

# THE NON-PROFIT PRESERVATION INITIATIVE

The Non-Profit Preservation Initiative (NPPI) is LISC Philadelphia's response to non-profit building owners' critical need to preserve existing affordable rental housing, and to ensure that residents at risk of displacement can remain in safe, quality, affordable housing.

Based on research, in-depth conversations with non-profit partners, and LISC's past investments in non-profit affordable rental housing preservation, NPPI is an innovative and holistic program rooted in the idea of housing as a key social determinant of health. NPPI identifies and removes barriers owners face in preserving affordable rental housing, while supporting organizational financial health and professional development of staff, and the social and economic well-being of residents.

The first phase of NPPI launched in spring 2023 and aims to preserve 650 non-profit owned publicly assisted affordable rental units, while developing a multi-faceted strategy to help residents to remain in safe, quality, and affordable housing. The initiative is a citywide effort, with a priority focus in Eastern North and West Philadelphia – neighborhoods in which residents are at a higher risk of displacement due to rising rents and loss of affordable housing.

## The first phase of NPPI is focused on four key issues:

- 1 Feasibility and Predevelopment to support preservation of properties.**
- 2 Organizational Business Plans and Asset Management Strategies.**
- 3 Housing Stability, Eviction Prevention, and Economic Mobility to support residents and help building owners sustain and maintain properties.**
- 4 Advocacy for funding and policies that support preservation and resident well-being.**



## PHILADELPHIA'S PRESERVATION CHALLENGE

There is an unmet need for nearly 72,000 affordable housing units for Philadelphia's low and extremely low-income households. This has become even more challenging in that Philadelphia has lost roughly 24,000 unsubsidized low-cost rental units, or naturally occurring affordable housing, with rents (including utilities) that were less than \$750 per month.

As of 2022, nearly 49% of Philadelphia renters spent 30% or more of their income on rent. Philadelphia's rent burden rate consistently outpaces comparison cities by more than 3% and is 2.4% greater than the national average. The worsening affordability gap and the loss of unsubsidized units has increased the urgency of preserving the nearly 34,200 units of publicly assisted affordable rental housing in Philadelphia as these properties age and/or rental assistance contracts expire. As a general rule, residents in publicly assisted affordable rental housing pay no more than 30% of income toward rent.

Over the next fifteen years approximately 4,800 non-profit owned publicly assisted affordable rental units in Philadelphia will reach the end of a rental assistance or restricted covenant agreement. These units will require several hundred million dollars in public and private reinvestment for essential renovations and preserving long-term affordability.

Non-profit owners face unique challenges preserving publicly assisted affordable rental housing in Philadelphia – including a complex financing system and significant predevelopment costs required to preserve properties, government and organizational commitment to preserving long-term affordability through property and asset management, and the heightened need to preserve affordable housing in neighborhoods where long-time residents can continue to thrive.

## RESEARCH FINDINGS

The Non-Profit Preservation Initiative is informed by research conducted by LISC and our partners, Stone Sherick Consulting Group and Wilson Associates, Inc. In 2022, we completed the report, *The Preservation Challenge: Projections & Policies for Maintaining Non-Profit Affordable Rental Housing in Philadelphia*.

### KEY FINDINGS AND HIGHLIGHTS FROM THE REPORT INCLUDE:

#### 1. FINANCIAL PROJECTIONS & FINDINGS REQUIRING PUBLIC & PRIVATE INVESTMENT:

Over the next 15 years, 101 non-profit owned projects comprising 4,795 units in Philadelphia will require new capital investments to be preserved as affordable housing.

In today's dollars, these projects will require an estimated \$22.7 million dollars in predevelopment costs, and a total investment of \$793 million.

65% of the projects (1,511 units) may not be eligible for Low-Income Housing Tax Credit (LIHTC) funding. The number of units needed to qualify under the tax credit program is determined by the Pennsylvania Housing Finance Agency (PHFA) through the Qualified Allocation Plan (QAP).

As a result, over the next 15 years, there will be an unmet need for approximately \$112 million to support non-profit owned preservation projects that do not qualify for LIHTC funding.

#### 2. ISSUES FACING NON-PROFIT BUILDING OWNERS REQUIRING PUBLIC & PRIVATE INVESTMENT:

Stakeholder and non-profit building owner interviews affirmed non-profits' commitment to preserving affordable rental housing in vulnerable neighborhoods across Philadelphia.

In addition, interviews underscored the importance of government and organizational commitment to asset and property management that will result in long term affordability.

Non-profits face unique barriers to preservation, which include a complex financing system and significant predevelopment costs which are required to preserve properties.

#### 3. POLICY CONSIDERATIONS FOR NON-PROFIT BUILDING OWNERS & STAKEHOLDERS:

The state requirement of a 40-year affordability period for Low-Income Housing Tax Credit properties should be extended beyond that period into perpetuity, with resources committed and available to make that happen.

The goals of preservation and preventing displacement have implications for how projects need to be underwritten to take those needs into account, and to ensure the adequate funding of operating and replacement reserves.

There is an urgent need to develop policies and new resources that will adequately fund those properties that are currently ineligible for tax credit financing.

Public and private entities should commit to using actionable data for transparent, predictable, and equitable processes that identify and prioritize at-risk properties for preservation. This will be a powerful tool for ensuring safe, decent, affordable housing for Philadelphians that are most vulnerable to displacement.



TD Bank has generously provided the funding for the first phase of the Non-Profit Preservation Initiative (NPPI).

Photo credit (front cover): Adolfin Villanueva Townhomes, Women's Community Revitalization Project (WCRP)

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