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Achieving Durable Mixed-Income Communities through Affordable Housing Preservation: A Successful Model of Scattered-Site Housing Redevelopment in West Philadelphia[1]

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A critical feature of thriving mixed-income communities is the availability of a range of housing options that a broad spectrum of individuals and families can afford. To sustain mixed-income communities, policymakers and mission-driven entities need an array of tools to create and preserve affordable housing options for low- and moderate-income residents. In many cities across the country, however, well-intentioned efforts to revitalize distressed neighborhoods are creating conditions in which improvements to the housing stock and local amenities have begun to drive housing values and rents to levels that long-term residents, particularly low- and moderate-income renters of color, cannot afford.

West Philadelphia is one such place. It includes numerous sub-neighborhoods, from historically middle-class African-American[2] areas to enclaves of immigrants from Africa, the Caribbean, China, and South Asia, to clusters of college students and their professors. Sections of West Philadelphia have been some of the city's most racially and economically diverse for decades, while others remain racially isolated areas of concentrated, intergenerational poverty. The housing stock runs the gamut from modest rowhouses to Victorian mansions to large apartment buildings.

West Philadelphia has three universities and several large hospitals. In a city economy driven by "eds and meds," the presence of these institutions makes the area west of the Schuylkill River a major employment hub. The legacy of university-driven redevelopment efforts from Urban Renewal through today also underscores an explicit racial dimension to discussions of neighborhood change throughout West Philadelphia. The wholesale transformation of what was known as the Black Bottom neighborhood—an enclave of black residents living near the University of Pennsylvania—in the 1960s into what is known today as

[1] This essay appears in Mark L. Joseph and Amy T. Khare, eds., *What Works to Promote Inclusive, Equitable Mixed-Income Communities*, please visit the volume website for access to more essays.

[2] Editors' Note: We have recommended that essay authors use the term "African American" when referring specifically to descendants of enslaved people in the United States and the more inclusive term "black" when referring broadly to members of the African diaspora, including African Americans, Caribbean Americans, and Africans. In this way, we seek to acknowledge the unique history and experience of descendants of enslaved people in the United States and also the diversity of backgrounds within the larger black community.

University City—a wealthier white enclave—is a stark example of urban "revitalization" that displaced whole communities of color.

Many long-time residents of modest means in West Philadelphia are black, while many of the more affluent newer residents typically are not, especially near the universities and hospitals. While the area has begun to change, both racially and economically, it remains predominantly African American. Eighty-five percent of the homeowners in West Philadelphia, writ large, are black/African American, despite making up only 74 percent of the community's population.

Today, long-time residents of West Philadelphia face multiple displacement pressures. On one hand, rapidly increasing real estate values extending from the growth of local universities and hospitals put pressure on residents in the gentrifying neighborhoods of West Philadelphia. On the other hand, blight and housing deterioration put pressure on residents living in the increasingly concentrated areas of distress. As low- and moderate-income residents of color are priced out of gentrifying areas, previously mixed-income communities are left more racially and economically homogenous than ever.

This essay describes a model of scattered-site affordable housing development implemented by West Philadelphia Real Estate and Neighborhood Restorations (WPRE/NR). From 1989 to 2015 WPRE/NR created 1,100 affordable rental housing units in 760 single-family homes and duplexes, mainly in high-poverty areas of West Philadelphia, using a mix of creative land acquisition, Low Income Housing Tax Credits (LIHTC), and private financing.[3]

WPRE/NR's scattered-site approach to redevelopment provides an instructive example for others weighing different strategies to create and sustain mixed-income communities. In some of West Philadelphia's most rapidly changing housing markets, WPRE/NR's activity has effectively established long-term (typically 30 years under the LIHTC program) affordability, increasing the likelihood these communities will remain places where a racially and economically diverse range of residents can afford to live and benefit from better housing quality and improved neighborhood amenities.

At the same time, practitioners and public officials must remain cognizant of the tension inherent in redevelopment activities that improve housing conditions for some low-income residents, but may also lead to higher property taxes or rents for other long-time residents. This case study highlights the viability of context-specific strategies, including a mix of public and private developers and a novel use of existing financial products, to address the increasingly acute shortage of affordable housing.

[3] Reinvestment Fund, a local community development financial institution focused on investing in underserved areas, is one capital source for WPRE/NR development activity in West Philadelphia.

West Philadelphia Context

West Philadelphia is home to roughly 238,000 residents. Nearly 73 percent are black, well above the citywide population (41 percent). Across West Philadelphia, the share of the black population varies from nearly 100 percent in block groups of neighborhoods such as Carrol Park and Haddington to less than 10 percent in some University City block groups. About 25,000 undergraduate students attend Drexel University and the University of Pennsylvania (Penn) each year, making up about 10 percent of the overall population in West Philadelphia. An additional 20,000 graduate students attend the universities, although an unknown number live outside of West Philadelphia.[4] The University of the Sciences is a much smaller institution not far from Penn, with about 1,200 students. Roughly one in 10 West Philadelphia residents is foreign born.

West Philadelphia also is an economically diverse area that encompasses many different types of neighborhoods. Map 1 (p. 5) presents an overview of West Philadelphia neighborhoods, the variation in block group-level poverty rates, and the location of traditional subsidized housing developments.

The neighborhoods surrounding Penn and Drexel universities and the Overbrook Farms neighborhood on the western border are home to West Philadelphia's most affluent households whose incomes are commensurate with those in some of the wealthiest neighborhoods in the city. The Wynnefield and Powelton Village neighborhoods are both long-standing middle-class neighborhoods, the former predominantly black, the latter more racially diverse. Other West Philadelphia neighborhoods have struggled with deep and persistent poverty. In 2018, over a quarter of all families in West Philadelphia (26 percent) lived in poverty, compared with 20 percent citywide.[5] Areas with lower rents are becoming increasingly concentrated in a narrower geography between expanding areas of price appreciation, Fairmount Park, and the western edge of the city.

West Philadelphia is home to a number of long-term affordable housing developments, including public housing and other affordable housing options (see Map 1). However, several neighborhoods, particularly those surrounding the University of Pennsylvania and Drexel University, have been under increasing real estate pressure throughout much of the last 20 years. Some areas have completely transformed (racially and economically) and are largely unaffordable for low- to moderate-income residents.

The relationship between the universities and West Philadelphia residents is complicated. For well over 70 years, university investment activity and political clout (predominantly Penn's)

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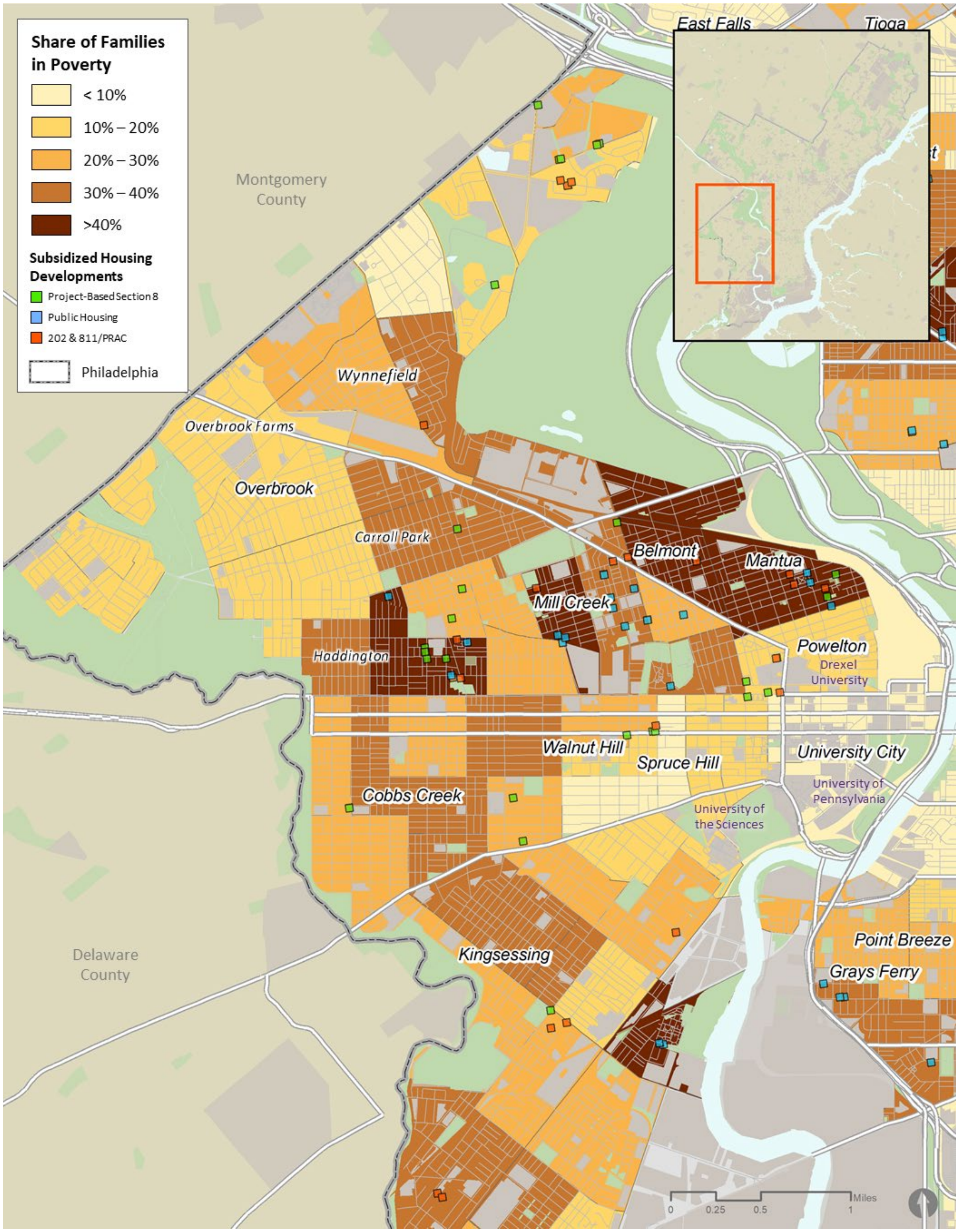
[4] "Fast Facts," Drexel University, accessed January 21, 2020, https://drexel.edu/about/glance/fast-facts/.; "Facts," University of Pennsylvania, accessed January 21, 2020, https://home.www.upenn.edu/about/facts.

[5] In West Philadelphia 33 percent of the black population and 31 percent of the white population live in poverty. While family poverty stands at 20 percent citywide, approximately 25 percent of Philadelphians live in families at or below the poverty level making it one of the poorest big cities in America.

has been an outsized force in West Philadelphia development. While the universities no longer undertake such extreme measures as they did with the wholesale elimination of the historic Black Bottom community, which took place via eminent domain in the 1960s, both Penn and Drexel continue to have a major impact on housing market activity and prices.

Map 1:
WEST PHILADELPHIA NEIGHBORHOODS, POVERTY RATES, AND SUBSIDIZED HOUSING DEVELOPMENTS



Source: American Communities Survey, Five-year Estimates, 2014-2018; U.S Department of Housing and Urban Development: Office of Policy Development and Research, Picture of Subsidized Households (2018). Note: 202 & 811/PRAC refer to supportive housing for elderly and disabled individuals

Two Penn initiatives have been particularly transformative: an employer-assisted down payment program that encouraged many employees and faculty to purchase homes nearby, and the cooperative management and funding of a local elementary school in partnership with the School District of Philadelphia that has led to an influx of families with higher incomes seeking access to what is now one of the city's best-rated schools. There is some indication that this may have, in turn, led graduate students to seek housing in lower-cost areas farther to the west, moving Penn's impact much farther from campus.[6] Drexel, meanwhile, has transitioned from a predominantly commuter campus to a residential one with vastly expanded curricular offerings and enrollment; the school has built a number of new dorms and many more Drexel students are now seeking off-campus housing in West Philadelphia.

The universities are also major job engines: Between the main university and health system, Penn is the largest employer in the city, and Drexel has consistently been in the top 10 (Children's Hospital of Philadelphia, also located in University City, is the fifth largest employer). The growth of Penn and Drexel has made University City the second largest job center in the region (after Philadelphia's downtown) with expanding opportunities in education, health care, technical research, and support services for these industries increasingly locating in University City. This expansion has drawn increasing numbers of white and Asian individuals and families with higher incomes to University City; while many of these families live in areas surrounding Penn and Drexel, over time they have begun pushing farther out into adjacent neighborhoods, bringing higher incomes, higher home values, demand for higher-priced amenities, and a threat of displacement for long-term black residents with more modest incomes.[7]

Although many of West Philadelphia's black residents may view the universities with caution, in recent years both Penn and Drexel have endeavored to contribute to community development and improve access to opportunity. Examples include: participation in the West Philadelphia Skills Initiative, which trains local residents for jobs with the area's major employers; public health services provided through the hospital system; collaborative teaching and research on needs in local communities; and the West Philadelphia Promise Zone, for which

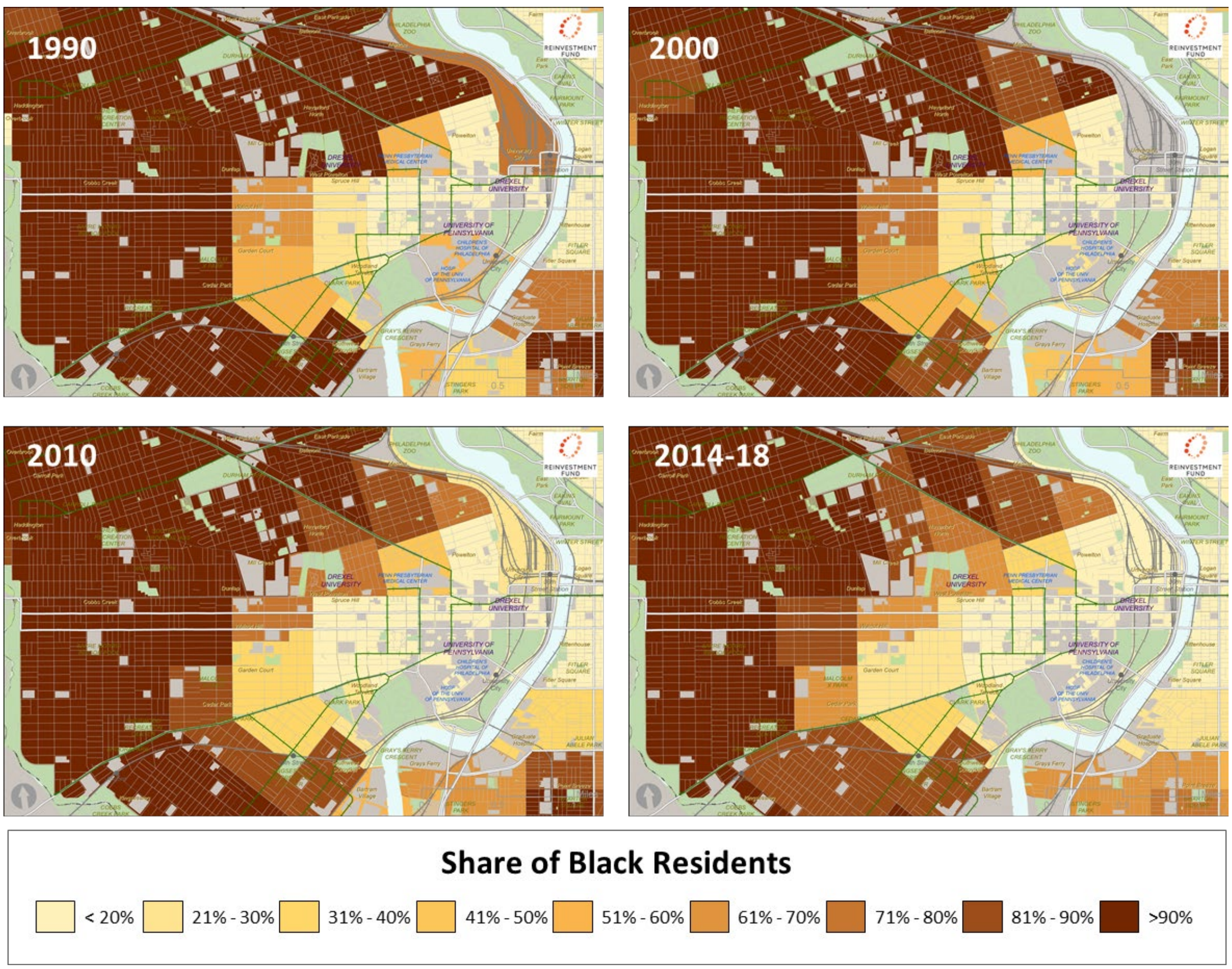
[6] Judith Rodin, *The University and Urban Revival: Out of the Ivory Tower and Into the Streets* (Philadelphia, PA: University of Pennsylvania Press, 2015).; Harley F. Etienne, *Pushing Back the Gates: Neighborhood Perspectives on University-Driven Revitalization in West Philadelphia,* (Philadelphia, PA: Temple University Press, 2012).

[7] Kevin Gillen and Susan Wachter, "Neighborhood Value Updated: West Philadelphia Price Indexes," https://www.slideshare.net/PennUrbanResearch/neighborhood-value-updated-west-philadelphia-price-indexes, (2011).; Emily Dowdall, *Philadelphia's Changing Neighborhoods: Gentrification and Other Shifts Since 2000*. (Philadelphia, PA: Pew Charitable Trusts, 2016), https://www.pewtrusts.org/-/media/assets/2016/05/philadelphias_changing_neighborhoods.pdf.; Seth Chizeck, "Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014," *Cascade Focus, Federal Reserve Bank of Philadelphia*, January 2017, https://www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/gentrification-and-changes-in-the-stock-of-low-cost-rental-housing/cascade-focus_5.pdf?la=en.

Drexel is a leading supporter. Each university also has a center dedicated to community engagement.

Neighborhoods outside the orbit of University City have had a different set of challenges. Many middle-class black neighborhoods were hard hit by the foreclosure crisis. Since 1990, the overall population in West Philadelphia has declined by more than 20,000 residents (from 258,336 in 1990 to 237,660 in 2014-18), contributing to pockets of vacancy and blight. While West Philadelphia's black community has remained largely stable over the last two decades, the geography of the black community has begun to shift as white and Asian residents have moved into the neighborhoods farther out from Penn and Drexel. Map 2, shows changes in the black population between 1990 and 2018.

Map 2:
BLACK POPULATIONS IN WEST PHILADELPHIA BLOCK GROUPS: 1990 - 2018



Note: Rates measure non-Hispanic black residents as share of total population.

Genesis of West Philadelphia Real Estate and Neighborhood Restorations

WPRE/NR was created by two private developers in 1989 to rehabilitate abandoned rowhouse shells into affordable housing, using Low Income Housing Tax Credits (LIHTC). Since 1989, WPRE/NR has produced more than 1,100 units of affordable rental housing in 760 single-family houses and duplexes, leading to direct investment of more than $200 million in West Philadelphia.

WPRE/NR homes are located in some of West Philadelphia's most economically distressed blocks as well as blocks that have been rapidly transformed through the displacement of long-term residents. All WPRE/NR residents are low-income, and most (over 70 percent) are black.

Map 3 (p. 10) shows the location of WPRE/NR properties and contemporary black populations and poverty rates across West Philadelphia. Many of the WPRE/NR properties developed after 2010 are currently located in areas that have both high rates of poverty and high concentrations of black residents. A cluster of properties, mostly built before 2005, are located east of Cobbs Creek in a community that has undergone dramatic changes since WPRE/NR began working in the area (Maps 4 and 5, pp. 15-16). Today, this area has a lower poverty rate and fewer black residents than other areas of West Philadelphia; but this was not the case at the turn of the 21st century when WPRE/NR was developing many of these units.

In 1984, WPRE/NR co-founder, Scott Mazo, was working in West Philadelphia as a painter and contractor when he bought his first abandoned shell, based on the observation that vacant rowhouse prices in the neighborhood were low and rents were stable enough to cover monthly mortgage payments. Using no public subsidy, he tore out everything down to the studs, rebuilt the unit, and then leased the house for an affordable rent that also turned a small profit.

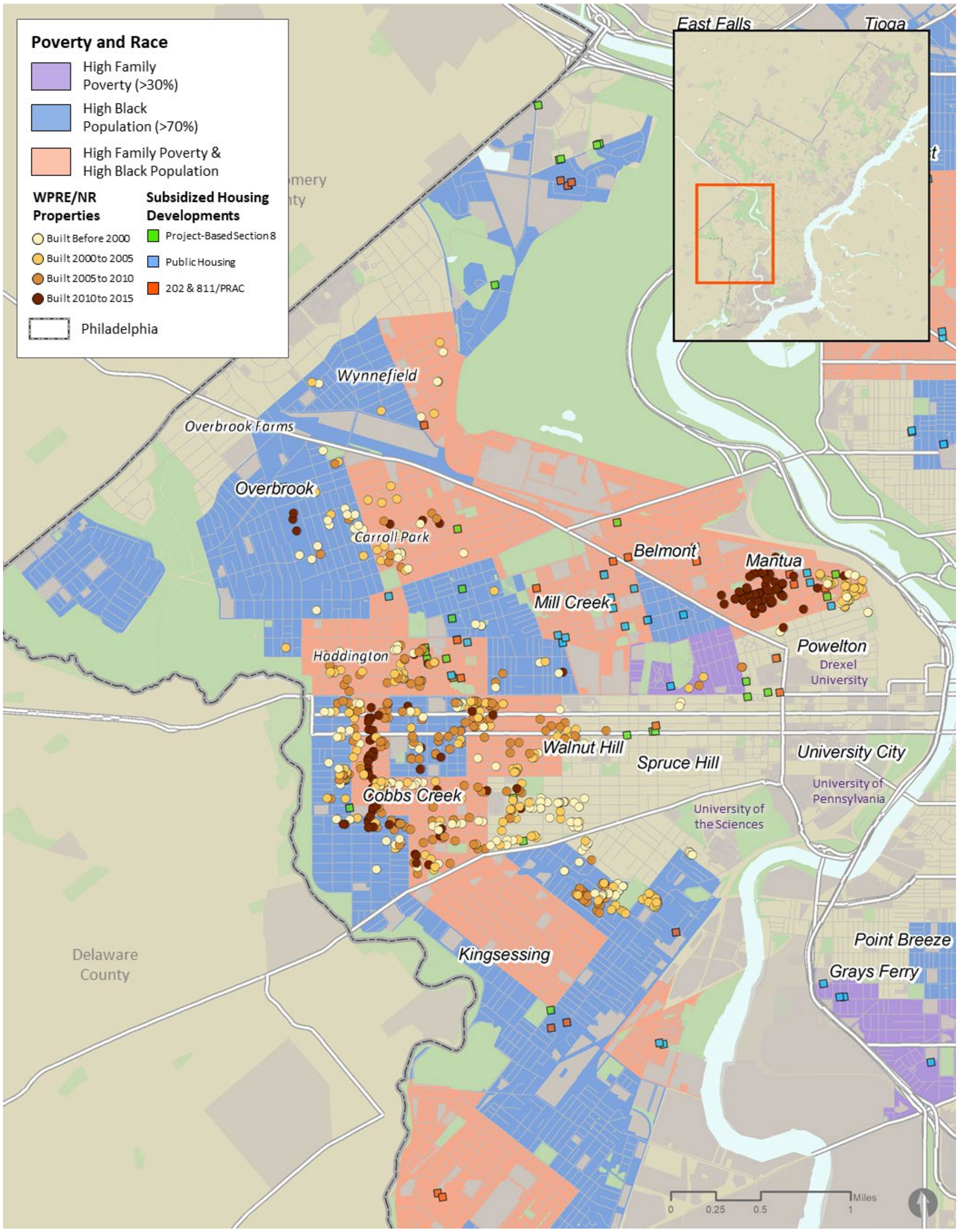
Having met with some early success, Mazo partnered with co-founder Jim Levin in 1989. Together they purchased nine vacant properties on otherwise viable, well-maintained streets in West Philadelphia and applied to the Pennsylvania Housing Finance Agency (PHFA) for tax credits to finance their redevelopment. By focusing on vacant homes scattered on otherwise well occupied blocks, they believed their work could create new affordable homes while also helping to stabilize the surrounding community by removing the blighting influence of vacant homes.

A scattered-site LIHTC model was new to PHFA, and it initially rejected the idea. However, PHFA was eventually convinced there was enough demand for affordable single-family homes. Over the past three decades, PHFA has approved Neighborhood Restorations to develop 24 different scattered-site redevelopment projects with LIHTC funding.

A critical goal of WPRE/NR became the production of houses that are indistinguishable from those in the surrounding neighborhood—single-family rowhouses and duplexes whose exterior is in the same or better condition of those surrounding them.[8] Today, one would be hard pressed to distinguish WPRE/NR units from the surrounding community. By ensuring that homes blend in with the fabric of the local community, and by targeting renovations to vacant properties on otherwise occupied blocks, WPRE/NR's investments have helped stabilize the communities in which it invests.

[8] The vast majority of WPRE/NR properties are renovated row homes, which are an iconic single-family housing stock that dominates the residential real estate landscape throughout the city. Rehabbing these homes while maintaining 'the row' was a fundamental way the WPRE/NR investments helped to maintain the character of individual streets throughout West Philadelphia.

Map 3:
WPRE/NR DEVELOPMENTS, BY 2016 POVERTY RATE AND BLACK POPULATION



Source: American Communities Survey, Five-year Estimates, 2014-2018; U.S Department of Housing and Urban Development: Office of Policy Development and Research, Picture of Subsidized Households (2018). Note: 202 & 811/PRAC refer to supportive housing for elderly and disabled individuals

When WPRE first began transforming vacant rowhouses into rental units in 1989, neighbors were nervous about the idea of white investors coming into their predominantly black neighborhood, extracting rents and leaving. To help gain their trust, Mazo and Levin spent a lot of time on site speaking with neighbors, sharing their goals for their investment, and answering neighbors' questions. WPRE/NR leaders also earned neighbors' trust by hiring local neighborhood contractors and by moving their office and personal homes into the neighborhood. In some cases, their projects also included home repairs to adjacent existing homes to ensure all homeowners on the block benefited, and to protect WPRE/NR's investment.

WPRE/NR's Scattered-Site Model

Step 1: Acquire Property. WPRE/NR's scattered-site model relies on the availability of low-cost properties that can be acquired and renovated to create affordable housing. For the most part, these are rowhouse shells that have been abandoned for more than 10 years. Early on, WPRE/NR focused on acquiring individual properties on blocks that contained just a few vacant properties.

Abandoned homes are purchased with an acquisition line of credit from Reinvestment Fund, a local community development financial institution (CDFI) committed to building wealth in historically underserved areas. The acquisition line is paid off once the developer receives tax credits and closes on the construction loan. Over the years, WPRE/NR purchased these abandoned homes for a range of prices including $1 for city-owned properties, below-market-value bids at tax sales, and market value for privately owned listed properties.[9] The average cost paid for the scattered-site vacant housing units from 1989 to 2015 was $13,380 (adjusted for inflation to 2015 dollars).

The two biggest challenges in land acquisition have been (1) city failure to clear title to publicly owned properties, leaving WPRE/NR with substantial back taxes and liens that have taken years to correct; and (2) dramatically rising house prices in 2006-2007 and again in more recent years, which have endangered the viability of the model. Over time, owing to the growing development pressure in the area, opportunities to work on blocks that contain only a few vacant properties became rarer. In response, WPRE/NR began purchasing clusters of homes on blocks with higher vacancy rates, working to ensure that they could acquire a sufficient number of these properties to stabilize the block. WPRE/NR also has begun construction of new units on vacant sites when the rowhouses in an area are unaffordable.

Step 2: Create an Eligible LIHTC Project. With site control of multiple abandoned properties clustered in the same area and private financing secured, WPRE/NR applies to PHFA for LIHTC funding. To make a project LIHTC-eligible, another investor—typically a business that wants to take advantage of tax credits—must be party to the deal. If WPRE/NR's project is selected by PHFA, the investor partner who receives the tax credits typically pays the present

[9] Beginning in 1996, WPRE/NR obtained city-owned abandoned homes in West Philadelphia for $1 for use in the developments under the Rendell (former Philadelphia mayor) Administration.

value of the LIHTC credits over a period of time. These funds are used by WPRE/NR for construction and development of the scattered site units.

WPRE/NR has applied for and received LIHTC support for 24 redevelopment projects since 1989. The smallest LIHTC award, in 1991, was used to redevelop 10 units—six single-family homes and two duplexes. Two of the largest projects, in 2004 and 2006, entailed the redevelopment of approximately 80 single-family homes each.

Step 3: Rehabilitate Abandoned Houses. Managing construction costs is critical for the viability of the model. Focusing on renovations rather than new construction helps keep costs low. Per unit, WPRE/NR's scattered site development costs were 24% lower than development costs for new-construction, multifamily LIHTC housing in Philadelphia.[10]

At capacity, WPRE/NR can complete about 60 homes per year or five homes per month. Houses are stripped down to their bare bones and re-built on the same footprint and with the same square footage. In each home, WPRE/NR provides new plumbing, wiring, roof, floors, studs and walls, using a general contractor to oversee the rehabilitation. General contractors that work with WPRE must provide documentation that they have 50 percent minority employees and at least 50 percent local resident employees. The City of Philadelphia tracks minority participation rates through its monthly workforce participation audits. In 2013, for example, the city notified WPRE/NR that for a project internally referred to as WPRE III, 68 of 121 total employees working on site (56 percent) were minority employees and 62 (51 percent) were local employees.[11]

Since 2008, WPRE/NR has used sustainable building practices to ensure each home receives LEED certification from the U.S. Green Building Council and Energy Star certification from the U.S. Environmental Protection Agency. This ensures that all houses are energy efficient and utility costs are reduced to increase the home's affordability. It also helps keep homes warm, safe, and dry with the lowest possible indoor air pollutants.

Step 4: Provide High-Touch Property Management. Completed units are rented to qualified low-income tenants. Tenants sign a one- or two-year lease but stay an average of 3.9 years. The LIHTC program requires that tenants must have incomes at or below 60 percent of Area Median Income. In the first 10 years of operation, almost 90 percent of WPRE/NR tenants had Section 8/Housing Choice vouchers. In 2015, 40 percent of tenants used a Section 8 voucher, and the other 60 percent paid the affordable market rents set by the LIHTC program, without assistance.

WPRE/NR's property management company, Prime Property Management, leases and manages the organization's portfolio of units. Prime Property Management is responsible for

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[10] Reinvestment Fund, *West Philadelphia Scattered Site Model: An Affordable Housing Impact Study*. (Reinvestment Fund, 2016), https://www.reinvestment.com/wp-content/uploads/2016/12/WPhila_ScatteredSite_2016.pdf.
[11] City of Philadelphia Office of Housing and Community Development, unpublished letter, February 5, 2013.

fixing all systems within the house and the home's structure. The company has a full-time staff of 16 employees. Half of these employees perform maintenance on houses, while the other half provide administrative support. All but one of Prime Property Management's 16 employees are black and live in Philadelphia. About 70 percent of these employees currently live in West Philadelphia neighborhoods, and all were neighborhood residents when hired.

Holding maintenance and operating costs low allows WPRE/NR to make a profit while keeping rents affordable. Since 2000, the average maintenance cost per unit has been $1,200 per year. Operating expenses, which include insurance, legal and professional fees, advertising, and taxes, average $3,380 per year or roughly $282 per month.

WPRE/NR also recognize the challenges confronted by many of their tenants. Since 2004, WPRE has given each tenant access to social services through the Public Health Management Corporation (PHMC), a local nonprofit health institute. These services include preventative health programs, job training and placement programs, childcare assistance services, substance abuse treatment, legal services, and mortgage counseling. WPRE/NR provides information to tenants about these services and pays PHMC's fees when a tenant chooses to participate in a program. In addition, since 2004, 10 percent of all rehabilitated homes have been accessible for persons with disabilities.

WPRE/NR Investments and Mitigating Resident Displacement Risk

Reinvestment Fund developed the Displacement Risk Ratio (DRR) to understand whether households may be facing financial pressure to leave their homes and neighborhoods due to circumstances beyond their control (e.g., rapidly rising taxes/insurance, rent increases, or conversion of rental property into owner-occupied stock). WPRE/NR has modified the location and timing of its developments in response to changes in the DRR in West Philadelphia.

The DRR is calculated through the following steps:

- Set 2000 census median family incomes as a benchmark for each block group in Philadelphia.
- Inflate block group median family incomes each year using the Consumer Price Index (CPI).
- For each block group, calculate the ratio of the median home sale price to the inflated median income, using rolling two-year periods.
- Subtract the citywide ratio from each block group ratio to establish a citywide reference.

The calculation identifies places where households with an economic profile similar to that of previous area residents may no longer be able to afford to do so. This feature makes the DRR well-suited to examining the concurrence of resident displacement risk and WPRE/NR investments.

Map 4 presents changes in the DRR from 2000 to 2017 along with the location of WPRE investments, represented as blue dots, appearing in the years that each project came online. In Philadelphia, block groups with DRR scores that reach above 3.0 over time are generally considered no longer affordable to the typical household in the "start year" (2000).

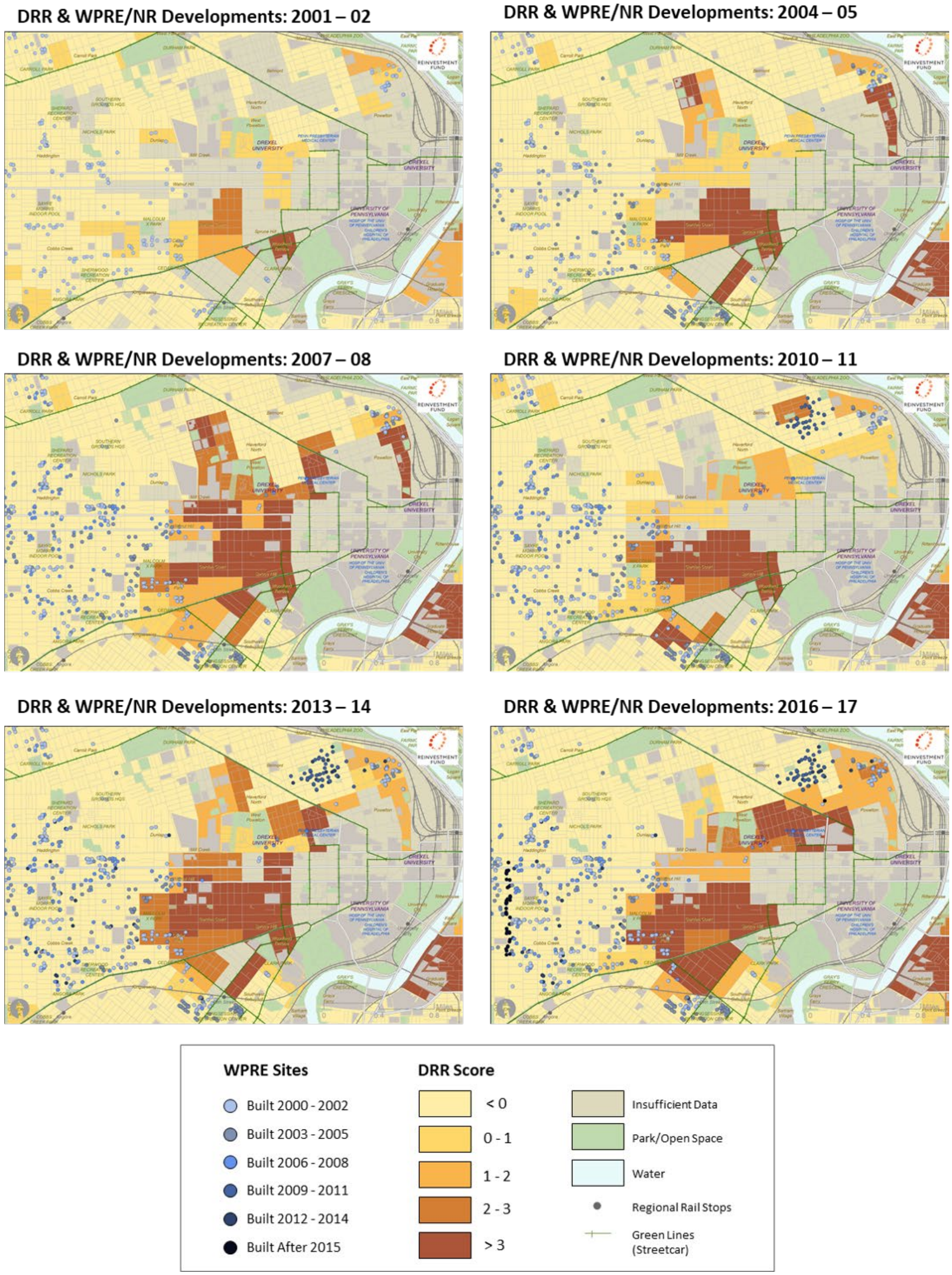
Across these maps, the displacement pressure builds in block groups branching out from University City—north into Powelton Village and Mantua, and farther west and south along Baltimore Ave. The WPRE/NR investments are locking in long-term affordable units within and nearby increasingly hot housing markets, represented by the darkest areas on the maps. In these block groups, long-time residents or residents with incomes similar to the block group's 2000 residents are likely experiencing the greatest displacement pressure. These are areas that are undergoing substantial redevelopment activities led primarily by the University of Pennsylvania and Drexel University.

Other studies have documented ways in which LIHTC developments have positive impacts in low-income communities. By contributing to rising home prices in the predominantly black and historically disinvested areas where WPRE/NR properties are located, WPRE/NR is both helping to stabilize housing values for long-term residents, but also potentially contributing to the rising displacement pressure facing residents. This adverse consequence is balanced by the creation of a stock of high-quality affordable housing in some of West Philadelphia's more rapidly appreciating housing markets, thus maintaining a racial and economic mix.[12]

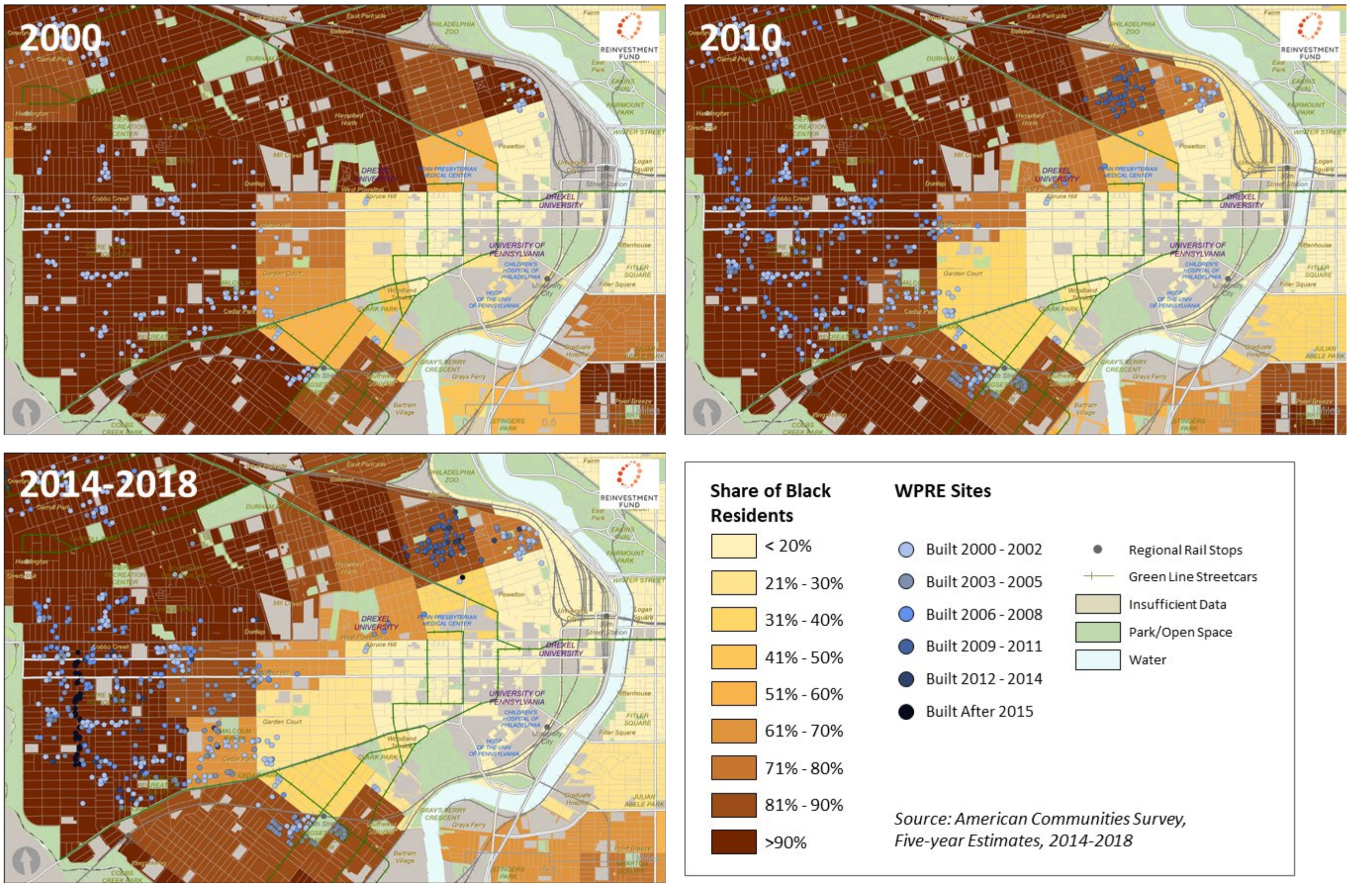
Map 5 shows how the black population in West Philadelphia has changed during this same period along with the location of WPRE investments. Comparing the change in the black population over time, it is clear that many WPRE/NR properties are located in or directly adjacent to neighborhoods undergoing substantial demographic changes. As more low- and moderate-income residents of color have been priced out of these areas, the availability of WPRE/NR units allows some residents to stay in place, helping to maintain mixed-income and mixed-race communities.

[12] Reinvestment Fund. "Assessing Impact: Study Finds that NRLP and TRF Relationship Results in an Improved Community". https://www.reinvestment.com/wp-content/uploads/2005/12/NRLP_Assessing_Impact-Brief_2005.pdf; https://www.reinvestment.com/wp-content/uploads/2016/12/WPhila_ScatteredSite_2016.pdf (2016).

Map 4:
CHANGES IN WEST PHILADELPHIA DISPLACEMENT RISK RATIO: 2001 – 2017



Map 5:
CHANGES IN WEST PHILADELPHIA BLACK POPULATION AND WPRE/NR SITES, 2000 - 2018



Discussion

To date, WPRE/NR has created over 1,100 housing units in an area that is home to nearly 86,000 households. The observed impact of these redevelopment activities highlights a critical tension for those working in community development space in cities across the country: Redevelopment activities that improve housing conditions in underserved markets may also drive price appreciation in the broader neighborhood. However, developments that contribute to rising property values in the surrounding community can be a boon to long-term residents if those residents are able to stay in the community.

In the western half of West Philadelphia, home values remain so low that the risks of displacement pressure stemming from WPRE/NR's activity (or that of the University of Pennsylvania or Drexel University) remain negligible. These areas of West Philadelphia continue to be home to black populations that exceed 75 percent of all block group residents. However, in neighborhoods just outside University City, such as Powelton Village, West Powelton, Mantua, Cedar Park, and Walnut Hill, WPRE/NR's units are either on the leading edge, or directly within areas experiencing tremendous displacement pressure. These also are areas of West Philadelphia where the black population is moving inversely with home price appreciation: As the displacement pressure has increased, the black population has steadily declined. WPRE/NR's development activities create long-term affordable units for low- and moderate-income, predominantly black households. These homes are located near some of the city's largest concentration of employment; their production is also proceeding within an environment of ongoing market-rate development that continues to push real estate values higher. This reality puts pressure on local residents who are not fortunate enough to secure these, or similar, housing situations. At the same time, in West Philadelphia's more distressed areas, WPRE/NR investments serve as a stabilizing force and provide a much-needed boost to depressed housing values.

Conclusions

WPRE/NR is unusual in its commitment to community, its long-term connection to place, and its determination to create a housing product that fits into the neighborhood fabric. This approach to development is something that Reinvestment Fund also seeks in developers of housing for lower-income people. The two entity's work in West Philadelphia over the past 30 years offer evidence that it is possible to leverage limited public subsidies to create high-quality affordable housing that generates a sustainable profit over the long term. Looking ahead, as WPRE/NR's initial properties in West Philadelphia approach the end of the 30-year LIHTC term, the affordability requirements attached to these units will begin to expire. At this time, the owners have expressed no interest in raising rents even where market rents have risen substantially.

WPRE/NR is extraordinarily proud of the contributions its efforts have made to creating and sustaining mixed-income neighborhoods of opportunity, and leaders expect the properties, at current rent levels, to provide a reliable income stream once their debt is retired. As the rental restrictions sunset for these properties, WPRE/NR's founders plan to research approaches used by other well-managed scattered-site projects financed by LIHTC so that their properties remain affordable.

Looking ahead, it is unclear whether there are enough other developers and enough LIHTC subsidy, or both, to support comparable efforts to redevelop West Philadelphia's aging and in some cases crumbling housing stock with high-quality, affordable housing options for individuals and families of modest means. It also is uncertain whether market-rate development will drive rents in the neighborhoods adjacent to University City to the point where lower-income residents, particularly black residents, are concentrated in increasingly narrow portions of West Philadelphia in housing that is becoming obsolete and, in many instances, hazardous. What *is* clear from WPRE/NR's work, however, is that as communities exert their voice in decisions around development activities within their community, the model outlined can be held up as a positive force in the community, unlike developments that simply deliver a product.

Implications for Action

WPRE/NR's experience in West Philadelphia provides an instructive example of affordable housing development that preserve affordable housing units in rapidly appreciating markets while also stabilizing conditions and improving property values in distressed markets. The key learnings presented in this essay point to a range of potential implications for policymakers, researchers, developers, and local residents.

Implications for Policy. Policymakers who are interested in ways to protect long term residents in rapidly appreciating markets should consider promoting similar scattered-site models as one approach, among many, to preserve affordability in appreciating neighborhoods. Many cities, Philadelphia included, have implemented Longtime Owner Occupant Programs (LOOPs) that cap property tax increases for homeowners. Circuit breaker programs can also place caps on property tax increases for residents at certain income thresholds. The scattered-site model presented here is an economically viable and important complement to more traditional approaches to affordable housing in large multifamily developments and, increasingly, lower-density developments; moreover, the approach directly supports renters, whereas LOOPs and circuit breakers tend to support homeowners. This model also points to the multidimensional benefits of a scattered-site LIHTC model not often recognized by housing finance agencies responsible for allocating tax credits.

Implications for Research and Evaluation. Prior evaluation of the WPRE/NR model identified efficiencies related to development costs as well as boosts to property values of nearby properties compared to single-site LIHTC developments in West Philadelphia. Future research could examine the differential impact of the WPRE/NR model in other markets. In West Philadelphia, the presence of a large jobs hub anchored by multiple universities and hospitals has provided a floor for the housing market, on which WPRE/NR's investments could build. Could scattered-site investments like those provided by WPRE/NR also prove to be a stabilizing force in weaker and more isolated housing markets that lack anchors such as these? It would also be very important for future research to identify benchmarks for affordable housing development that could be considered 'enough' for different types of markets. That is, how much affordability should be built into gentrifying markets to ensure continuation of the historical makeup of residents in the community? And what is the right mix of affordable and market-rate housing development to stabilize and turn around more distressed areas?

Implications for Development and Investment. When WPRE/NR began, it was not considered a creditworthy borrower for traditional bank financing. So leaders turned to Reinvestment Fund, a local CDFI. Having a "high-touch" capital partner with access to patient capital, experience executing deals with a complicated capital stack that included layers of tax credits and other public subsidies, and on-the-ground knowledge of the markets went a long way toward getting the scattered-site model off the ground. WPRE/NR is now bankable with traditional lenders, yet it remains a capital partner of Reinvestment Fund due to the long-standing relationship developed over time, the CDFI's fine-grained understanding of the business model and the neighborhoods it serves, and Reinvestment Fund's confidence in WPRE/NR's ability to consistently generate returns to meet debt obligations. For other private developers looking for opportunities to create affordable housing in rapidly appreciating markets, it will be important to find a capital partner with similar financial flexibility, experience, and market local knowledge.

Implications for Residents and Community Members. In 2005, Reinvestment Fund conducted interviews and a small survey of roughly 50 WPRE/NR residents to better understand how occupancy in these properties was influencing their quality of life. Key findings suggested that virtually all study participants enjoyed higher-quality housing than in their previous residences; a majority considered their blocks more desirable than their previous living situations; and roughly half indicated their new residences allowed them to save more effectively and contributed to a heightened sense of personal responsibility.

An additional lesson to be taken from the WPRE/NR experience, especially as it relates to community members, is that well-managed subsidized housing can be an asset in a community. Exerting community voice to block all development in a neighborhood may well be counterproductive. WPRE/NR takes formerly abandoned and blighted properties and returns them to productive use; they are well maintained and tenanted with families who take pride in their homes and, by all reports, act as good neighbors. Owing to some combination of actual bad experiences and stereotypes about subsidized-housing tenants, neighbors may not welcome development and the new residents, and may also work to block the creation of high-quality affordable housing.

About the Volume

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The views expressed in the essays reflect the authors' perspectives and do not necessarily represent the views of The Kresge Foundation, the Federal Reserve Bank of San Francisco or of the Federal Reserve System.

Readers can view this essay, the framing paper for the volume, and all currently posted essays on NIMC's website where new pieces are being uploaded every month. Essays will be compiled and released in a final print volume, with an anticipated release in 2020.

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