Community Preservation in Latino Eastern North Philadelphia

In Partnership With:

DREXEL UNIVERSITY
Nowak Metro Finance Lab
Lindy Institute for Urban Innovation

LATINOS & SOCIETY
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Esperanza
Strengthening Our Hispanic Community

ABOUT THIS REPORT

This report was prepared as part of a collaboration between the Nowak Metro Finance Lab at Drexel University; Nueva Esperanza, Inc.; and the Aspen Institute Latinos & Society Program. Funding for the report was provided by the Comcast NBCUniversal Foundation.

Key Staff Members:

Reverend Luis Cortés, Jr. — Founder, President and CEO of Nueva Esperanza, Inc.
Bruce Katz — Founding Director of the Nowak Metro Finance Lab
Domenika Lynch — Executive Director of the Aspen Institute Latinos and Society Program

Benjamin Preis, PhD — Research Fellow at the Nowak Metro Finance Lab
Avanti Krovi — Research Officer at the Nowak Metro Finance Lab
Elijah Davis — Research Officer at the Nowak Metro Finance Lab
Naomi Tariku — Graduate Research Analyst at the Nowak Metro Finance Lab
Rafael Alvarez Febo — Vice President for Advocacy and Community Development at Esperanza
Walter Toliver — Executive Vice President and Corporate Counsel at Esperanza

Additionally, we would like to thank the following individuals for their advice and support in creating this report:

Karen Black — Senior Research Fellow at the Drexel University Lindy Institute for Urban Innovation
Michael Greenle — Managing Director at the Nowak Metro Finance Lab
Milena Dovali — Research Officer at the Nowak Metro Finance Lab
Diego Deleersnyder — Associate Director at Aspen Institute Latinos and Society Program
Peter Knight — Cofounder of Policy Kinetics
Ira Goldstein, PhD — President of Policy Solutions at Reinvestment Fund
Nancy Wagner Hislip — Former Chief Investment Officer at Reinvestment Fund
Karen Fegely — Deputy Commerce Director at City of Philadelphia
Maria Gonzalez — President of HACE
David Kemper — Co-founder & CEO of Trust Neighborhoods
Jim Miller — State Coordinator at Illinois Main Street
Tanya Hahnel — Director of Real Estate at East Boston Community Development Corporation

EXECUTIVE SUMMARY

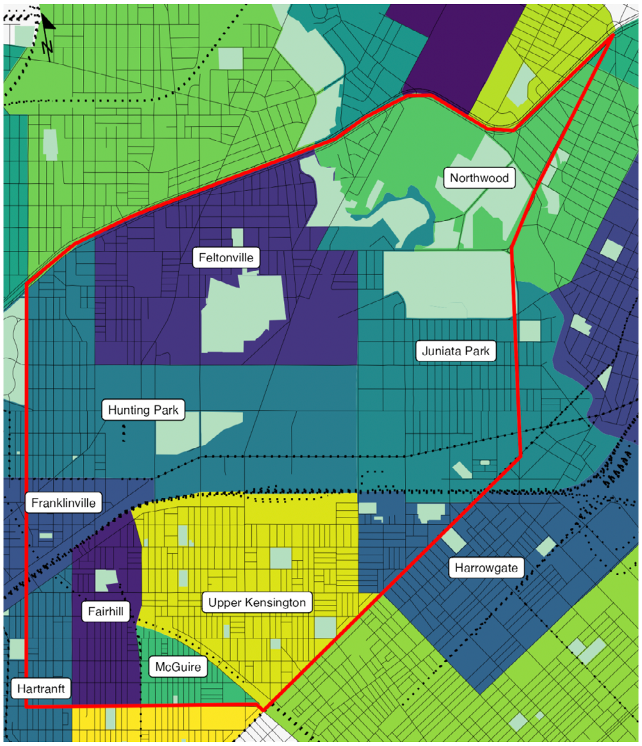


Figure 1: Neighborhoods in Eastern North Philadelphia.

Ethnic enclaves, like Latino majority neighborhoods, provide a cultural vibrancy and diversity that make up the core identity of American cities. Cities use these neighborhoods to promote cultural tourism to bolster engagement, recreation, and economic activity; in turn, these neighborhoods see increased foot traffic and economic investment. Latino residents can benefit from high levels of social capital and community-serving businesses built around their culture.[i] However, decades of disinvestment and limited access to resources have increased poverty in these neighborhoods, creating spatial concentrations of socioeconomically vulnerable groups. Now, amid rapidly fluctuating housing markets, changing neighborhood dynamics, and speculative investors, these communities are increasingly at risk of residential and cultural displacement.

These challenges describe Eastern North Philadelphia. This area includes the neighborhoods of Hunting Park, Juniata Park, Feltonville, Upper Kensington, Fairhill, McGuire, and others. It is home to much of Philadelphia's Latino population, including many Puerto Rican households, who make up the majority of the Latinos in Philadelphia. These neighborhoods are served by Nueva Esperanza, Inc. ("Esperanza") a faith-based nonprofit with its own community development corporation, operating in the area for almost 40 years. This area, represented in Figure 1, encompasses a little over five square miles.

These neighborhoods can best be described as post-industrial neighborhoods: railroad development in the 19th century, followed by manufacturing development in the 20th century, fortified this area as an industrial hub, eventually attracting the Hispanic community between 1950 and 1970.[ii] These 10 neighborhoods are united by their common population and cultural heritage, as nearly 1 in 3 of Philadelphia's Latinos live here (Figure 2), and 2 out of 3 households who live here are Latino. Given the increased cost of housing and commercial space in Philadelphia, there is concern about the future of this community. If gentrification were to hit the study area, one of the few neighborhoods still affordable to Philadelphia's working class could disappear (Figure 3). This is a real concern: nearby, the neighborhoods of Olney and Norris Square have seen rapid price appreciation and changing populations in recent years. By the time signs of gentrification show up in traditional data-driven indicators, like rising housing prices or changing racial composition, it is too late to protect existing, working-class residents. Moreover, changes in the neighborhood's retail environment could result in the displacement of small, local businesses with cultural value.

It is imperative that as rents rise and home values appreciate, there are opportunities to remain in place for those community members who wish to do so. Retaining residents is crucial for support of small businesses, most of which are independent, consumer-facing retail shops in Eastern North Philadelphia. This imperative originates from a belief in self-determination for economic opportunity, a belief that there can and should be opportunities for economic prosperity and self-actualization regardless of the economic resources available at the neighborhood level.

Towards that end, Esperanza has partnered with the Nowak Metro Finance Lab, Aspen Institute Latinos & Society, and Reinvestment Fund to understand how Eastern North Philadelphia can remain a cohesive stronghold for the Latino community while channeling community-oriented investment. This report showcases three key initiatives that Esperanza is in the process of developing to protect vulnerable residents from potential displacement. Additionally, the report provides Esperanza with a *Community Preservation Toolkit*, which identifies a set of strategies that Esperanza can implement, programs that should be implemented or expanded within the City of Philadelphia, and policies that are needed from the state and city to prevent displacement and encourage economic well-being. These strategies, programs, and policies are meant to serve as a comprehensive suite of activities that can help Latino residents and local cultural businesses remain in place.

The report begins with a diagnostic of current conditions in the study area, conducted to ground the Community Preservation Toolkit in the needs of the Eastern North Philadelphia community at this moment. This includes a displacement risk assessment meant to account for displacement risk from both gentrification and disinvestment. We analyze changes in rent and housing prices in the study area, relative to the rest of the city and in absolute terms. We additionally conduct an economic market analysis of the commercial corridor stock, examining the current state of the business landscape in four commercial corridors.

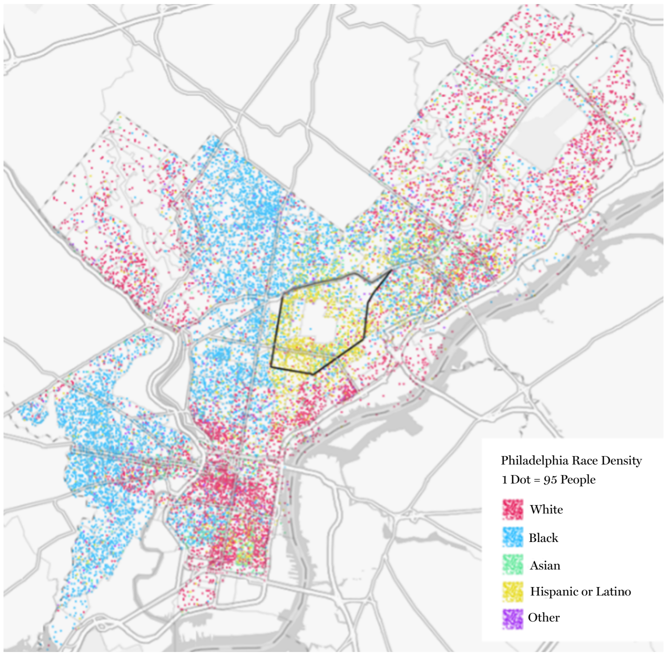
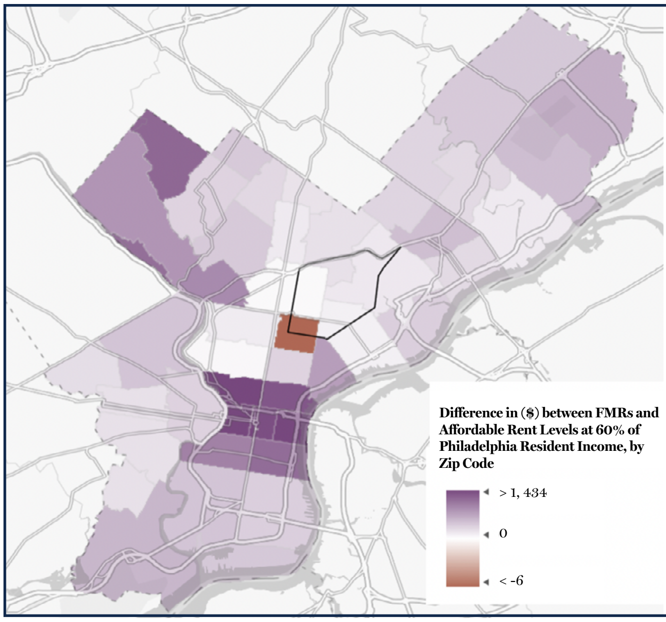


Figure 2: Population Density by Race/Ethnicity in Philadelphia (data sourced from the 5-Year 2021 American Community Survey, US Census Bureau)

The report then presents three key initiatives for community preservation and economic opportunity. First, as Esperanza begins to engage more with the housing landscape, they are developing a promising new model for creating and maintaining low-income rental units—the **Stable Affordable Rental Housing Trust (START)** model. This model aims to provide permanently affordable low-income rental housing, paired with wealth-building opportunities. It is a core strategy for community preservation in the study area and will be implemented by Esperanza in the coming years. Second, a **Commercial Corridor Trust (CCT)** would aim to do for small businesses what START aims to do for residents: create permanently affordable retail space in key commercial corridors. To address cultural and local business displacement, we additionally highlight our policy recommendation for the creation of a **Community Preservation District Program**. This recommendation builds off examples from other cities and states exploring how new forms of preservation legislation can ensure a viable economic market for locally owned businesses and their customers. The report concludes by outlining specific policies, programs, and strategies that can and must be implemented by Pennsylvania, Philadelphia, and Esperanza to make the START, the CCT, and Community Preservation Districts a success.



Reinvestment Fund found that working-class renters vulnerable to displacement may not even be able to access much of the housing stock deemed "affordable" by federal government standards, as Philadelphia's median resident incomes are much lower than the area median income. In Figure 3, for example, we identify zip codes in Philadelphia with 3-bedroom apartments that are affordable for a family of four earning 60% of Philadelphia's median resident income, translating to rent of no more than $1,250 per month. We estimate rent levels for each zip code using Small Area Fair Market Rents and calculate the "gap," finding that zip code 19133 is the only area where the fair market rent does not exceed $1,250 for a 3-bedroom; zip code 19140 has the smallest gap, with rents only $34 more than the affordable rent. Both of these zip codes fall within our area of analysis and illustrate what is at stake for Philadelphia's working-class residents without intervention in Eastern North Philadelphia.

Figure 3

MAIN FINDINGS

We find that the neighborhoods in Eastern North Philadelphia remain the most low-cost in the City of Philadelphia, but that they are still rapidly appreciating. Since 2019, many areas in Eastern North Philadelphia have had asking rents increase by more than 25%, compared to 16% citywide. Similarly, house prices have increased by more than 40% in much of Eastern North Philadelphia, compared to a 30% increase citywide. Nonetheless, Eastern North Philadelphia's housing values and incomes remain in the bottom quartile for the city, and prices for properties in commercial corridors remain depressed relative to comparable commercial corridors in other parts of the city.

Eastern North Philadelphia has an owner-occupancy rate that matches the city-wide average of 53%, and 53% of Latino households in Eastern North Philadelphia are owner-occupants. Approximately 52% of low-income households, including 64% of low-income renter households, in Eastern North Philadelphia are cost burdened or severely cost burdened, representing over 14,000 households.[iii]

Based on our displacement risk index, Eastern North Philadelphia is found to be at high risk of displacement. This risk of displacement is mostly due to Eastern North Philadelphia having high socioeconomic vulnerability. This means that displacement can happen either through investment and growth in the neighborhood, or through disinvestment and a declining population. At present, our quantitative analysis does not find evidence that Eastern North Philadelphia is gentrifying, but does find that there is gentrification in surrounding communities, and many community members observe signs of gentrification at the neighborhood's southern edge.

Philadelphia is a city of commercial corridors, and Eastern North Philadelphia is no exception. There are 15 commercial corridors recognized by the City of Philadelphia that are contained within, or intersect with, the study area. To better understand the landscape for small businesses, we focus on four significant commercial corridors: 5th & Lehigh, Front & Allegheny (both of which are managed by HACE, another CDC operating in Eastern North Philadelphia), 5th & the Boulevard (managed by Esperanza), and Rising Sun & Wyoming (which Esperanza has a contract to maintain for cleanliness). Around 90% of the businesses found on these commercial corridors are small businesses, with over 1,200 employees overall. Approximately 77% of the independent businesses on the corridor are business-to-consumer (B2C) firms, and 90% of those independent B2C businesses are in locally serving (as compared to traded) industries.

These commercial corridors contain many vibrant businesses, with many retail establishments, restaurants, churches, and entertainment venues. Many of these businesses are deeply tied to the community that currently lives in Eastern North Philadelphia, with retail, food, and cultural amenities serving the largely Latino population. As such, a small business preservation strategy must also include a residential preservation strategy, because the businesses currently serve the residents who live in the community.

Sembrando Sueños, Cosechando Esperanzas © 2017, City of Philadelphia Mural Arts Program / Patricia Barrera. Esperanza Academy Charter School, 301 West Hunting Park Avenue. Photo by Steve Weinik.

MAIN RECOMMENDATIONS

Our recommendations for a Community Preservation Toolkit are driven by our findings in the residential and commercial analysis of Eastern North Philadelphia. They are broken into three types of interventions: programs, policies, and strategies. Programs are active sources of funding or support from government to non-profits, businesses, or residents. Policies are active sets of rules or regulations promulgated by state and local governments. Strategies are activities that can be undertaken by Esperanza to strengthen and deepen their work. The programs, policies, and strategies in the Community Preservation Toolkit support three signature initiatives developed by Esperanza: the **Stable Affordable Rental Trust** (**START**), the *Commercial Corridor Trust (CCT)*, and a <u>Community Preservation District program</u>. To make these initiatives successful, the City of Philadelphia and the Commonwealth of Pennsylvania will need to put in place a series of policies, programs, and strategies, as outlined in Table 1. In the table, these tools are <u>underlined</u> if they support the Community Preservation District program, **bold** if they support the START model, and italicized if they support the CCT. Some recommendations achieve multiple functions, and therefore may be simultaneously ***<u>bold, underlined, or italicized</u>***.

Taken together, these 18 programs, policies, and strategies would represent a bold step from the Commonwealth of Pennsylvania, the City of Philadelphia, and Esperanza in retaining economic vibrancy in Eastern North Philadelphia and providing an opportunity for self-determination and economic independence for Latinos living in Philadelphia. Some of these programs already exist in Philadelphia, like the CDC Tax Credit, the Storefront Improvement Program, and the Shallow Rent Subsidy — we are calling for their expansion or reformulation. Other existing policies ought to be modified or expanded, like Tax Abatements and Tenant Protections. Some policies and programs, like the Neighborhood Serving Retail Zones and the Legacy Business Support are wholly new to Philadelphia but have been tried and tested elsewhere in the United States.

Table 1: Programs, Policies, and Strategies Needed for an Anti-Displacement Toolkit

PROGRAMS	POLICIES	STRATEGIES
<u>Neighborhood Economic Development Grants</u>	*<u>Neighborhood Serving Retail Zones</u>*	<u>Business Liaisons</u>
CDC Tax Credit	<u>Legacy Business Support</u>	*<u>Workforce Development</u>*
<u>Storefront Improvement Program</u>	***Residential & Commercial Tenant & Community Opportunity to Purchase***	***<u>Tenant Organizing</u>***
Shallow Rent Subsidy	**Tax Abatements for Affordable Housing**	**Homeowner & Homebuyer Education**
Emergency Housing Assistance	*Uniformity Clause Exemptions*	**Affordable Housing Development**
Housing Trust Fund	**Tenant Protections & Code Enforcement**	**Tangled Title Assistance**

TABLE OF CONTENTS

INTRODUCTION

Research and literature on the displacement of low-income, often Black or Latino, communities has proliferated over the last few decades. The theory of displacement largely derives from Peter Marcuse,[iv] who categorized displacement as a bundle of different, but related, phenomena: direct displacement, chain displacement, exclusionary displacement, and displacement pressure. Direct displacement and chain displacement are related, as they are both household-level and focus on those who were previously in a place and forced to move involuntarily. Exclusionary displacement reflects the fact, once a unit becomes vacant, a new household of similar economic means may be excluded from moving into that unit. Displacement pressure reflects neighborhood change, and how a household may feel like the neighborhood is no longer for them.

Displacement pressures, or indirect displacement, extend beyond just the residential market. Changing neighborhood demographics may induce the displacement of cultural norms, small businesses, and community-serving assets, all of which are critical to preserving cultural identity. Cultural displacement, a term coined by Sharon Zukin,[v] can manifest within the commercial landscape of these neighborhoods, when long-term businesses close or relocate because they do not cater to the interests of newcomers. Even in neighborhoods where newcomers haven't (yet) entered the market, the instability of the retail environment in high-poverty neighborhoods can also result in the displacement of small, local businesses with cultural value.

When we talk about displacement, we're usually focusing on markets that are well into the process of gentrification. However, by the time signs of gentrification show up in traditional data-driven indicators, like rising housing prices or changing racial composition, it is often too late to protect existing, working-class residents. At that point, in mid- or late-stage gentrification, it is unclear how successful policy interventions are in mitigating displacement. For this reason, our team is particularly interested in neighborhoods susceptible to displacement—such neighborhoods may not show up as "gentrifying" through traditional data measures, but they may nonetheless be vulnerable to the various forms of displacement.

The following section represents our diagnostic of Eastern North Philadelphia's residential and commercial makeup. It is broken into three sections: an individual analysis, a housing market analysis, and a cultural and small business analysis. These analyses bring to light the current challenges and opportunities facing Eastern North Philadelphia today. They highlight the current population, and how the population differs from the city overall. The housing market analysis contains an analysis of gentrification, displacement risk, and market value. The cultural and small business analysis looks at the commercial landscape along four commercial corridors in Eastern North Philadelphia, in addition to analyzing commercial sales prices and federal support for small business in the form of Small Business Administration (SBA) §504 Loans. These diagnostic analyses set the stage for the recommended community preservation toolkit, which is meant to harness the opportunities and confront the challenges facing Eastern North Philadelphia

NORTH PHILADELPHIA: INDIVIDUAL, RESIDENTIAL & COMMERCIAL ECONOMIC ANALYSIS

INDIVIDUAL ANALYSIS

This section analyzes the current makeup of Eastern North Philadelphia neighborhoods, in order to understand who currently lives in the neighborhood. The area, which spans 5 square miles, has a total population of approximately 100,000, or 6% of Philadelphia's overall population. 67 percent of the households identify as Hispanic or Latino, according to the US Census Bureau's American Community Survey, while Philadelphia as a whole is only 15% Latino. Table 2, on the following page, provides information about a suite of demographic, economic, and social characteristics of individuals and households who call Eastern North Philadelphia home.

Within Eastern North Philadelphia's geography, the median household income in the neighborhood is extremely low: $27,000 in 2019. The Philadelphia area median income, as calculated by HUD, was approximately $90,000. However, this number is skewed upwards by wealthy suburbs surrounding the city of Philadelphia; the city's median income was $46,000. This means that the median household income in this area of North Philadelphia is equivalent to 30% of the area median income, and only 58% of the city's median income. Additionally, the fraction of households living within 200% of the poverty line is substantially higher in Eastern North Philadelphia than city-wide, 68%, compared to 45%.

Nonetheless, the homeownership rate in Eastern North Philadelphia approximately matches the city-wide homeownership rate, with 53% of housing units occupied by their owners. Approximately 67% of owner-occupants are Hispanic, in line with the percentage of the neighborhood population, and 53% of Hispanic households own their homes. The median homeowner is 52 years old, slightly younger than the city-wide median of 55. Most homeowners (71%) moved into their current homes before 2010. 11% of the housing units are vacant, a slightly lower vacancy rate than the city-wide average.

Renters face strong headwinds in Eastern North Philadelphia. Approximately 60% of renters are cost-burdened, and 40% have a severe cost burden. This rate of cost burden is substantially higher than the city-wide average. Although 24% of rental units are classified as naturally occurring affordable housing,[vi] only 5% of rental households have Housing Choice (also known as Section 8) Vouchers. Low income housing tax credits (LIHTC) and other subsidized units are not particularly prominent: only 2.2% of rental units are LIHTC subsidized units, and the Philadelphia Housing Authority reports no public housing sites within the neighborhood.

Table 2 also breaks apart the study area into its constituent neighborhoods. In general, most of the constituent neighborhoods have fairly similar racial demographics and homeownership rates. Yet there are certainly differences among them. Feltonville and Juniata, for instance, have sizeable Asian populations. While vacancy across Eastern North Philadelphia is below the Philadelphia average, some neighborhoods — again, like Juniata and Feltonville — have exceptionally low vacancy rates. Incomes also exhibit some heterogeneity, with Juniata and Northwood being the highest income neighborhoods — with median incomes of $37,000 and $51,000, respectively. McGuire, Upper Kensington, and Hartranft, by contrast, are the neighborhoods with the lowest incomes, with incomes at or below $20,000. Homeowners in Hartranft and Hunting Park both have a median age of 60 years old, meaning that half of all homeowners are older than 60 years. That may mean that these houses may transfer in the coming decades — either through inheritances or via sale by owners. Esperanza has a vested interest in working with these homeowners to ensure that they are able to make the most of their home equity, while at the same time, preserving the opportunity for future community members to remain in Eastern North Philadelphia.

Table 2: Various Demographic Conditions in Census Tracts/Neighborhoods in Eastern North Philadelphia

	Philadelphia	Eastern North Philadelphia	Feltonville	Franklinville	Hartranft	Hunting Park	Juniata	McGuire	Northwood	Upper Kensington
% White non-Hispanic	34%	7%	6%	3%	2%	3%	13%	3%	11%	9%
% Black	41%	20%	22%	32%	18%	33%	12%	7%	35%	14%
% Asian	7%	4%	10%	0%	1%	2%	8%	0%	2%	1%
% Hispanic	15%	67%	60%	64%	78%	60%	66%	89%	47%	75%
% Units that are Owner-Occupied	53%	53%	55%	38%	48%	53%	63%	58%	68%	47%
% Housing Units that are Vacant	12%	11%	6%	18%	13%	12%	5%	13%	10%	15%
% of Hispanic HHs that own	45%	53%	54%	32%	49%	57%	61%	60%	73%	47%
% of Owner-Occupants that are Hispanic	10%	67%	57%	53%	76%	71%	62%	93%	48%	71%
% of Pop. with college degree	30%	7%	11%	7%	2%	8%	9%	4%	10%	4%
Number of NOAH Rental Units	50,639	3,364	340	244	535	350	291	230	123	1251
% of Rental Units that are NOAH	19%	24%	15%	30%	46%	16%	16%	33%	30%	27%
% of Renters that are Cost Burdened	50%	61%	55%	67%	68%	54%	51%	83%	43%	66%
% of Renters that are Severely Cost Burdened	28%	41%	38%	54%	40%	35%	36%	61%	8%	44%
Number of HCVs	17,605	755	132	56	68	164	130	14	21	170
% of Renter Households with HCV	6%	5%	5%	6%	5%	7%	7%	2%	5%	3%
Fraction of HHs Under 2x the Poverty Line	45%	68%	67%	77%	82%	65%	57%	88%	36%	74%
Median Household Income	$45,927	$26,938	$30,066	$20,577	$17,910	$29,356	$37,224	$16,361	$51,359	$21,797
Median Homeowner Age	55	52	52	57	60	60	49	52	60	50
Median Renter Age	40	40	37	39	42	42	36	41	40	39

Notes: Approximate neighborhood borders given by 2010 Census Tract geographies. ACS 2015-2019 Data. These statistics do not include parts of the neighborhood that fall outside of the Esperanza geography. HHs are households. NOAH is naturally occurring affordable housing, defined as housing with rent less than $700 per month. HCV are housing choice vouchers. Cost burden is defined a household that spends more than 30% of their household income on rent, severe cost burden is defined as spending more than 50% of household income on rent.

LATINOS IN PHILADELPHIA

While Eastern North Philadelphia is the current home to many of Philadelphia's Latino community, it hasn't always been, and it is possible that it won't always be. Indeed, Figure 4 shows the number of residents who identify as Hispanic or Latino over time in Philadelphia. What is first clearly obvious is the growth in the Latino population: in 1970, there were only 45,000 Latinos in Philadelphia; by 2019, that number had grown to over 230,000.

What is also clear is the dispersal of the Latino population. In 1970, many Latinos were found in Spring Garden and Hartranft. By the 2000s, the Latino population left in Spring Garden was very small, with most of the population being found in Eastern North Philadelphia, around Hartranft, Fairhill, and Upper Kensington. Today, Eastern North Philadelphia still retains a large Latino population, but the Latino population is also spreading into the greater North East of Philadelphia. This continual population movement and dispersion is a common story in urban American history, where ethnic communities shift and disperse over time due to a variety of factors. If Esperanza does not act now to preserve the Latino community in Eastern North Philadelphia, there may be a time when they are no longer in these neighborhoods.

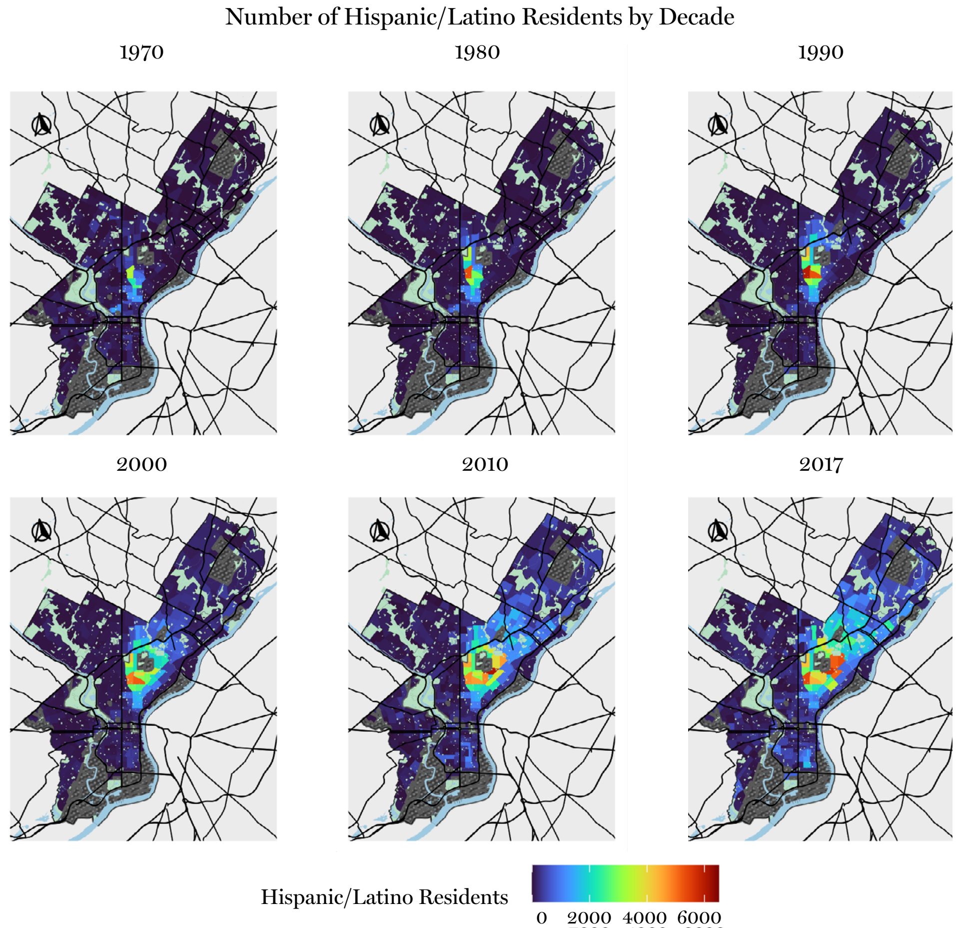


Figure 4: Number of Hispanic/Latino Residents, as reported to the Census (1970, 1980, 1990, 2000) or American Community Survery (2008-2012, 2015-2019), at the 2010 Census Tract level.

HOUSING MARKET ANALYSIS

Our housing market analysis, which can be found in the following pages, provides information about current and historical prices to buy or rent housing in Eastern North Philadelphia. It also shows the results of our gentrification analysis, displacement risk analysis, and a market value analysis from Reinvestment Fund. Overall, we find that Eastern North Philadelphia has among the lowest real estate values in all of Philadelphia, with house values in the bottom 25% of all house values, compared to the overall metropolitan area. The results of the market value analysis show that Eastern North Philadelphia has some of the weakest housing markets in the entire city.

At the same time, we find that housing values and asking rents have increased sharply in recent years, with rents having increased by more than 25%, and housing prices having risen by more than 30%, since 2019. These increases have been faster than the city-wide average: Philadelphia's asking rents have only increased by 16% since 2019, and house values have only increased 30%. In ZIP codes 19132 and 19133, house values have more than doubled since 2019. Taken together, we find irrefutable evidence that North Philadelphia is getting more expensive.

At the same time, our quantitative gentrification analysis does not show any signs of traditional gentrification in Eastern North Philadelphia. All census tracts and ZIP codes contained in the study area have incomes and house values that are in the bottom quartile of the entire region. This means that while Eastern North Philadelphia is getting more expensive, it isn't showing quantitative evidence of gentrification. Instead, the individuals who live in Eastern North Philadelphia are just getting more squeezed, as is evident based on the high housing cost burdens.

At the same time, we find two different indications of displacement risk. The first indication comes from the Displacement Risk Index, which we created based on a modified version of a displacement risk index developed in Seattle. Our displacement risk index considers socioeconomic vulnerability, housing precarity, and amenities that may drive gentrification. This index finds that much of Eastern North Philadelphia is at "very high" or "high" risk of displacement, mainly driven by the vulnerable population and housing precarity, though Eastern North Philadelphia is home to some amenities, such as a high density of schools, restaurants, and public parks. The other displacement measure we use is the "Displacement Risk Ratio," created by Reinvestment Fund. This measure of displacement risk finds that, since 2000, Eastern North Philadelphia's house prices and incomes have lagged the growth of Philadelphia overall.

Taken together, our analyses of house prices, market value, gentrification, and displacement risk show three competing narratives that point to an urgent need for intervention in the housing market. First, Eastern North Philadelphia is getting more expensive, with rapidly rising house values and rents. Second, Eastern North Philadelphia is not seeing quantitative evidence of gentrification; incomes and home prices remain extremely low compared to the Philadelphia region. Third, Eastern North Philadelphia is at risk from displacement. This displacement could take two different forms: displacement from gentrification, if gentrification were to unfold in the future; or displacement from decline, a common occurrence in neighborhoods at the bottom of a region's housing market.

While Eastern North Philadelphia has gotten more expensive, the housing stock remains some of the most low-cost in the city. The time is now to acquire property in Eastern North Philadelphia, where houses can still be acquired relatively affordably, and can be rented to Eastern North Philadelphia residents who find themselves priced out of the rest of the city.

Rising Neighborhood Costs

The left panel of Figure 5 shows the typical asking rent in Eastern North Philadelphia ZIP codes, compared to the city-wide typical asking rent, while the right panel shows house values in Eastern North Philadelphia ZIP codes and city-wide. As is plainly obvious, while these neighborhoods have some of the lowest rents and house values in the city, asking prices are appreciating rapidly. This raises concerns about the continued ability of current residents to remain in place, if they so choose. In other words, if prices continue to rise, those who currently call Eastern North Philadelphia home won't be able to afford it. Nonetheless, the fact that many homes in Eastern North Philadelphia are valued at less than $100,000 means that now is the time to continue to invest in acquisition of a scattered-site portfolio, so that these homes can remain affordable to low- and moderate-income residents well into the future.

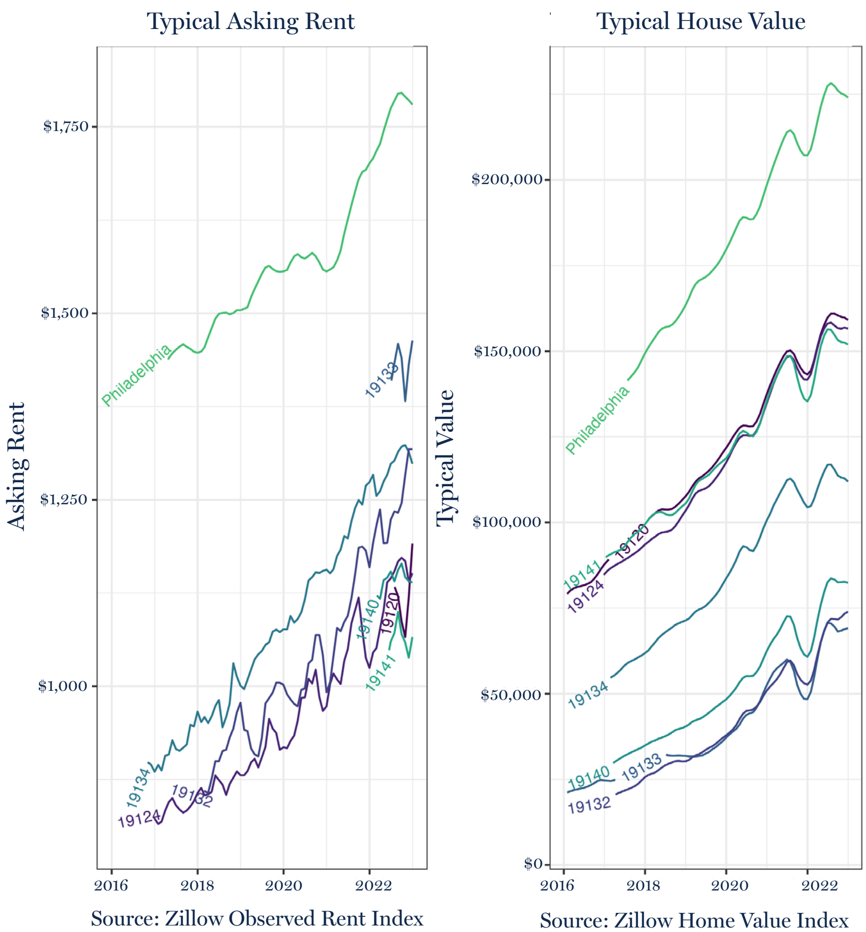


Figure 5: Typical rents and home values in Eastern North Philadelphia and city-wide.

Market Value Analysis

Created in 2000 in support of Philadelphia Mayor John Street's Neighborhood Transformation Initiative, the Market Value Analysis (MVA) is a local stakeholder-informed, data-based, field-validated, examination of a city or region's residential real estate market, conducted by Reinvestment Fund. Completed principally with administrative data reflective of the housing market (e.g., home sales, building permitting, new construction, vacant properties, subsidized rentals, etc.), the MVA is used by localities across the country to make data-based investment and programmatic decisions.

The MVA uses a statistical cluster analysis to sort all of an area's Census block groups into seven to ten market categories. The categories generally range from the strongest (e.g., highest sale prices and permitting activity, etc.), which are designated as "A" markets, to most the most distressed (lowest prices, highest vacancy, etc.) which might be "H" or "I." The markets are further differentiated by characteristics such as the presence of subsidy for rental housing, foreclosures or sheriff sales, housing unit density and tenure.

The most recent MVA can be found in Figure 6. It shows that much of North Philadelphia, including Hunting Park, Strawberry Mansion, and parts of Upper Kensington have the weakest housing markets in Philadelphia, rated "H" or "I". These weak housing markets mean that intervention is imperative, in order to preserve the community that is already there and ensure that future investments are beneficial to the community, rather than parasitic. Additionally, the stronger housing markets to the south of the study area, such as those found in nearby Norris Square and Fishtown, may mean that development pressures may soon spill northward.

2023 MVA

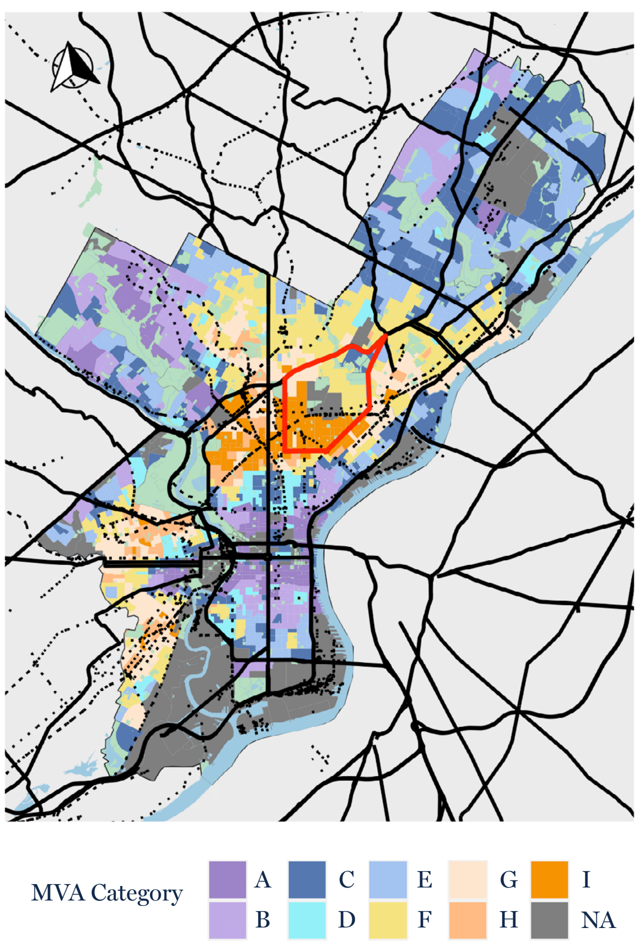


Figure 6

Investor Purchases

Figure 7 is shaded to reflect the percentage of single-family home sales between 2020 and 2022 in which the purchaser was an investor. Investors can represent investment, on the one hand, but can also represent parasitic activity in a neighborhood, depending on the aims and actions of the investor.

There is no definitive field in the public record to denote an investor purchaser, and so Reinvestment Fund used a set of proxies (e.g., grantee name included LLC, LP, Inc, etc.; grantee owns multiple properties) to indicate an investor purchase. Each transaction is reflected with a color-coded point on the map. Colors denote the estimated capitalization rate (cap rate) for the sale. The capitalization rate is one measure by which investors determine the profitability of their investment; the cap rate is the ratio between the net operating income for a property and the purchase price, or present value, of a property. Higher cap rates indicate greater profitability. That estimated cap rate is predicated on numerous assumptions including but not limited to: (a) rental income based on the Small Area Fair Market Rents (SAFMRs) for the number of bedrooms of the property discounted by 15% to account for taxes, maintenance and vacancy, and (b) expenses based on presence of a 10-year loan for 80% of sales price at 7.25% interest rate. Darker color blue dots represent higher cap rates and lighter blue dots, lower cap rates.

What we see are high rates of investor purchases in Upper Kensington, Harrowgate, and around Hunting Park with cap rates that are far in excess of 5%, which is typically considered a standard acceptable cap rate. Based on current prices and expected rents, investors are able to extract high profit margins from renters in Eastern North Philadelphia.

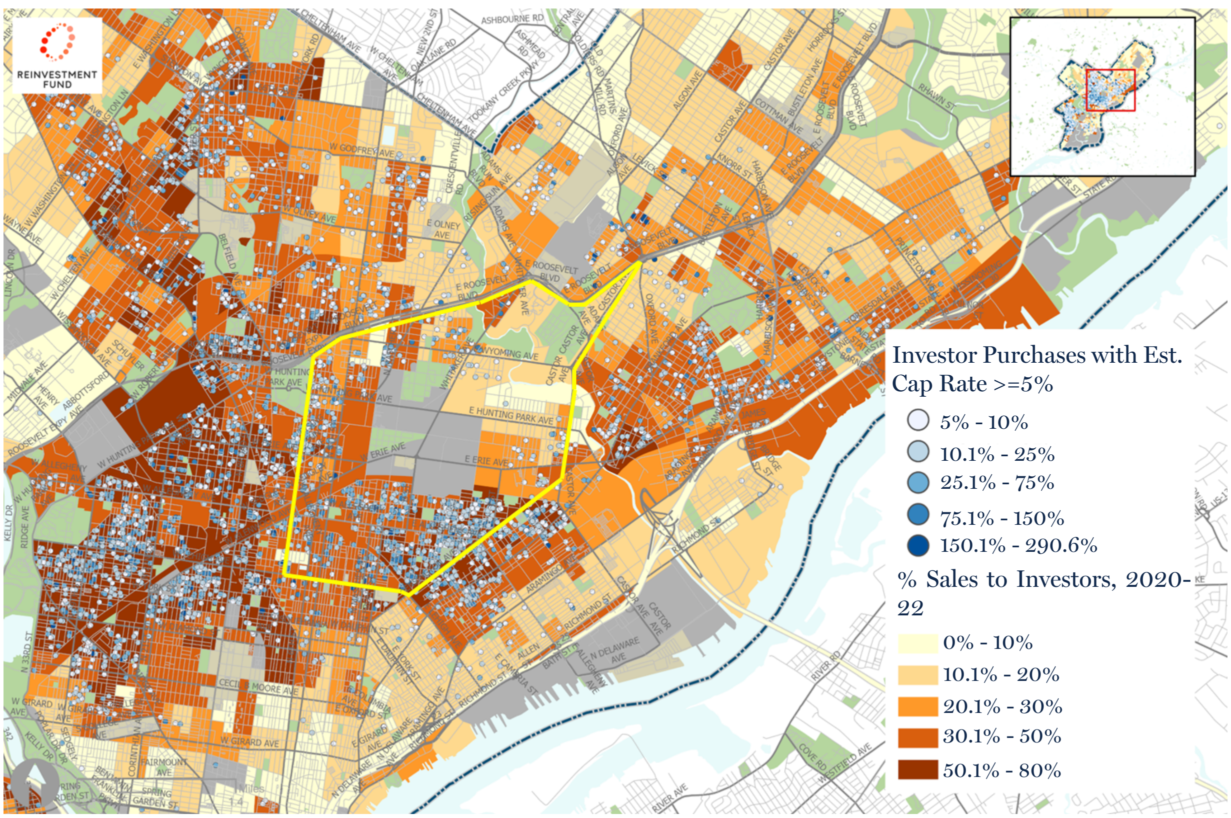


Figure 7: Investor Purchases and Cap Rates in and around Eastern North Philadelphia

Gentrification

What is Gentrification? Gentrification is the process through which previously low-income and affordable neighborhoods become more expensive and less affordable. This occurs through capital investment and in-movement of higher-income or more educated residents, resulting in a changing neighborhood fabric and displacement of low-income groups.[vii]

There are many different ways to measure gentrification. Some methods are retrospective, meaning that they use Census data to look at changes in the population over time to determine whether gentrification has occurred or is occurring. Other methods look at more frequent and updated data to look at changes in house values and incomes. The challenge with these data-driven approaches is that they are often retrospective, identifying the problems of gentrification years after community members note changes to their communities and neighborhoods.

At present, Eastern North Philadelphia does not show quantitative evidence of gentrification. To come to this determination, we use a method recently proposed by MIT and Stanford researchers that compares a neighborhood's relative house prices to a neighborhood's relative average income.[viii] When house prices start rising above incomes, they call that gentrification. The use of their measure also agrees with other studies that have examined gentrification in Philadelphia, including from the Federal Reserve Bank of Philadelphia,[ix] Pew Charitable Trusts,[x] and National Community Reinvestment Coalition.[xi] Although quantitative measures of gentrification have not shown measurable neighborhood change, community members have observed physical changes to the neighborhood, especially south of Erie Avenue, that may indicate gentrification to come, and which haven't been observed by the quantitative measures used here.

Figure 8 shows the relative house prices and incomes in Eastern North Philadelphia ZIP codes (left) and census tracts (right). ZIP codes 19125 and 19122 are not part of Eastern North Philadelphia, but are adjacent to it: 19125 includes Fishtown and East Kensington; 19122 includes Norris Square and Yorktown, all of which are gentrifying, and shows the applicability of this measure to Philadelphia.

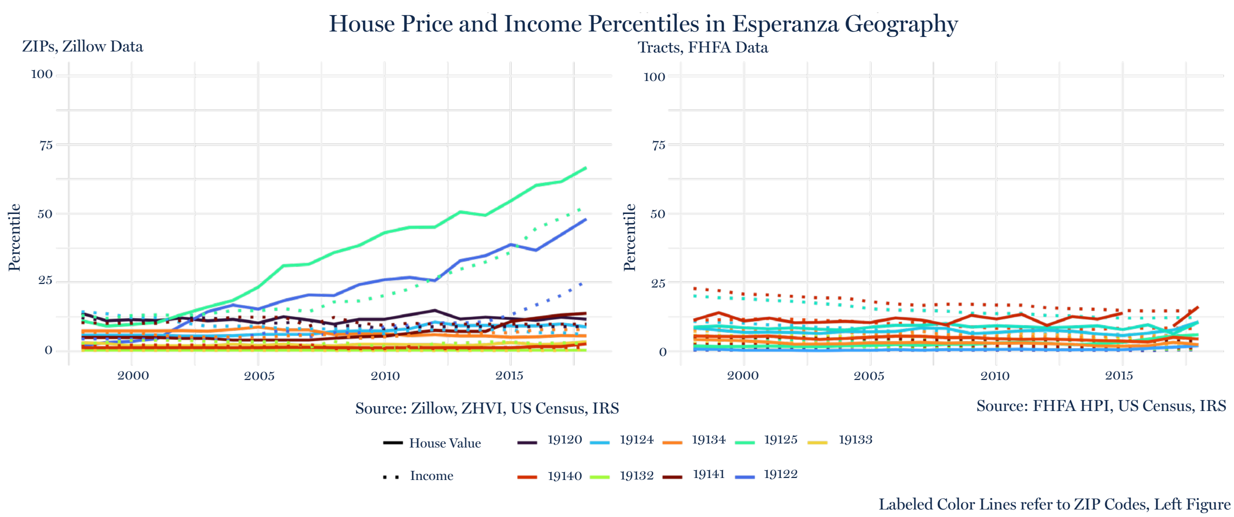


Figure 8: House price and income percentiles, used to measure gentrification.

Displacement Risk

We measure displacement risk in two different ways. First, we create a "Displacement Risk Index," based on the Seattle's Growth and Equity Analysis that was completed for their comprehensive plan.[xii] We modify their measure in a few ways, in order to reflect displacement from disinvestment, in addition to displacement from gentrification. Thus, we include rates of building code violations, foreclosures, evictions, and property tax delinquency. Unlike Seattle, we exclude rents, development capacity, travel time to job centers, and proximity to high-income neighborhoods.

Thus, our Displacement Risk Index looks at the intersection of socioeconomic vulnerability, amenities, and housing precarity:

Table 3: Components of the Displacement Risk Index

SOCIOECONOMIC VULNERABILITY	AMENITIES	HOUSING PRECARITY
Fraction of population that is non-Hispanic	Proximity to SEPTA regional rail, subway, trolleys, and high-frequency busses	Fraction of population with housing cost burden or severe housing cost burden
Fraction of population that is Non-English speaking	Proximity to supermarkets, pharmacies, and restaurants	Rate of tax delinquent parcels
Fraction of population without a college degree	Proximity to schools, recreational centers, libraries, and parks	Rates of foreclosures
Fraction of population who are Renters		Rates of evictions
Fraction of households with income less than 2x the poverty line		Rates of housing code violations

What is displacement? Displacement occurs when people who wish to remain in a house or in a neighborhood are unable to do so. However, there are different types of displacement including direct displacement, chain displacement, exclusionary displacement, and displacement pressure. Direct displacement and chain displacement are related, as they are both household-level: someone was previously in a place and forced to move involuntarily. Exclusionary displacement reflects the fact, once a unit becomes vacant, a new household of similar economic means to the prior household may be excluded from moving into that unit. Displacement pressure reflects neighborhood change, and how a household may feel like the neighborhood is no longer for them.

Displacement risk can come both from gentrification and neighborhood upgrading and from disinvestment and decline. Both trajectories of displacement are concerning, and they require targeted responses.

Displacement is hard to measure directly, because we don't have good data on individuals' movement.

Figure 9 shows the Displacement Risk Index when all three components are added together.

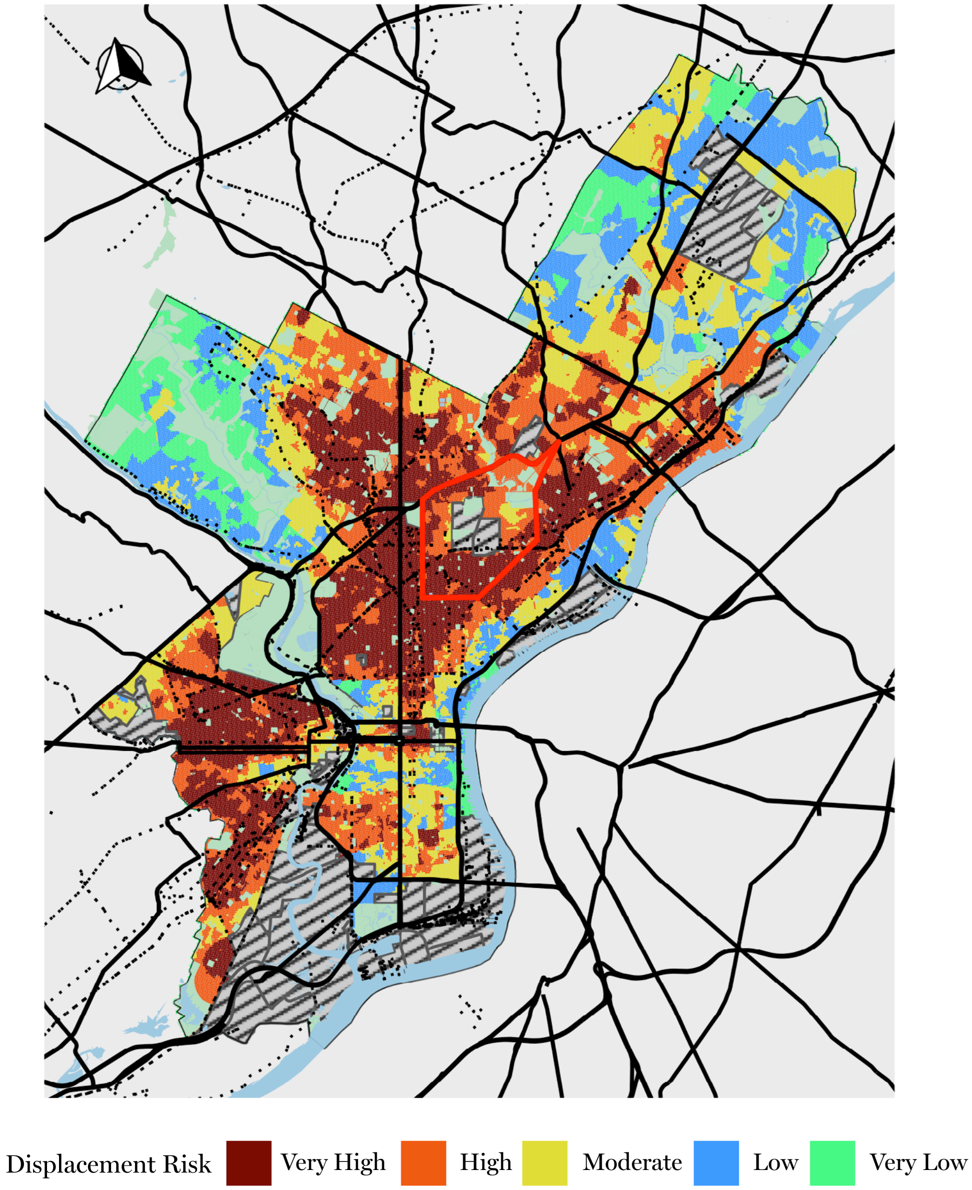


Figure 9: Displacement Risk Index in Philadelphia. North Philadelphia is highlighted in red.

The second way we measure displacement risk is through the Displacement Risk Ratio, developed by Reinvestment Fund. Using data on home sale prices and median family income, the Displacement Risk Ratio looks at the ratio between house prices and incomes, and compares city-wide changes to a neighborhood's changes. When a neighborhood's house values rise faster than incomes, there is risk of displacement from neighborhood appreciation. When a neighborhood's house values and incomes rise more slowly than the city-wide appreciation, there is risk of displacement from neighborhood disinvestment. Figure 10 shows the DRR in two time periods. Since the great financial crisis, Eastern North Philadelphia's house prices and incomes have grown much more slowly than the city-wide average, resulting in negative DRRs, indicating further risk of displacement from disinvestment.

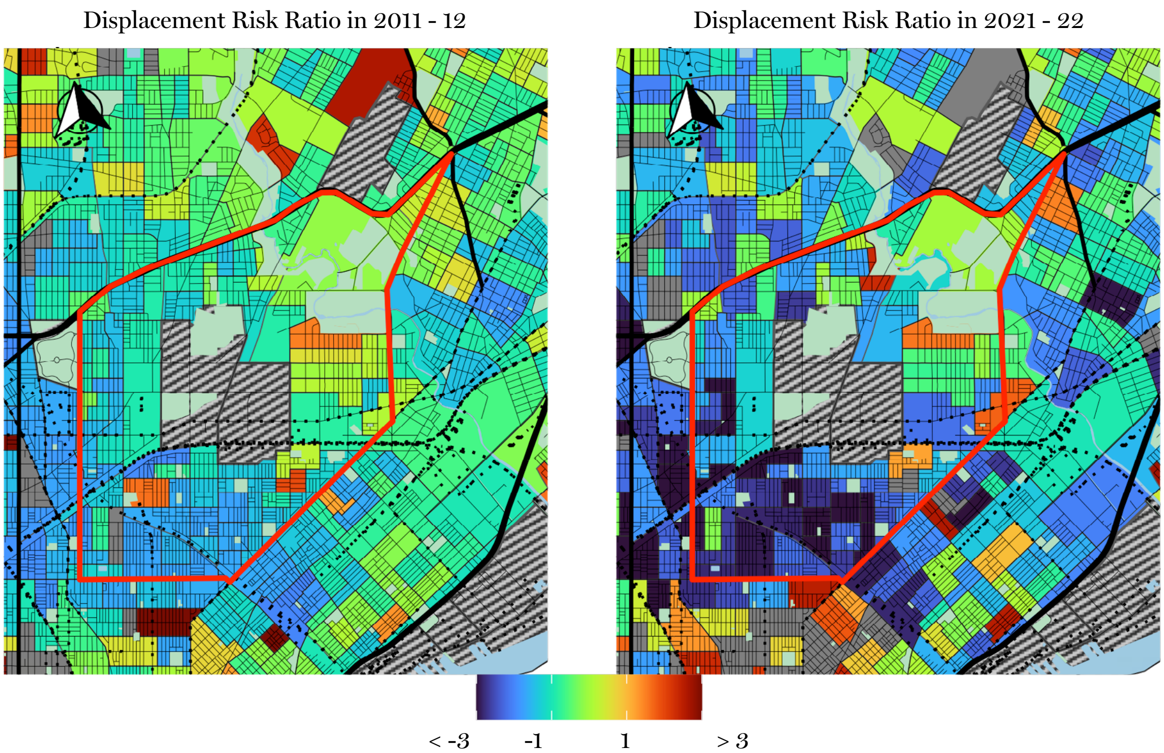


Figure 10: Displacement Risk Ratio in 2011-2012 and 2021-2022. A negative DRR indicates risk of displacement from disinvestment. A positive DRR indicates risk of displacement from gentrification.

CULTURAL AND SMALL BUSINESS ANALYSIS

Cultural, locally-owned, and small businesses are fundamental to the preservation of neighborhoods like those in Eastern North Philadelphia. As Figure 11 shows, the highest concentrations of these businesses can be found within commercial corridors in the area. To better understand the risks and challenges that may be facing businesses in Eastern North Philadelphia, we analyzed the landscape of four key commercial corridors that could be indicative of retail conditions:

1. Front and Allegheny
2. Rising Sun and Wyoming
3. 5th and the Boulevard
4. 5th and Lehigh

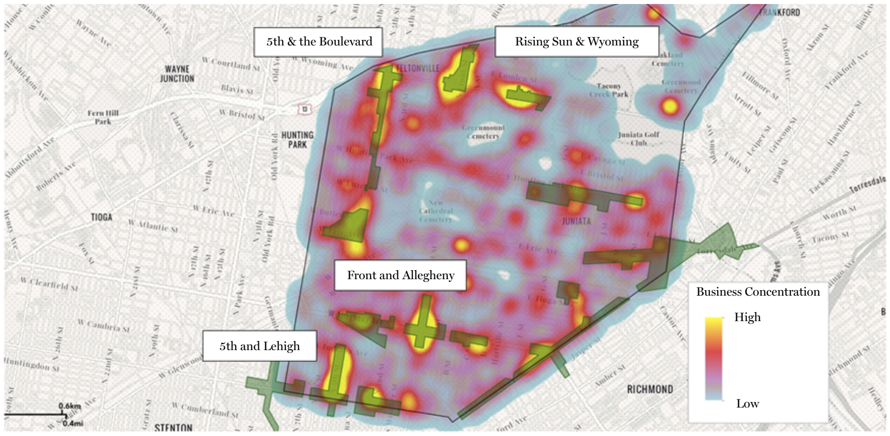


Figure 11: Map of Commercial Corridors in Esperanza's neighborhoods (designated by the City of Philadelphia

Esperanza manages the 5th & the Boulevard corridor, and cleans and maintains the Rising Sun & Wyoming corridor. In 2020, Esperanza surveyed 209 operational businesses along these two corridors, finding that around 58% of them are owned by Latinos and almost 70% have fewer than five employees. HACE, another community-based organization within the Eastern North Philadelphia area, manages Front & Allegheny Avenue and 5th & Lehigh. As Table 4 shows, the corridors are categorized as "neighborhood centers", according to the City of Philadelphia. Data on vacancy rates came from Esperanza and HACE. The City of Philadelphia defines these types of corridors as typically ranging between 30,000 to 120,000 square feet of gross leasable area, with stores such as supermarkets, variety stores, banks, pharmacies, and post offices.

*Table 4: Corridor Conditions (from PhilaShops survey)**

CORRIDORS	CORRIDOR TYPE	STAGE OF DEVELOPMENT	VACANCY RATE*	CONDITION OF PRIVATE BUILDINGS
Front & Allegheny	Neighborhood Center	Stable	20%	Fair
Rising Sun & Wyoming	Neighborhood Center	Stable	6%	Good
5th & the Boulevard	Neighborhood Center	Stable	8%	Good
5th & Lehigh	Neighborhood Center	Declining	24%	Fair

Note: All data, except for data on vacancy rates, was collected in 2016. Vacancy rates for 5th & Lehigh and Front & Allegheny come from HACE, corroborated by the City of Philadelphia, and were provided to us in 2023. Vacancy rates for 5th & the Boulevard and Rising Sun & Wyoming were provided in 2023 by Esperanza.

Independent & Local Businesses

To better understand the businesses along these commercial corridors, we turned to Data Axle, via ESRI Business Analyst, a data provider with information about business location, size, and industry. Among the four commercial corridors we examined — 5th and Lehigh, 5th and the Boulevard, Front and Allegheny, and Rising Sun and Wyoming — there are 307 businesses. Of those 307, an estimated 278 are independently owned, and not a branch of a larger company. Based on a classification from Mercedes Delgado and Karen Mills,[xiii] we can further classify those independently owned businesses as predominantly Business-to-Consumer (B2C) or Business-to-Business. We find that approximately 60% are B2C businesses, with another 15% unclassified — but possibly B2C. These 278 independent businesses include 32 eating places, 19 beauty shops, and 12 grocery stores, in addition to pharmacies, automotive businesses, childcare centers, and healthcare centers. They are critical staples of the community, and, critically, rely on the community for their continued support.

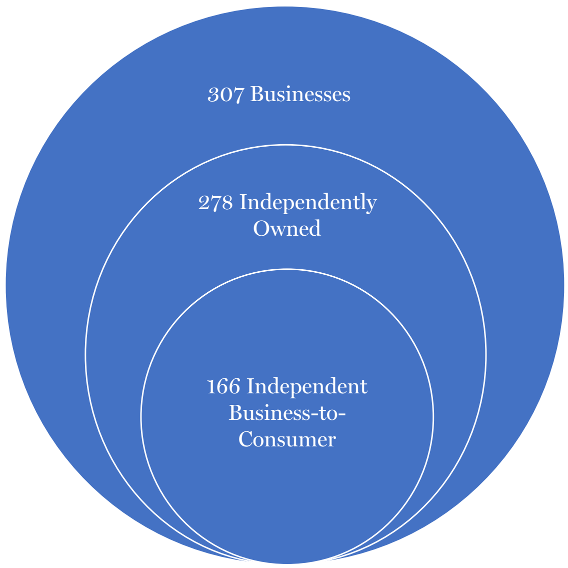


Figure 12: Business Types on Eastern North Philadelphia Commercial Corridors

What is the relationship between gentrification and legacy businesses? Despite the extensive discourse about gentrification and changes in the retail landscape, little academic research has been conducted to understand how neighborhood businesses change in gentrifying neighborhoods. Two studies[xiv, xv] show that when a neighborhood gentrifies, chain stores may be somewhat more likely to replace existing retail establishments. Gentrifying neighborhoods may be somewhat more likely to have higher rates of business closure than non-gentrifying low-income neighborhoods, largely because low-income neighborhoods seem to have very stable legacy businesses. The more recent study, by Glaeser et al., finds that the new businesses are likely to be of a similar retail mix, though they may be more likely to be restaurants, fitting the common experience of coffee shops and restaurants following gentrifiers in a new neighborhood. Existing businesses in low-income neighborhoods are less likely to close than other businesses, due to a lack of competition. Small business and residential stability are deeply intertwined.

Cultural and Community Amenities

The analysis of these four corridors isn't comprehensive of the area's entire commercial landscape. However, it helps provide some insight into what the neighborhood offers. Through mapping the corridors, it is clear these corridors include key cultural and community assets. The 5th and Lehigh corridor for example, also known as El Centro de Oro ("the Center of Gold"), represents the Puerto Rican community in Philadelphia and is considered a Latino hub. Several amenities, ranging from those directly meeting community needs (pharmacies, homecare, grocery stores, etc.) to those that gather the community (places of worship, gyms, music stores, parks, etc.), provide important services for residents.

5th and Lehigh

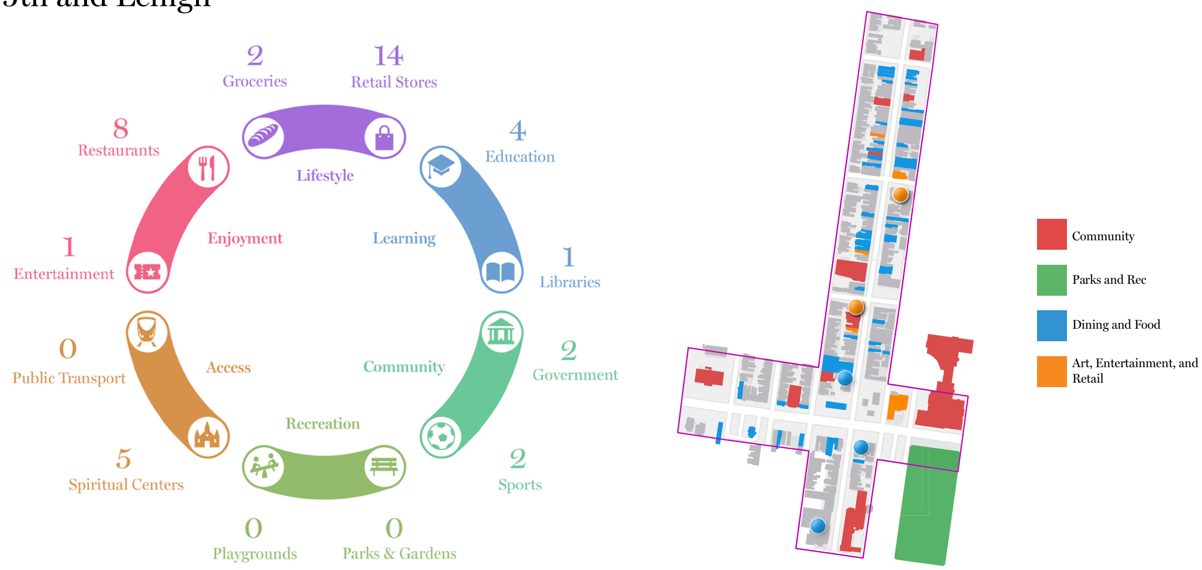


Figure 13

Front and Allegheny

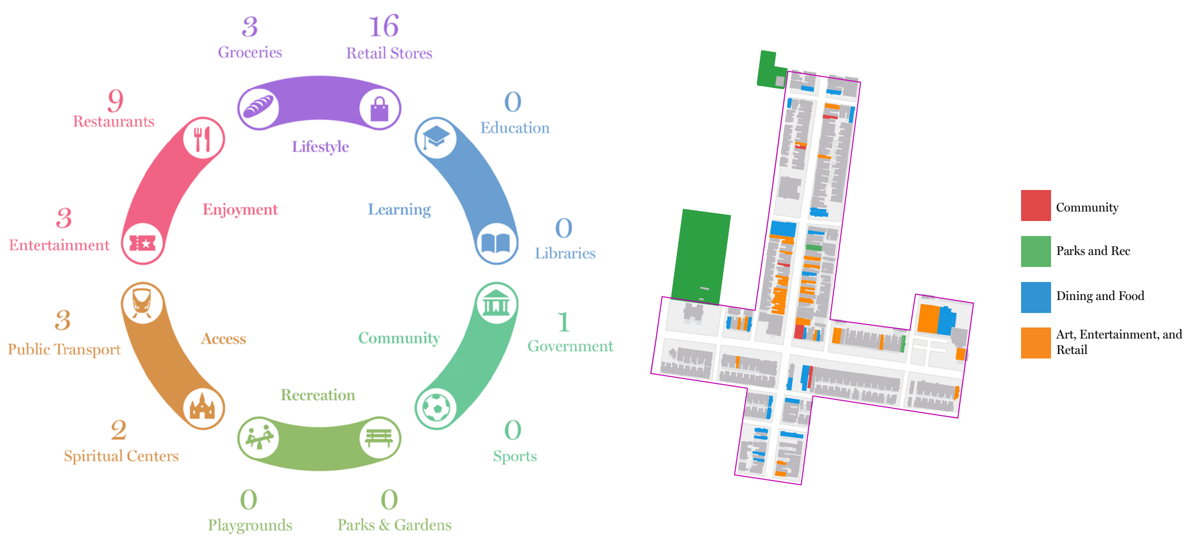


Figure 14

Rising Sun and Wyoming

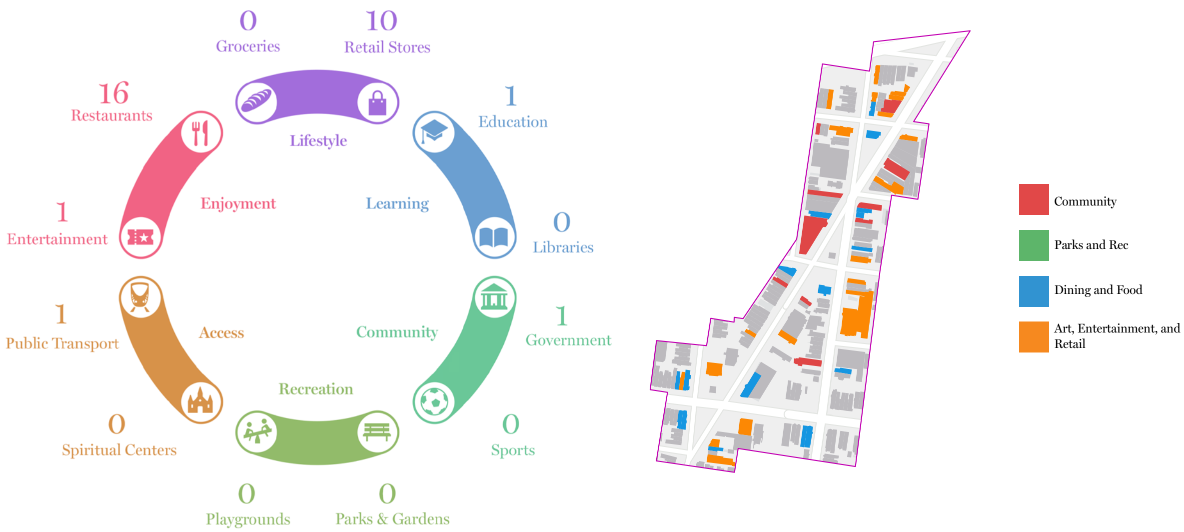


Figure 15

5th and the Boulevard

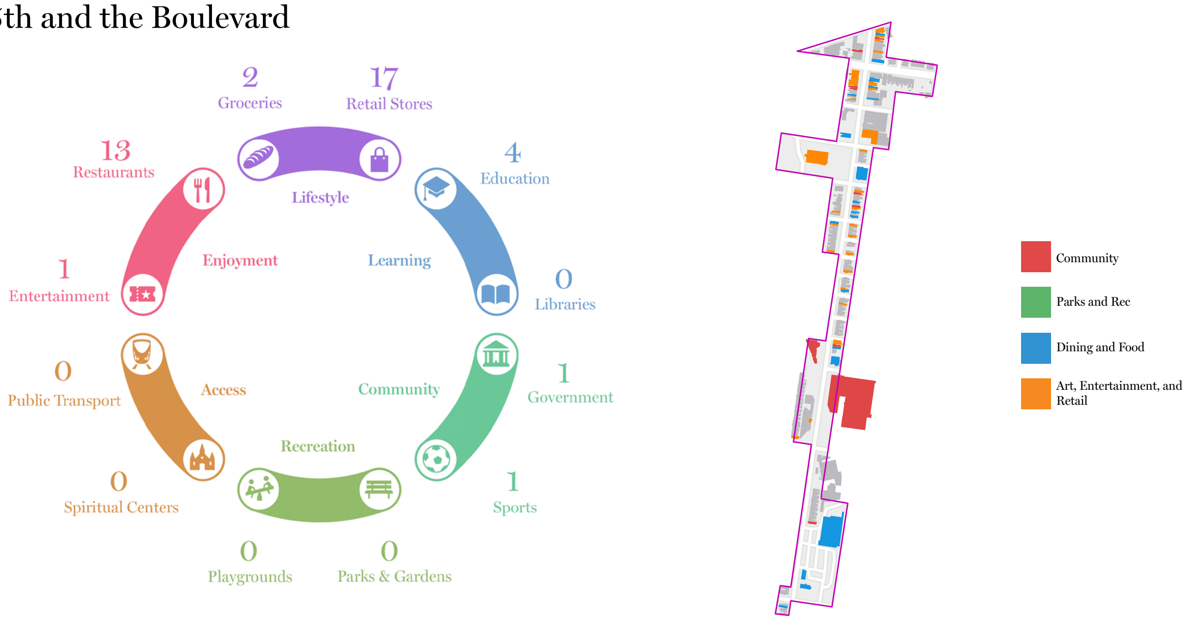


Figure 16

Cycling Through Businesses

Despite the limits of neighborhood-level data, we do infer some of the challenges these businesses may be facing. We suspect that the risk of displacement to Eastern North Philadelphia's small businesses largely stems from a disinvested retail environment, a commonality among high-poverty neighborhoods. Vacancy rates from Table 4 are particularly high and even through visual surveys of the neighborhood, vacancies, rolling metal shutters, and business closures are apparent. For example, through a quick look in Google Maps, one can witness the 15-year transformation of a commercial block on North Front Street, within the Front & Allegheny commercial corridor (Figure 17). If commercial tenants are constantly turning over, this can threaten the preservation of these commercial properties for small, cultural, and local-serving businesses.

Front & Allegheny Corridor:

3200 Block on North Front Street

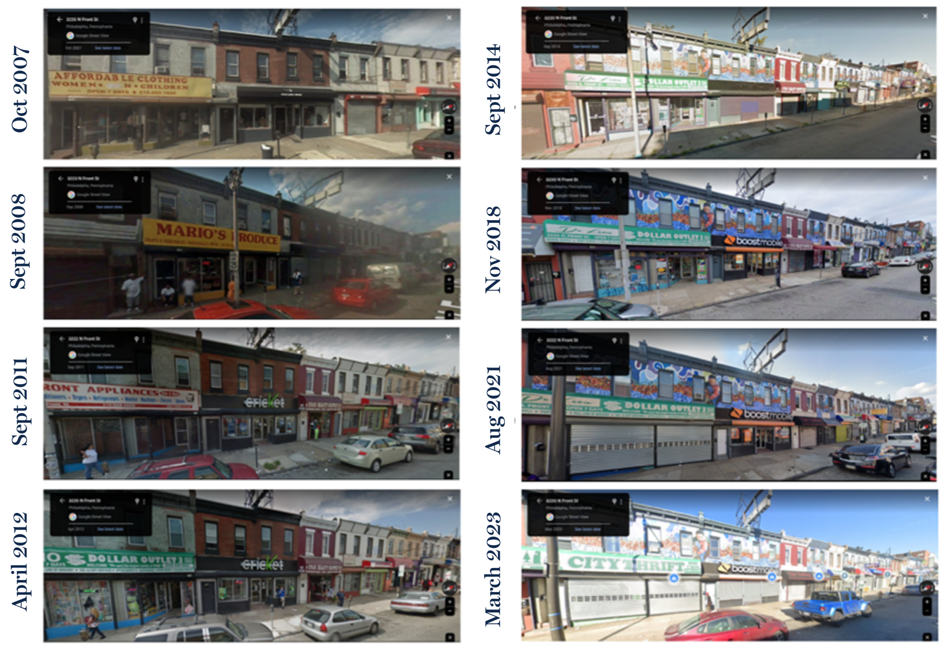


Figure 17

Commercial Real Estate in North Philadelphia

Using data from Philadelphia's Office of Property Assessment, we analyzed the most recent sales price per square foot for commercial property along each of the four corridors (Figure 18). We further categorized current owners of the properties as individuals, corporations, or public entities to better understand who was buying these properties and entering this market. Overall, volume of sales and sale prices have been somewhat increasing since 2016. With the exception of a few cases on each corridor, sales prices range between $32/square foot and $54/square foot. This is lower than comparable corridors like Torresdale, Chew and Chelten, or 5th and Olney, which transact for $60-80/square foot.

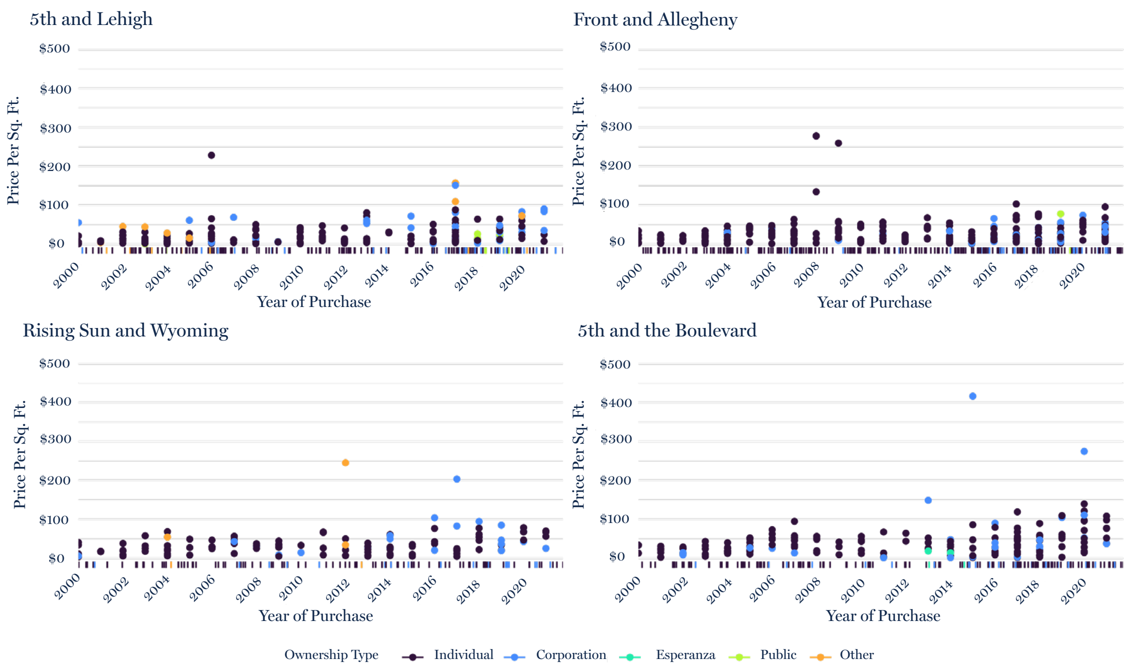
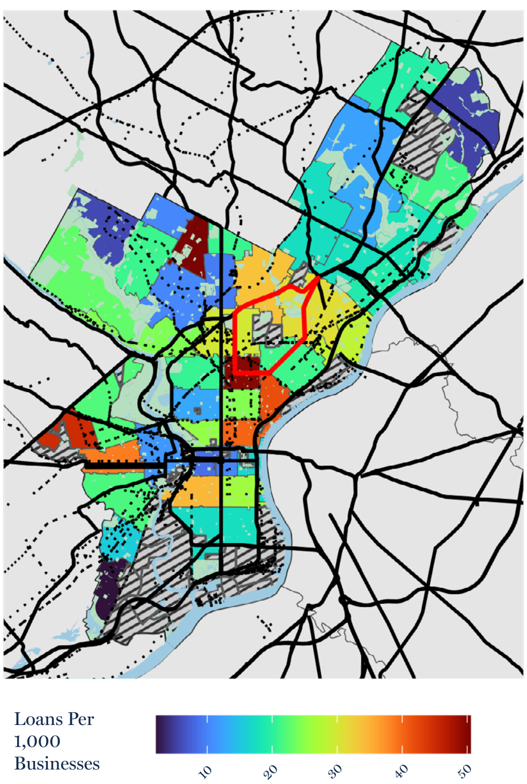


Figure 18

Businesses Looking for Funds

By looking at the distribution of funding from sources of small business assistance, it seems Eastern North Philadelphia's small businesses want and need capital and investment. For example, the Small Business Administration §504 loan program provides long-term, fixed-rate financing for major fixed assets that can help businesses. These assets can include purchase, construction, or modernization of buildings and facilities. Only for-profit businesses with a tangible net worth of less than $15 million or an average income of less than $5 million are eligible to receive these loans. By mapping the distribution of these loans by zip code across Philadelphia, we notice that Eastern North Philadelphia has higher proportions of businesses applying for and receiving 504 loans, compared to Center City, University City, and some neighborhoods north and west of the area. Figure 19 for example, shows that in zip code 19133 (the southern part of the study area), 50 loans were given for every 1,000 businesses—significantly higher than the proportion of loans in most other Philadelphia zip codes. Interestingly, Figure 20 shows that the aggregate value of the loans in that zip code is not as high relative to other Philadelphia zip codes, suggesting the businesses in 19133 may be far from the maximum amount that they're eligible to receive. The median amount of the SBA guaranteed loan in Eastern North Philadelphia was $75,000, compared to a city-wide median of $94,000.

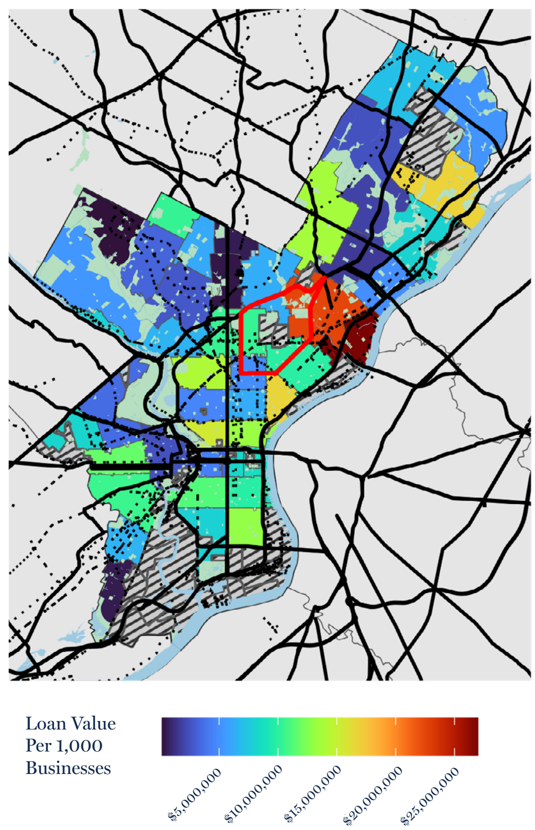
Number of §504 Loans by ZIP Code Per 1,000 Businesses



Sources: SBA 504 Loan Disclosures ZIP Code Business Patterns

Figure 19

§504 Loan Value by ZIP Code Per 1,000 Businesses



Sources: SBA 504 Loan Disclosures ZIP Code Business Patterns

Figure 20

WHAT HAPPENS NEXT?

Our research shows that Eastern North Philadelphia does not show quantitative signs of gentrification. However, the incomes of existing residents, who largely make up Philadelphia's Latino community, aren't sufficient to keep up with rising housing costs in this study area and across Philadelphia. These housing prices are some of the lowest in the city, meaning that if Latino and other working-class residents can no longer afford to live in these neighborhoods, they may have to leave Philadelphia altogether. From here, we theorize that without intervention to preserve affordable housing and Latino-owned small businesses, the rising housing costs in Eastern North Philadelphia and across the city may set up this area for early stages of gentrification:

1. Philadelphia's rental market is quickly becoming unaffordable to Philadelphians earning less than 120% of the city's median income, which includes Eastern North Philadelphia's Latino community and other working-class residents across the city. This would first hit the renters, who could no longer afford increased asking rents.
2. As neighborhoods adjacent to Eastern North Philadelphia gentrify, new renters could slowly "spillover" into the area. These renters would most probably be from the "new" bottom income percentiles of renters that can afford the increased rent prices.
3. Speculative investors and developers could notice this spillover, or its potential, early—the pace and scale of development would suddenly increase. They would take advantage of the area's relative affordability to acquire properties at a low cost. Tactics could become predatory, as investors pressure existing homeowners to sell their properties.
4. In addition to pressure from investors, existing homeowners would also feel pressure from the increased costs of homeownership, as maintenance costs and property taxes rise.
5. As Latino renters are displaced and dispersed, Latino-owned small businesses would begin to lose their existing customer base. Their products might not meet the interests or needs of the incoming residents. Without incentive to keep their tenants, commercial property owners may sell or lease to new businesses. And without access to capital and resources, existing commercial tenants would be powerless in stopping them. This would expedite cultural displacement, as Eastern North Philadelphia stops catering to the Latino community.

Right now, it is hard to imagine such a path manifesting in Eastern North Philadelphia. But research regarding the stages of gentrification and displacement suggests that the susceptibility of this area's populations can serve as the breeding ground for the process. For example, a report from the City of Portland identified "neighborhood gentrification typologies" based on changes in demographics and house prices.[xvi] "Susceptible" neighborhoods under early-stage gentrification are described as having highly vulnerable populations in a low or moderate housing market but adjacent to tracts with high or rapidly increasing housing values. Furthermore, a report from the Urban Institute identified case studies of poor neighborhoods showing signs of early-stage gentrification.[xvii] Neighborhoods such as Oak Park in Sacramento and Bartlett Park in St. Petersburg exemplified signs of distress similar to Eastern North Philadelphia but are now showing signs of upward neighborhood change.

We recognize that even under these conditions, many disinvested neighborhoods like Eastern North Philadelphia may not gentrify. But we believe Eastern North Philadelphia could still face the risk of displacement—if not from gentrification, then from disinvestment. Weak housing markets can attract predatory actors looking to profit off impoverished conditions and instigate cycles of eviction and disrepair. Either way, policymakers discussing affordable housing and community preservation need to seriously consider Eastern North Philadelphia and neighborhoods like it—early intervention in anticipation of neighborhood change can pave the way for "development without displacement."

POLICY RESPONSE

The set of challenges affecting Eastern North Philadelphia's residents and small, locally owned businesses are familiar across similar neighborhoods facing deep poverty and disinvestment. Local policy regarding such neighborhoods doesn't typically focus on affordable housing preservation, but rather on new investment and economic growth. While we don't deny the need for investment and growth, it is important that policymakers and practitioners focus on the *right* kind of investment. Community-centered investment that prioritizes cultural preservation and anti-displacement is crucial for neighborhoods like Eastern North Philadelphia. Otherwise, negative forms of investment can take hold—absentee investors may enter and target low-priced single-family homes, "milking" properties until they fall into disrepair. This is especially concerning post-pandemic, when institutional investors may be looking to shift away from commercial real estate in the face of remote work trends and enter the single-family rental market. And as we've discussed earlier, one of the few neighborhoods still affordable to Philadelphia's working class may disappear, especially as inflation raises the costs of owning properties.

As The Nowak Metro Finance Lab called for in previous work on 52nd Street in West Philadelphia,[xviii] community-serving commercial uses are fundamental to a thriving small business environment. Philadelphia's Commercial Corridor Program is instrumental in bolstering commercial corridors. In Eastern North Philadelphia, commercial corridors managed under this program perform better than other commercial areas within the area. The Neighborhood Preservation Initiative in 2021 necessarily bolstered funding for the Commercial Corridor Program and other infrastructural programs that enhance the neighborhood ecosystem for small businesses. This is fundamental for neighborhoods like Eastern North Philadelphia which, as we've demonstrated above, are actively utilizing city resources. However, the City has yet to create programs or policies that address the intrusion of non-local, bargain retail or the lack of protection for small, commercial tenants.

Housing policy in Philadelphia and Pennsylvania has made significant strides with limited resources and dwindling tax bases. Many existing programs and policies, ranging across home repair, eviction diversion, and cost-burden reduction, are crucial to low-income Philadelphians. It should be noted that renters usually can't apply directly for these preservation programs; eligibility for many of these policies and programs revolves around homeowners and landlords and can indirectly save costs for renters. Programs like the Homestead Exemption (recently expanded to $80,000 for owner-occupants, an increase from $45,000) and the Longtime Owner Occupants Program (LOOP), which caps taxable value for longtime owners undergoing dramatic increases in property assessment, help owner-occupants continue to afford their homes. LOOP has been hailed as an anti-gentrification program in response to Philadelphia's property tax abatement program,[xix] in which new construction and development exempts buildings (not land) from property taxes for 10 years.

But by and large, policy isn't designed to help impoverished renters prosper in communities like Eastern North Philadelphia—as a result, concentrated poverty isn't necessarily alleviated but just relocated.[xx] Furthermore, crucial programs aren't adequately resourced to address the pressures of rising inflation. A new policy agenda should consider how the city can protect vulnerable residents and businesses in a post-pandemic world. In our Community Preservation Toolkit, we outline 18 recommendations, many of which the City can employ in upcoming years to support Eastern North Philadelphia and neighborhoods like it. We suggest that the City of Philadelphia or the Commonwealth of Pennsylvania implement these recommendations, which are designed to support the creation of a Community Preservation District Program and the implementation of Esperanza's Stable Affordable Rental Housing Trust (START) and Commercial Corridor Trust (CCT) — three programs that will help Eastern North Philadelphia preserve its community.

CREATING A COMMUNITY PRESERVATION DISTRICT

Eastern North Philadelphia is home to nearly 2,000 businesses, nearly one-third of which are retail businesses. These businesses include restaurants, clothing stores, home goods, and more. Importantly, many of these businesses aim to directly serve the Latino population of Eastern North Philadelphia.

Thus, the commercial corridors and other businesses located throughout Eastern North Philadelphia play an important role in serving local residents and bringing in .customers from the Philadelphia region who wish to purchase the goods and services available there. This three-way interaction between local residents, local businesses, and regional shoppers creates a unique experience for shoppers and businesses alike. Agglomerations of certain types of businesses serving certain types of customers are the basis for economic development and growth, where businesses are able to easily trade with one another and offer complementary services. At the same time, consumers know that many of their needs can be met by going to one neighborhood.

As such, it is imperative that small business owners can continue to operate and thrive in Eastern North Philadelphia. Yet as we outlined in our diagnostic section, small business owners in this area are starved for capital. They have an ever-present threat of parasitic retail, big box stores, and exploitative landlords who can raise rents with little pushback.

That is why we propose the creation of a Community Preservation District program. This program would designate a geographic area, based on cultural significance and threat of displacement, to receive preference for existing programs offered by the City of Philadelphia and the Commonwealth of Pennsylvania. This program is based on our examination of other, existing programs, including Cultural District programs in Illinois and San Francisco, both of which are outlined as case studies in the following pages.

In order to transform this proposal into reality, Philadelphia or Pennsylvania would need to enact legislation dictating the process for creating a Community Preservation District, as well as the benefits associated with such designation. Such a process would entail creating minimum standards for community importance and threat of displacement. Like the Philadelphia Targeted Commercial Corridor program, we would recommend the requirement of a sponsor organization that is in charge of shepherding the creation of the district.

Once created, businesses and non-profits that operate within the Community Preservation District would be eligible for preferences from the city and state for programs and policies relating to small business and economic development. In the final section of the report, we outline what programs and policies we believe best embody the spirit of a community preservation district, but we do not think that a district should be limited to just the programs currently enacted, or those that we propose. Instead, we believe that a truly impactful Community Preservation District program will continually evolve and update to reflect the needs of the communities that they are meant to help. This means that as Philadelphia and Pennsylvania enact new programs, the preference for community preservation districts would be incorporated into these new programs.

CASE STUDY: ILLINOIS CULTURAL PRESERVATION

Area: Explicitly, the statewide policy is intended to apply across communities in Illinois that are "at risk of losing their cultural identity because of gentrification, displacement, or the COVID-19 pandemic" or have a "history of economic disinvestment". The area that inspired this policy, Humboldt Park, is a largely Puerto Rican neighborhood located northwest of Chicago. As a hub of Latino culture, many are concerned the area is gentrifying and will result in displacement of residents and culture.

Context: The policy, referred to as SB1833 in Illinois legislation, was first introduced by State Senator Cristina H. Pacione-Zayas in February 2021. However, the roots of this bill trace back to decades of collaboration and organization. Nonprofit organizations such as the Puerto Rican Agenda of Chicago, the Puerto Rican Cultural Center (PRCC) and the Latino Caucus co-designed and supported the bill with legislators. The Puerto Rican Agenda focused on political organizing to address neighborhood challenges and worked closely with the Latino community in drafting the language of this bill. SB1833 is considered an extension of an ordinance passed in 2018 by the Chicago City Council that declared a specific stretch within the Humboldt Park area as "Puerto Rico Town", a special purpose district that called for prioritized municipal investments to business and cultural initiatives to preserve Puerto Rican identity.

Policy: The law firstly articulates how a cultural district may be defined to receive state designation, focusing on areas at risk of displacement. The bill further specifies that municipalities or 501(c)(3) organizations working on behalf of these areas may apply through a discretionary and competitive process administered by the state. This bill sets parameters for what kind of work municipalities or organizations may be expected to do, focusing on promotion of cultural community and education; entrepreneurship and economic development without displacement; preservation of buildings, languages, and traditions; and celebration of cultural identity. Additionally, the bill authorizes the Illinois Department of Commerce and Economic Opportunity to provide technical assistance to districts by collaborating across state agencies to identify and achieve district goals.

Impact: It is unclear what kind of impact this policy will have, as no applications for state-designated cultural districts have been released, as of October 2023. Following the designations, Senator Pacione-Zayas is looking at "part two" of this process: securing funds. In January 2023, House Bill 969 allocated $3 million for state-designated cultural districts, "including the affordable housing preservation and resident anti-displacement components."

Key Takeaways: The bill largely leaves it up to the applicants to define their goals and strategies, and it is unclear how funding and resources will specifically flow towards anti-displacement strategies. Furthermore, despite bipartisan support and strong political mobilization, overall funding allocated for these districts remains unclear. However, if capitalized, the work behind SB1833 could represent a powerful tool for communities and ethnic enclaves to use for equitable and inclusive development. Proactive recognition and early access to resources can further empower community-led, anti-displacement strategies.

CASE STUDY: SAN FRANCISCO CULTURAL DISTRICTS

Area: The San Francisco Cultural Districts Program encompasses various geographies throughout the city that have been designated as cultural districts. These districts are recognized for their cultural diversity, heritage, and concentration of cultural resources. The specific areas and boundaries of the cultural districts vary, ranging from 1.3 square miles to 4.5 square miles in area.

Context: The San Francisco Cultural Districts Program was created within the context of sustaining the city's living history and conserving its cultural heritage assets. The program was established based on the recognition of the importance of preserving neighborhood cultural heritage and endorsing a comprehensive approach to conservation. This approach was outlined in the Sustaining San Francisco's Living History: Strategies for Conserving Cultural Heritage Assets Report from 2014, and the Proposal for Formal Social Heritage Resource Designations, put forth in 2012, that further emphasized the need for a citywide program to protect social and cultural resources. It highlighted the role of these resources in shaping the city's identity, attracting visitors, and fostering a sense of community among residents. The proposal recommended providing economic and procedural benefits to resource owners or sponsors as a means of preservation, focusing on incentivizing their preservation rather than imposing strict regulatory requirements.

Policy: In 2018, the City of San Francisco established the Cultural Districts Program (CDP). The CDP is funded through Proposition E. Specifically, Allocation 4 of this ordinance is for Cultural Districts, which are defined as "a geographic area or location within the City, designated by the Board of Supervisors by ordinance, as an area or location that embodies a unique cultural heritage". Approximately $3 million from the City's Hotel Tax Fund is allocated to support the CDP. The program operates by providing resources, technical assistance, and collaboration opportunities to designated cultural districts. These resources can include funding, grants, capacity-building support, and guidance from city departments involved in cultural affairs, economic development, and urban planning. The program seeks to address various challenges faced by cultural districts, such as rising rents, gentrification, and displacement. By supporting these districts, the program aims to promote the economic, social, and artistic well-being of the communities within them. The program involves collaboration between city agencies, community organizations, artists, local businesses, and residents. It is coordinated by the Mayor's Office of Housing and Community Development, in collaboration with the Office of Economic and Workforce Development, SF Planning, and Arts Commission.

Impact: It is not clear what the impact of this program is on individual districts or the city as a whole, even though some of the districts have been around for nearly a decade. However, based on some of the older districts such as Japantown or Calle 24, they have provided information on their achievements as a Cultural District. For example, Calle 24's achievements include hosting multiple community events, making streetscape improvements, and establishing a Special Use District to protect small businesses from displacement and stabilize rents.

Key Takeaways: The San Francisco Cultural Districts Program designates neighborhoods as cultural districts, acknowledging their diversity and cultural resources. However, it is unclear how much the designation of a cultural district impacts a community, specifically in terms of anti-displacement. Although some districts such as Calle 24 mention their efforts to combat anti-displacement, there is not much more information on how their strategies are implemented.

STABLE AFFORDABLE RENTAL HOUSING TRUST (START)

The Stable Affordable Rental Housing Trust, or START, will be a replicable pilot program to create a community land trust that is accessible to low-income renters, provides wealth building opportunities, and creates opportunities for community control in Eastern North Philadelphia. START will be a public-private partnership that offers a new approach to fight gentrification and provide affordable rental housing for low-income residents in Eastern North Philadelphia.

The need for a model like START is threefold. First, existing federal programs are insufficient to meet the needs of low-income renters in Eastern North Philadelphia. As the median income in Eastern North Philadelphia is equivalent to 30% AMI, only subsidies that reach "extremely low income" and "very low income" levels (30% AMI and 50% AMI, respectively) can actually provide housing that is affordable to the current residents of the neighborhood. Unfortunately, programs like Low Income Housing Tax Credits (LIHTC) rarely reach below 60% AMI. Second, federal programs have expiring affordability, oftentimes with disastrous outcomes. As recent battles over the University City Townhomes show, Latino residents of the Esperanza community need affordability in perpetuity, not just 15 or 30 years. Third, a new model is needed that produces both community wealth and individual wealth. Few models allow for affordability in perpetuity, while also providing wealth-building opportunities for low-income households. The START model will marry these two goals.

As such, START aims to acquire approximately 200 units that will be affordable to households earning between 30 and 60% AMI. This translates to rents that are approximately $700 to $1,100 per month. Costs will be kept low through low- or no-cost acquisitions, standardized remodeling, and in-house management of the scattered-site properties. These properties will be placed into a perpetual trust, the Esperanza Community Land Trust, with a deed restriction guaranteeing their affordability forever. Residents in the START homes will also have access to an Individual Development Account (IDA) that will be matched by philanthropy. Every month, up to 10% of their rent will go to the IDA, depending on match availability. With the match, that means that households will be able to save between $1,680 and $2,640 per year.

In order to make START a success, the capital stack for acquisition, renovation, and management will require extreme creativity. Esperanza will work with traditional banks, Community Development Financial Institutions (CDFIs), and secondary markets (Fannie and Freddie Mac) in pursuit of low-cost debt. Philanthropy will be needed to close the gap between revenues and costs. Additionally, eligible households will be matched with Housing Choice Vouchers and Philadelphia's Shallow Rent Subsidies.

CASE STUDY: EAST BOSTON MIXED INCOME NEIGHBORHOOD TRUST

Area: East Boston is a predominantly Latino and immigrant neighborhood found across the Boston Harbor from downtown Boston. Nestled between the airport and downtown, this neighborhood has seen tremendous development pressure over the past decade.

Context: In 2022, a portfolio of 114 housing units went up for sale in East Boston. These housing units were mostly in small, three-family buildings, known as Triple Deckers, scattered throughout the East Boston neighborhood, and were a mix of bedroom sizes. The East Boston Community Development Corporation created a Mixed Income Neighborhood Trust (MINT), purchasing the 114 units and putting a deed restriction on them to make them perpetually affordable. The entire portfolio cost $47 million; in order to make the acquisition possible, the City of Boston committed $12 million from the American Rescue Plan and the Cares Act, the Mixed Income Neighborhood Trust raised $8 million in equity from a variety of sources, and EBCDC took on a mortgage for the rest. The East Boston MINT has a mix of units restricted to 60% AMI, 70% AMI, 80% AMI and 100% AMI.

Model: Mixed Income Neighborhood Trusts (MINTs) are a type of rental land trust pioneered by Trust Neighborhoods, a nonprofit organization headquartered in Kansas City, MO. Trust Neighborhoods has helped create four MINTs nationwide, in predominantly Latino neighborhoods in Kansas City, Tulsa, Fresno, and Boston. The MINT model focuses on low-income neighborhoods that are seeing rapid price appreciation. Through a combination of patient equity and debt, MINTs utilize the price appreciation in a neighborhood to provide perpetual affordable housing with cross subsidy between deeply affordable and moderately affordable units. MINTs are governed by a perpetual purpose trust. Any profit generated by the trust, once equity partners and debts have been paid, can be used by the trust to reinvest in the neighborhood or tenants.

Impact: As the East Boston MINT is only one year old, its impact hasn't fully been felt. However, the fact that East Boston CDC was able to purchase a market-rate portfolio of 114 units, and convert them into permanently affordable housing, will have a long-term preservation effect for the community. In the future, the East Boston special purpose trust is hoping to reinvest in the community with the income generated from the units.

Key Takeaways: The MINT model utilizes mixed income rental portfolios to cross-subsidize affordable housing units. By acquiring rental housing portfolios in the path of price appreciation, it creates an attractive vehicle for patient equity investors, who are able to realize a return, and, in the future, can sell their shares in the MINT without forcing a sale. However, the focus on profitability and price appreciation means that MINTs do require some rentals to be priced for moderate income households, not just low- and very-low incomes.

CASE STUDY: WEST PHILADELPHIA SCATTERED SITE MODEL

Area: The West Philadelphia Scattered Site Model has been used to redevelop more than 1,000 units across West Philadelphia, focusing on the neighborhoods of Mantua, Walnut Hill, Haddington, and Cobbs Creek. West Philadelphia, a historically Black and disadvantaged community, has been facing developmental pressures from the expansion of University City.

Context: Two private sector developers, West Philadelphia Real Estate and Neighborhood Restoration (WPRE/NR) created the model in 1989 to rehabilitate deserted rowhouse structures into cost-effective housing units using Low-Income Housing Tax Credits (LIHTC) and private funding. From 1989 to 2015 they created 1,100 units of affordable housing in mostly economically distressed areas of West Philadelphia.

Model: The scattered site model is made up of the following four steps. First, acquire property: the homes were purchased through an acquisition line of credit from Reinvestment Fund. The line of credit is paid when construction begins and the construction loans are finalized. Second, create an eligible LIHTC project: by controlling multiple abandoned properties within a concentrated area and securing private financing, WPRE/NR seeks LIHTC allocations from Pennsylvania Housing Finance Agency (PHFA). In order to qualify for LIHTC, another investor must be involved and if PHFA chooses WPRE/NR's project the investor provides equity investment to WPRE/NR in exchange for the tax credits. Third, rehabilitate abandoned houses: after houses are acquired, a general contractor is hired to completely gut and re-build with new plumbing, wiring, roof, floors, studs, and walls on the same footprint. Fourth, provide high-touch property management: after renovation, the units are rented to low-income tenants who make below 60 percent of the Area Median Income. WPRE/NR also provides tenants with access to social services such as health programs, job training, childcare assistance, substance abuse treatment, legal aid, and mortgage counseling through the Public Health Management Corporation.

Impact: A study produced by Reinvestment Fund and May 8 Consulting discusses six key findings of the impacts of the West Philadelphia Scattered Site model. Two of these findings reflect the impact of the model on the surrounding communities. Home sales prices for homes located within a quarter-mile radius of the scattered site properties increased by 50%, whereas sales prices for newly constructed single-site multi-unit LIHTC properties only saw a 25% increase. Twenty scattered site units have the same positive impact of improving surrounding home values as forty units in a single site development.

Key Takeaways: WPRE/NR developed a successful scattered site model in 1989 to transform abandoned rowhouse structures into affordable housing units using LIHTC and private funding. The impact of this model is significant, as shown in the increased home sales prices within a quarter-mile radius of the scattered site properties. Furthermore, the model's positive impact on the surrounding community was demonstrated by the finding that twenty scattered site units had a comparable effect of increasing surrounding home values as forty single site units.

CASE STUDY: PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY

Area: Hamilton County, Ohio is home to the city of Cincinnati. Like many midwestern post-industrial cities, Cincinnati has low house prices, while the cost of rentals is comparatively quite high. As such, Hamilton County has become attractive to a many single-family rental companies, including institutional investors.

Context: In 2021, a portfolio of 194 housing units went up for sale in Hamilton County. These housing units were owned by a Los Angeles-based investor, and had fallen into foreclosure. Many of them were renter-occupied, and had been in receivership and managed by a local management company. The Port of Cincinnati used its authority to issue bonds to purchase this portfolio for $14.5 million.

Model: The Port of Cincinnati is, usually, not a landlord. They opted to purchase these homes because of their concern about institutional landlords in Cincinnati, and because the opportunity presented itself to bring these homes back into local ownership. In order to manage these properties, they extended the contract with the local management company that had been managing them as rentals during receivership. However, the Port's long-term vision is to convert the current tenants into homeowners. The Port is working with a variety of local organizations in Cincinnati to help prepare the tenants for homeownership, with the hope that they can sell current tenants their homes in the future.

Impact: The Port's purchase of these 194 homes meant that tenants were no longer living in units owned by a "bad" landlord. Working with renters to help them enter homeownership will reduce displacement, help produce household wealth, and increase the homeownership rate in the neighborhoods that have been a focus for institutional investors in the single-family rental market.

Key Takeaways: The Port Authority of Cincinnati was able to move quickly and nimbly to purchase this portfolio of single family homes that were in foreclosure. As in the East Boston CDC case study, rental housing portfolio sales represent an opportunity to minimize transaction costs and maximize impact. By purchasing a portfolio, rather than individual homes, the Port made a large impact in a single move, but it requires quick capital and knowledge of the rental market in the local area.

COMMERCIAL CORRIDOR TRUST

Just as rising house prices can threaten displacement for long-term renters and homeowners, rising prices for commercial space can threaten displacement for long-term businesses. Additionally, long-term structural changes and residential mobility can threaten the cultural character and economic stability of long-term businesses, who may be forced to relocate as land prices increase or customers move farther away.

To protect these legacy businesses and ensure long-term vitality for small businesses on commercial corridors, Esperanza will implement a Commercial Corridor Trust (CCT). Like a community land trust, or like START, the CCT will acquire properties on commercial corridors throughout Eastern North Philadelphia, and transfer them to a non-profit trust, ensuring perpetual stability. The CCT will develop and manage these properties.

Community land trusts that harness the model for commercial properties are not as prevalent as residential community land trusts. However, many cities, particularly those with Black and Brown neighborhoods experiencing gentrification, are pioneering the pathway for these models to include affordable commercial space. Drawing from case studies in the Small Business Anti-Displacement Toolkit,[xxi] including the Rondo Community Land Trust in St. Paul, Minnesota,[xxii] Esperanza is currently putting together a framework for how the model will operate.

As Esperanza creates the Esperanza Community Land Trust for START, the team will also further flesh out the capital costs needed to acquire commercial properties and establish a CCT. Esperanza's CCT will strategically identify vacant or underutilized properties and structures along corridors and work with the community to determine the best use and tenant.

Once transferred to the CCT, the trust will lease the commercial spaces to legacy or community-oriented businesses who may not be able to stay in the neighborhood otherwise and lack access to capital—the CCT will create criteria for tenant selection that ensures this. The selection criteria will also consider the feasibility and soundness of business operations—Esperanza will work potential tenants to ensure their viability in CCT-owned properties. Rents will be set at rates that are affordable and manageable for these businesses.

CASE STUDY: KENSINGTON CORRIDOR TRUST

Area: The Kensington Corridor Trust (KCT), situated within a post-industrial neighborhood in North Philadelphia, focuses on preserving small businesses along Kensington Avenue, between Lehigh and Glenwood.

Context: The KCT was created in 2019 by Impact Services (local CDC), PIDC (Philadelphia's public-private partnership for economic development), Shift Capital (mission-oriented private developer), and IF Lab (small business incubator) with the goal of using shared ownership to guide investments along a Kensington Avenue, aiming to maintain the local culture and affordability while also empowering the community and generating wealth in Kensington. Its activities are centered around improving cleanliness and safety, as well as attracting and supporting businesses that cater to the specific needs of the area. Additionally, KCT aims to create more job opportunities. The foundation of the Trust's initiatives lies in strategic property acquisition, development, and activation. Ultimately, the KCT envisions Kensington Avenue as a commercial hub that is both safe and healthy, boasting a diverse socio-economic landscape and offering accessible prospects for both current and future Kensington residents.

Program: The Kensington Corridor Trust (KCT) operates as a Neighborhood Trust with a unique approach to community development and property management. Through property acquisition, investment, and community involvement, KCT aims to create a lasting positive impact on the Kensington neighborhood while preserving its cultural identity and promoting economic well-being. There is a perpetual purpose trust with a non-profit. Its board has community members who are part of the decision-making process over development and investment activities. Profits from the trust can be reinvested in the community, as the perpetual trust board so decides. Overall, KCT operates with a focus on collective ownership, community empowerment, and strategic property management to achieve its goals.

Impact: Since its creation in 2019, KCT has acquired and has control of 15 properties, including vacant lots and mixed-use buildings. The vacant lots have been used by neighborhood residents and local organizations to host community events, however, information on other current land uses is unavailable. Because of the limited information on the uses of the properties, and its recent inception, it is unclear what the full impact of KCT has been for Kensington.

Key Takeaways: KCT operates as a Neighborhood Trust with a focus on preserving small businesses, local culture, and affordability along Kensington Avenue and its surrounding neighborhood. The Trust employs a unique model of collective ownership and strategic property management to empower the community and ensure intergenerational affordability. However, while KCT has acquired and controls several properties, the full impact of its efforts on the Kensington neighborhood remains unclear due to limited information on current land uses. Despite this uncertainty, this case study aims to highlight KCT's commitment to community empowerment, economic well-being, and the preservation of cultural identity.

COMMUNITY PRESERVATION TOOLKIT

In order to comprehensively address the challenges faced by the Esperanza community, including the threat of residential and commercial displacement, we propose here a Community Preservation Toolkit centered around policies, programs, and strategies. The policies and programs are state- or locally-funded and operated, while the strategies are activities that can be carried out by Esperanza. Together, these three types of activities can make inroads in preserving the Eastern North Philadelphia community today, while providing an opportunity for economic growth and development well into the future. In order to develop these recommendations, we conducted a review of best practices by local governments and community development corporations nationwide.

At their core, our recommendations for a Community Preservation Toolkit are about providing resources to residents and businesses such that they can realize their own economic opportunity, based on a core principle of self-determination. Many of the policies and programs that we highlight already exist in Philadelphia, and have been funded and expanded through the Neighborhood Preservation Initiative, but may need to be sustained, reconfigured, and refocused in order to better meet these goals.

Our recommendations for a Community Preservation Toolkit are driven by our findings in the residential and commercial analysis of Eastern North Philadelphia. One suite of interventions falls under the title of a Community Preservation District program, where the City of Philadelphia would provide preference for city grants and programs for applicants operating within a Community Preservation District. This program is meant to stabilize the business community of Eastern North Philadelphia and will provide businesses with the support that they need to continue to grow and serve the community. The second suite of interventions are meant to **support the START model**, while the third suite of interventions *supports the CCT*. Put another way, in order to make these initiatives a success, Philadelphia and the Commonwealth of Pennsylvania will need to put in place a series of programs and policies to support them. The policies, programs, and strategies, outlined in Table 5 are underlined if they support the Community Preservation District program, are in **bold** if they support the START model, and are *italicized* if they support the CCT. Some recommendations achieve multiple functions, and therefore may be simultaneously ***bold, underlined, or italicized***.

In the pages that follow,

- Activities that support Community Preservation Districts are noted with a zone symbol:
- Activities that support the START model have a home symbol:
- Activities that support the CCT have a storefront symbol:

Table 5: Components of a Community Preservation Toolkit

PROGRAMS	POLICIES	STRATEGIES
Neighborhood Economic Development Grants	*Neighborhood Serving Retail Zones*	Business Liaisons
CDC Tax Credit	Legacy Business Support	*Workforce Development*
Storefront Improvement Program	**Tax Abatements for Affordable Housing**	*Tenant Organizing*
Shallow Rent Subsidy	*Residential & Commercial Tenant & Community Opportunity to Purchase*	**Homeowner & Homebuyer Education**
Emergency Housing Assistance	*Uniformity Clause Exemptions*	**Affordable Housing Development**
Housing Trust Fund	**Tenant Protections & Code Enforcement**	**Tangled Title Assistance**

PROGRAMS

Programs are active sources of funding or support from government to non-profits, businesses, or residents. The programs that we have highlighted in this report all currently exist in the City of Philadelphia, and their continued existence is vital for the Community Preservation District, the CCT, and the START model to be successful. However, we also believe that these programs can be expanded, reconfigured, and reimagined in ways to provide deeper, broader, and more impactful support. We outline the current status of the programs here, as well as our recommended changes, and why these programs are so vital to the success of the three initiatives.

Expand the Neighborhood Economic Development Grant

The Neighborhood Economic Development Grant provides between $100,000 and $500,000 to eligible non profits to aid in building development that will help spur neighborhood revitalization. This crucial program helps revitalize neighborhoods and commercial corridors, and provides a necessary source of funding for non-profits that may otherwise not be capable of financing capital projects. **The city should consider expanding the program to include subsidized loans or grants to legacy small businesses that also wish to develop real estate and revitalize their neighborhoods. This expansion should also come with a "Build Community Wealth" bonus**, based on the structure of Chicago's Neighborhood Opportunity Fund. In Chicago, the Community Wealth bonus provides additional support to business owners who live in the City of Chicago, or who hire Chicago residents. Expanding the program, and pairing it with a Community Wealth bonus, would allow for a preference for businesses that operate within a designated Community Preservation District. This preference would counteract the challenge of "lack of capital" that is so-often faced by small businesses owned by people of color. Additionally, it would allow for small businesses and non-profits operating in the Community Preservation District to fight back against out-of-town investors and speculators who would rather let commercial properties lay vacant than invest in beneficial tenants, services, and community hubs.

Expand and Amend the CDC Tax Credit

The CDC Tax Credit provides a one-to-one tax credit for businesses who provide funding to local CDCs. This tax credit is a source of immense importance to CDCs throughout Philadelphia, but funding is extremely limited. Only 42 businesses in a given year can receive the tax credit, and the tax credit's maximum value is $100,000 per year. However, there are limits on the CDC Tax Credit as written, for it requires a willing business partner and a CDC that is able to absorb those funds. **The city should consider expanding the total value of the CDC tax credit to $200,000 for CDCs that have established a commercial acquisition fund. The city should also explore other avenues for providing CDC support for commercial property acquisition and stable operating funds, given the challenges associated with the CDC tax credit as currently enacted**. These commercial acquisition funds would allow CDCs to identify and acquire property on commercial corridors, providing an avenue for legacy businesses to remain in the neighborhood. These changes would enable CDCs that represent areas with Community Preservation Districts to remove commercial properties from the speculative market, and specifically invest in projects that support community-minded small businesses. Paired with the expansion of the Neighborhood Economic Development Grant, an expanded and amended CDC Tax Credit could fundamentally change who owns and operates commercial corridors throughout culturally important neighborhoods in Philadelphia.

Expand the Storefront Improvements Program

The Storefront Improvement Program has provided a valuable source of funding to local businesses since its inception in 2009, providing up to $10,000 or $15,000 in funding to business and property owners on targeted commercial corridors. Its funding comes from a mix of state and local funding. As of 2014, the year for which most recent data is available, the Storefront Improvement Program dispersed nearly $700,000 to 92 businesses. However, the amounts available for businesses haven't increased since 2015, despite astronomical inflation, especially associated with building materials. **We believe that the City of Philadelphia should double the budget for this program, so that more business owners can access its funding, its funding for individual projects can be greater, and there can be priority for businesses located in Community Preservation Districts**. Its continued support, and expansion of program funding to reach more businesses, is critical in ensuring that legacy consumer-facing businesses can continue to attract local consumers. **Given challenges with administrative burden, the City could consider allowing CDCs to act as intermediaries for local businesses**.

Expand the Shallow Rent Subsidy

Owing to the limits of subsidized housing in reaching the lowest-income tenants in Philadelphia, the city has funded a "shallow rent subsidy," of up to $500 since 2019 to tenants living in subsidized affordable housing. This shallow rent subsidy addresses some core shortcomings of federal affordable housing programs, including the limits of fair market rents as determined by HUD, in addition to the rather high-income limits associated with LIHTC developments, with rents that are often appropriate for those making 50, 60, or even 80% of the Area Median Income, rather than 30% AMI or lower. Given the fact that the START proposal is aiming to serve residents making as low as 30% AMI, the shallow rent subsidy will be a key component of making sure the rents collected by Esperanza can meet the operating expenses associated with running the trust. **Thus, the amount of funding devoted to the shallow rent subsidy must be expanded to meet existing and future demand for the subsidy by low-income renters in Philadelphia, including expanding eligibility to other types of deed-restricted affordable housing**.

Expand the emergency utility/emergency rental programs

Federal, state, and local funding support low-income homeowners with utility bills. These programs include the Low-Income Home Energy Assistance Program (LIHEAP) and Utility Emergency Services Fund (UESF). These programs are critical for homeowners who fall behind on their utility bills. Philadelphia also has an emergency Heater Hotline program. For renters, Philadelphia's Eviction Diversion program provides support and mediation between tenants and landlords; support may include targeted financial assistance to some renters when rental assistance funds are available. Taken together, this suite of programs help homeowners and renters stay in their homes during times of crisis. **These programs must be expanded and sustained so that they can meet the needs of all low-income residents in Philadelphia**.

Expand the Housing Trust Fund

The Philadelphia Housing Trust Fund is the backbone of housing finance in the City of Philadelphia. HTF dollars are used to help develop or preserve affordable housing, to help homebuyers access down payment assistance, and to help homeowners access funding to repair and renew their homes so that they can continue to be habitable. Philadelphia has had a housing trust fund since 2005, and it has historically been funded by a combination of deed recording fees and discretionary appropriations. Starting this year, 0.5% of the annual Philadelphia budget must be appropriated for the Housing Trust Fund, equal to approximately $30 million in funding for FY 2024. The Neighborhood Preservation Initiative has added to this support, with programs like Turn the Key and The Accelerator Fund. **Expanding the housing trust fund, with a focus on developments for housing units serving those under 60% AMI, is necessary for the City of Philadelphia to keep apace of rising development costs, costs of capital, and acquisition costs**. The Housing Trust Fund could be used by Esperanza and other developers to acquire and rehabilitate housing in neighborhoods for the purposes of affordable housing preservation.

POLICIES

Policies are active sets of rules or regulations promulgated by state and local governments. The policies that we have highlighted in this report are vital for the Community Preservation District, the CCT, and the START model to be successful. These policies would be new to the Commonwealth and the City of Philadelphia, but many of them have been tried and tested elsewhere in the United States, and would prove beneficial to several neighborhood businesses and homes, including those in Eastern North Philadelphia.

Design a policy for Neighborhood Retail Serving Zones

One of the greatest threats facing small and legacy businesses are big-box and chain retailers who are able to siphon away customers through predatory practices. **Philadelphia could change their zoning code to designate some commercial corridors as "neighborhood retail serving zones," limiting the types of developments to discourage big-box and chain retails and provide an equal playing field for small and legacy businesses**. Neighborhood Serving Zones are recommended by the Small Business Anti-Displacement Network (SBAN) as a key strategy that local governments can take to preserve local, independent small businesses. San Francisco has a "Neighborhood Commercial District" policy, and Palm Beach, Florida a "Town Serving Zone" policy that Philadelphia could seek to emulate in updating the zoning code in support of the Community Preservation Toolkit. These policies focus on the types of businesses — such as independent retailers or chain branches — size of business square footage, as well as architectural and design styles. These neighborhood serving zones are thus meant to encourage commercial development that suits the needs of residents, and places local jobs and business ownership at the heart of commercial corridors.

Legacy Business Support

Legacy businesses are those small businesses that have existed in Philadelphia for years or decades, supporting the local economy, local jobs, and the neighborhood. These legacy businesses may be retail businesses, but also include manufacturing, services, and other vital functions that serve as the lifeblood of a community. But rising property values, rising rents and taxes, and the increased cost of businesses put these businesses at risk. **To support these businesses, Philadelphia ought to create a set of policies that support legacy business owners**. For instance, San Francisco has a legacy business program that aims to provide numerous supports to legacy businesses, including: rent stabilization grants; preference for city supply contracts, and heightened zoning scrutiny before development can replace a legacy business. Like San Francisco, Philadelphia should create a Legacy Business policy that helps retain and grow these vital businesses. Such a policy would be a key component of a community preservation toolkit, as rising rents and changing neighborhood fabric threaten increased closure rates for legacy business owners.

Enact a Tenant and Community Opportunity to Purchase, including commercial tenants

When a landlord chooses to sell their property, what are the tenants' rights? In most places in the United States, very few. While the tenant may be able to stay until the end of their lease, the new landlord could choose to evict them at the end of the lease or to raise the rent to a level previously thought unimaginable. Another outcome is possible. When a landlord chooses to sell their property, tenants ought to have a right of first refusal to purchase that property. Such a right would give the tenant the opportunity to stay in place, if they so choose, without hampering the right of the landlord to sell their property. This right-of-first refusal is often called a "Tenant Opportunity to Purchase," and it is a policy that has long existed in Washington, DC. Various forms of this policy have been proposed in New York, California, and Massachusetts. **Philadelphia ought to create a Tenant and Community Opportunity to Purchase Act, and it should apply both to residential and commercial properties, in single family homes all the way up to large multifamily developments. This policy change must also include funding to help tenants and tenant associations acquire those properties, such as funding from the Housing Trust Fund**.

DC's Tenant Opportunity to Purchase Act

The Washington, DC Tenant Opportunity to Purchase Act (TOPA), and its sister policy, the District Opportunity to Purchase Act (DOPA), are two city-wide polices meant to help protect renters from displacement when a landlord wants to sell a building. Tenants in multifamily rental buildings are given a right of first refusal when a landlord has a contract to sell a building. Tenants are given time to organize a tenant's association and raise capital. Tenants can assign their purchase rights to a nonprofit if they cannot afford to purchase it themselves. Tenants can also leverage the TOPA process to request buy-outs from the new purchaser. In the case that the building itself has at least 25% "affordable" units, the city government itself can leverage DOPA to purchase the building. TOPA and DOPA have access to funding from city sources. Both TOPA and DOPA have a number of loopholes and exceptions, however. Most importantly in the context of Philadelphia, they do not apply to single family homes, unless occupied by a tenant who is a senior or has a disability. In the modern era, these exceptions pose a problem when portfolios of single-family homes are owned by larger landlords, who may choose to transfer an entire portfolio at once. A recent report from the Coalition for Nonprofit Housing and Economic Development has found that TOPA has been very successful in providing tenants a seat at the table, though more could be do to strengthen it.

Tax Abatements for Affordable Housing

Tax abatements have long been part of the toolkit for spurring development in Philadelphia and across the country. But too often, tax abatements are poorly targeted, depriving local governments and school districts of much-needed funding, while encouraging development that may have occurred even without the development in place. **There is a need to rethink how tax abatements are used in Philadelphia, with the possibility that they should be done away-with, capped,[xxiii] or targeted towards affordable housing**. In fiscal year 2020, expiring tax abatements were used to supplement the housing trust fund, but the funds were limited and directed on an ad-hoc basis.[xxiv] As the tax abatements of the past expire, that new-found tax revenue should go towards the things desperately needed by Philadelphians: namely, low-income housing. Thus, as buildings exit tax abatement status, Philadelphia should permanently divert the new property taxes from these projects into a special fund for low-income housing development, specifically focused on housing developments for those making under 60% AMI.

Examine further exemptions to the uniformity clause

The Pennsylvania constitution's uniformity clause effectively prohibits progressive taxation on wages or real property, harming low-income and low-wealth Philadelphia residents. While there are exceptions to the uniformity clause enshrined within the constitution — such as the homestead exemption for owner-occupied residential properties — the existing taxation structure is far from fair. Low-income Philadelphians pay the same wage tax rate as CEOs; multimillion dollar commercial towers pay the same property tax rate as hundred-year-old rowhomes occupied by legacy businesses. The uniformity clause in the Pennsylvania Constitution makes progressive taxation nearly impossible in the Commonwealth, and harms low-income workers, homeowners, and small business owners. **Pennsylvania should explore further exemptions to the uniformity clause, or the possibility of removing the uniformity clause altogether**. While this would require a Constitutional amendment, the current fiscal crisis facing Pennsylvania's towns and cities requires a hard look at the limits of uniform taxation. Progressive taxation can advance racial equity and help meet Philadelphia's equity goals.[xxv] The city could pair exemptions to the uniformity clause with efforts for legacy businesses in a Community Preservation District, such as providing tax relief to property owners who lease to legacy businesses in designated Community Preservation Districts, akin to the New York City Garment Center Program. Philadelphia could also consider a split-rate tax, wherein land and buildings are taxed differently. Split-rate taxation has long been a staple of numerous municipalities throughout the Commonwealth, including Pittsburgh, Allentown, and Harrisburg. Philadelphia could also explore a true land value tax, wherein land is taxed at a very high rate, but improvements on land are not. Split-rate taxation and land value taxes capture the value of land that is generated by public investment, such as through new transit services, zoning reform, or other infrastructure investment, without discouraging improvements on land.

Establish new tenant protections & boost code enforcement

Philadelphia may soon become a renter-majority city. While just 20 years ago, the homeownership rate in Philadelphia was nearly 60%, that number today has dropped to just 52%. A city of renters deserves to be a city *for* renters. When renting becomes the default mode, is important that the city enact policies that protect tenants from unfair rent hikes, evictions, and other negative outcomes. While Philadelphia has made progress for tenants' rights in recent years, the protections remain all too limited. Currently, good cause eviction is limited only to tenants in subsidized housing or in housing with a lease lasting less than one year. Additionally, free "right to counsel" for eviction cases is limited only to tenants living in four ZIP codes.[xxvi] **The City of Philadelphia should expand good cause eviction to *all* tenants, and should drastically expand the eligibility for housing counseling programs**. Expanding these policies would provide greater protections for tenants, meaning that rising property values would not necessarily come with gentrification and displacement. Just cause eviction provides long-term stability for tenants who wish to stay in their current rental unit, while a right-to-counsel decreases eviction rates and increases neighborhood stability and housing justice.[xxvii] **Additionally, Philadelphia should consider using targeted code enforcement to ensure that tenants are protected from negligent landlords, and that investors who purchase rental properties are keeping those properties in good condition**.

STRATEGIES

Strategies are the core competencies employed by Esperanza to ensure that their CCT and START initiatives are a success. The strategies outlined below will help make sure that Esperanza is prepared for the long-term longevity of these initiatives, focused on empowering neighborhood residents and businesses.

Affordable housing development

To preserve the Latino community in Eastern North Philadelphia, **Esperanza should pursue an all-across-the-board approach to affordable housing development**, including scattered site Low-Income Housing Tax Credits, small-scale developments through HOME and other grants, and acquisition and rehabilitation of scattered site properties. Expanding Esperanza's portfolio of affordable housing that can be positioned within the START initiative will ensure that Esperanza can achieve efficiencies of scale related to financing, renovations, and property management. Utilizing a diverse set of funding streams can also diversify the income mix of the START portfolio, allowing for a cross-subsidy within the portfolio to ensure that START can support renters below 60% AMI.

Tenant organizing

In order to help renters in the Eastern North Philadelphia community, **Esperanza should work with tenants in order to ensure that they can maintain their residence in the neighborhoods they call home**. Tenant organizing can ensure that renters know their rights, and can fight back against predatory landlords, unjust rent increases, and illegal evictions. Tenant organizing can also come in the form of homebuyer education and counseling programs, to help tenants transition from renters to homeowners. Long-term support of tenants, and working with other organizations that support tenants in Philadelphia will also help Esperanza engage fully in the housing ecosystem in Philadelphia. In turn, this will prepare Esperanza to work with these tenants in other circumstances, such as when landlords wish to sell their rental properties.

Tangled Title

As is common throughout Philadelphia, many homeowners have unclear or tangled titles on their home, making maintenance and disposition of property cumbersome, and sometimes resulting in the loss of property. **Esperanza could consider working with legal services in Philadelphia to aid homeowners in the tangled title process, as part of a broader homeowner education effort**. Working with homeowners in the process of tangled title and other legal assistance can prepare Esperanza to work with these homeowners over the long-term. By working with homeowners on tangled title, Esperanza brings these homeowners into their ecosystem and can support them in the future when they may face other challenges as well.

Homeowner education

A majority of Eastern North Philadelphians own their homes. However, predatory schemes target homeowners as well, from fraudulent loans to unfair purchase offers. **It is imperative that Esperanza educate homeowners about how to maintain and sell their home**. Homeowner education also provides a pathway for Esperanza to acquire scattered-site properties in the future, where homeowners who are thinking of selling their property can first come to Esperanza, who could offer to purchase their home for a fair price and transition it into the START portfolio. Esperanza can integrate homeowner education, tangled title, and tenant organizing into a comprehensive resident support system. Homeowner education may also entail working with local realtors and brokers to help better represent the interest of Latino homeowners in Eastern North Philadelphia.

Workforce Development

Workforce development is a long-standing economic development strategy that will be of crucial importance for the Community Preservation District and the Commercial Corridor Trust. In order to make sure that the businesses receiving support from the CCT and Preservation District are able to survive in the long-term, **neighborhood residents should be given opportunities for jobs, training, and long-term mentoring by and for these businesses**. Workforce development programs, some of which are already offered by Esperanza, provide economic opportunity to neighborhood residents. Apprenticeships and training, skill-building, and business instruction can enable the businesses to train the next generation of employees, and, some day, owners. Workforce development is of special import in the current context of the United States' industrial transition, where many businesses, such as automotive repair shops, may need retraining to adjust to an electrified future.

Business Liaisons

In addition to the city of Philadelphia's business services managers, Esperanza could expand their commercial corridor work to provide business liaisons. These business liaisons would provide a crucial link to Esperanza's other programs, as well as helping small and legacy businesses access the city of Philadelphia's own suite of programs. These business liaisons may be of particular importance for small business owners for whom English is a second language, who may otherwise have difficulty navigating the city's bureaucracy. Esperanza's business liaisons will be of great import for ensuring the success of both the Commercial Corridor Trust and the Community Preservation District. In the case of the former, connecting with commercial tenants provides the same benefits as connecting with residential tenants: knowing when buildings may change hands, helping tenants during challenges, and raising the possibility that Esperanza will be better prepared to acquire a commercial property when it comes up for sale. In the case of the Community Preservation District, Esperanza will work with businesses to ensure that the city's expanded support is accessible and useful to businesses.

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