invest in commercial development, and so on.

But the Philadelphia Land Bank will only be successful if it has the full commitment of the next Mayoral Administration and City Council. The Mayor must require cooperation of other City departments, ensure adequate funding for the Land Bank's operations, and ensure the Land Bank staff is empowered to do this very big job.



The next Administration must update the Strategic Plan each year, which must be approved by City Council. The next Administration will also need to publish an annual report on the Land Bank's operations that will help all stakeholders hold the Land Bank accountable to its Equitable Development and transparency goals.

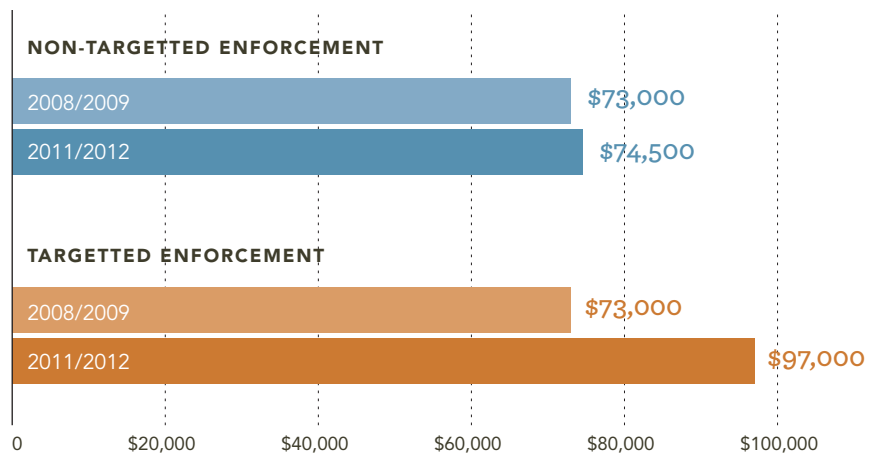
The next Administration will also have to work to further strengthen the Land Bank based on its initial year of performance. In addition to learning a tremendous amount during those first few months of operation that could lead to changes to how the Land Bank functions, a better inventory of vacant properties is also needed city-wide, including information on publicly and privately held vacant parcels, whether they are structures or lots, and their condition.

Over time, the Land Bank should include surplus vacant properties held by the Philadelphia Housing Authority (PHA), which the next Mayor must make happen.

### Hold Property Owners Accountable to Their Neighbors by Fully Funding and Staffing L&I's Vacant Property Unit and Code Enforcement Strategies

When irresponsible property owners don't maintain their properties, and allow them to become deteriorated or vacant, the entire neighborhood suffers. Homeowners and private investors are deterred, public resources are strained dealing with complaints about trash, maintenance, crime, or unsafe conditions, and nearby homes lose value. Additionally, too many landlords in Philadelphia leave their properties in poor condition, which is not only unfair to their renters who live in substandard conditions, but drags down the entire neighborhood.

Fig. 06 **MEDIAN HOME SALE PRICES BEFORE AND AFTER INTERVENTION**



Median home sale prices were higher in neighborhoods where L&I deployed targeted Code Enforcement measures compared to comparable neighborhoods where enforcement was not targeted.

SOURCE: Strategic Property Code Enforcement and Its Impacts on Surrounding Markets, The Reinvestment Fund, August 2014.



Some of our neighborhoods are plagued with vacant and deteriorating properties that threaten public safety, attract crime, and strip equity and wealth from surrounding properties. An Equitable Philadelphia requires effective property Code enforcement and maintenance of vacant properties, as well as strategies to get vacant properties back into productive use.

PHOTO CREDIT: GARRETT O'DWYER

The Department of Licenses and Inspections (L&I) is responsible for enforcement of the City's Property Maintenance Code, including issuing notices of violations, assessing fines, and where necessary, seeking actions by a Court to get violations corrected. In 2011, L&I created its Vacant Property Strategy, a special unit with dedicated staff that proactively enforced rules on vacant properties to great results. This was especially true around enforcement of the City's Windows & Doors ordinance, which requires operable doors and windows on all buildings on blocks that are at least 80% occupied. But due to growing priorities by L&I to address building demolition safety, resources for this special unit were diverted and enforcement of the Code has become inconsistent. The current L&I Commissioner has committed to ensuring the resources and staff necessary to reinvigorate this unit will be put in place, and the next Administration should maintain and deepen that commitment.

In addition to strengthening enforcement of the requirement that landlords have rental licenses, the next Mayor should ensure that L&I has the resources to do a better job of inspecting rental properties that have histories of Code violations and tax delinquencies and holding irresponsible owners accountable.

### **Help Low-Income Homeowners Become Code Compliant By Making Needed Repairs**

Additionally, Code Enforcement must be done in a way that does not penalize property owners who want to be responsible, but are low-income and lack access to resources to correct Code violations. Rather than cite those property owners and send them bills for fines they cannot afford to pay—and often do not pay—a smarter and more equitable strategy would be for the City to make the repairs quickly and efficiently, and pursue creative strategies in cooperation with the homeowner to pay for that work by tapping available equity in the property. Better funding for the Basic Systems Repair Program, a targeted housing preservation program or other strategies, and coordination with L&I's Code Enforcement unit, could also help pay for some of those repairs.





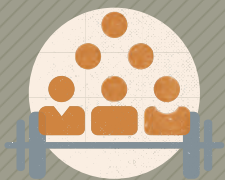
# Conclusion

The policies recommended in this document are designed to create a more Equitable Philadelphia: one in which those who are most disadvantaged in today's social and economic systems are given opportunities to benefit from an improving City.

This includes having strong neighborhood based-organizations; being part of decision making about projects that could change their neighborhoods; having quality, affordable homes in healthy, vibrant and safe communities; and having opportunities to move out of poverty and create wealth.

These recommendations are limited to what PACDC and our members have the greatest expertise in; much more is needed to make our public schools top notch, create a fairer economy in which people earn family sustaining wages and benefits, eliminate disparities in health and wellness, and expand access to arts and culture.

Philadelphia's current growth and revitalization must be continuously encouraged and nurtured. Policy makers, community residents, non-profit leaders, as well as business and institutional leaders can do that by pursuing these strategies and recognizing that equity is the model for growth: when our poorest and least advantaged neighbors do better, we all do better. That is the path toward an Equitable Philadelphia.



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## ENDNOTES

- <sup>1</sup> Econsult Corporation, Penn Institute for Urban Research and May 8 Consulting, for PACDC and the Philadelphia Redevelopment Authority, *Vacant Land Management in Philadelphia: the Costs of the Current System and the Benefits of Reform*. November 2010. Available at <http://www.phillylandbank.org/reports>
- <sup>2</sup> Philadelphia Housing Development Corporation
- <sup>3</sup> Philadelphia Redevelopment Authority
- <sup>4</sup> Philadelphia Housing Trust Fund, which is administered by OHCD
- <sup>5</sup> Office of Supportive Housing
- <sup>6</sup> A state agency, the Pennsylvania Housing Finance Agency, administers the largest source of funding for affordable homes called the Low-Income Housing Tax Credit
- <sup>7</sup> Kevin Gillen, *Demographic and Geographic Composition of the Philadelphia Building Trades*, April 2008
- <sup>8</sup> 49% for Quasi-Public projects, 57% for City projects and 58% for Private/Non-Profit projects. It is important to note that some projects came close to their goals, but they are not considered to have “met or exceeded” those goals.
- <sup>9</sup> The Actual Value Initiative (AVI) was implemented by the Nutter Administration as a means to correct decades-long inaccuracies and inconsistencies in the way Philadelphia assessed the value of properties, and property taxes. As a result of AVI, some homeowners saw their property tax bill double, triple or more, while some saw a significant decrease in their taxes.

## Acknowledgements

PACDC thanks all of our members and other supporters of a more equitable city who provided input, ideas and guidance in the development of this platform, including our Board of Directors, our National Advisory Board, our Policy Committee and our Commercial Corridor Working Group.



*Supporting CDCs. Strengthening Neighborhoods.*

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