



**Building Industry Association of Philadelphia**  
MARCH 2021



"WE ARE HOUSING MOST OF OUR MODERATE AND LOW-INCOME FAMILIES IN THE PRIVATE SECTOR. THE PRIVATE SECTOR IS THE VEHICLE THROUGH WHICH WE DO THAT AND IT'S THE VEHICLE THROUGH WHICH A SOLUTION WILL COME AT SCALE."

— MATTHEW DESMOND, AUTHOR OF *EVICTED: POVERTY AND PROFIT IN THE AMERICAN CITY*, MAURICE P. DURING PROFESSOR OF SOCIOLOGY AT PRINCETON UNIVERSITY

## Introducing the *Blueprint for Attainable Housing*

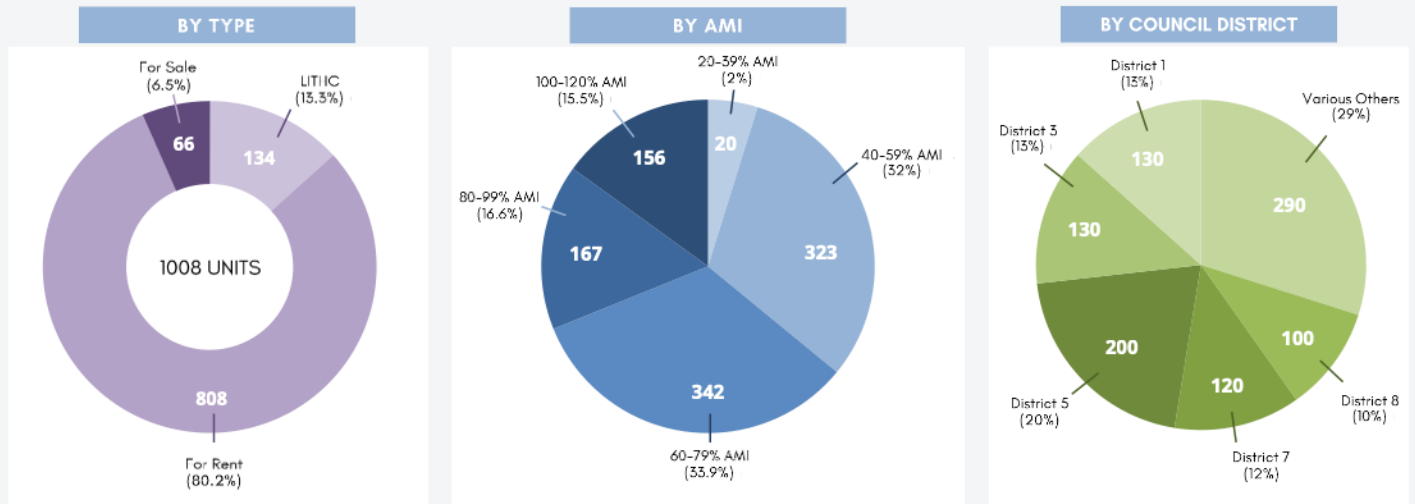
The Building Industry Association of Philadelphia (BIA) Blueprint for Attainable Housing is a community reinvestment plan that brings to bear the expertise and capability of private sector residential developers to augment work by the City and Community Development Corporations (CDCs) to meet increasing demands for attainable housing. Our goal is to support more equitable and inclusive growth throughout Philadelphia and accelerate the delivery of housing in neighborhoods where high-quality rental and for-sale homes have long been out of reach.

### OUR BLUEPRINT:

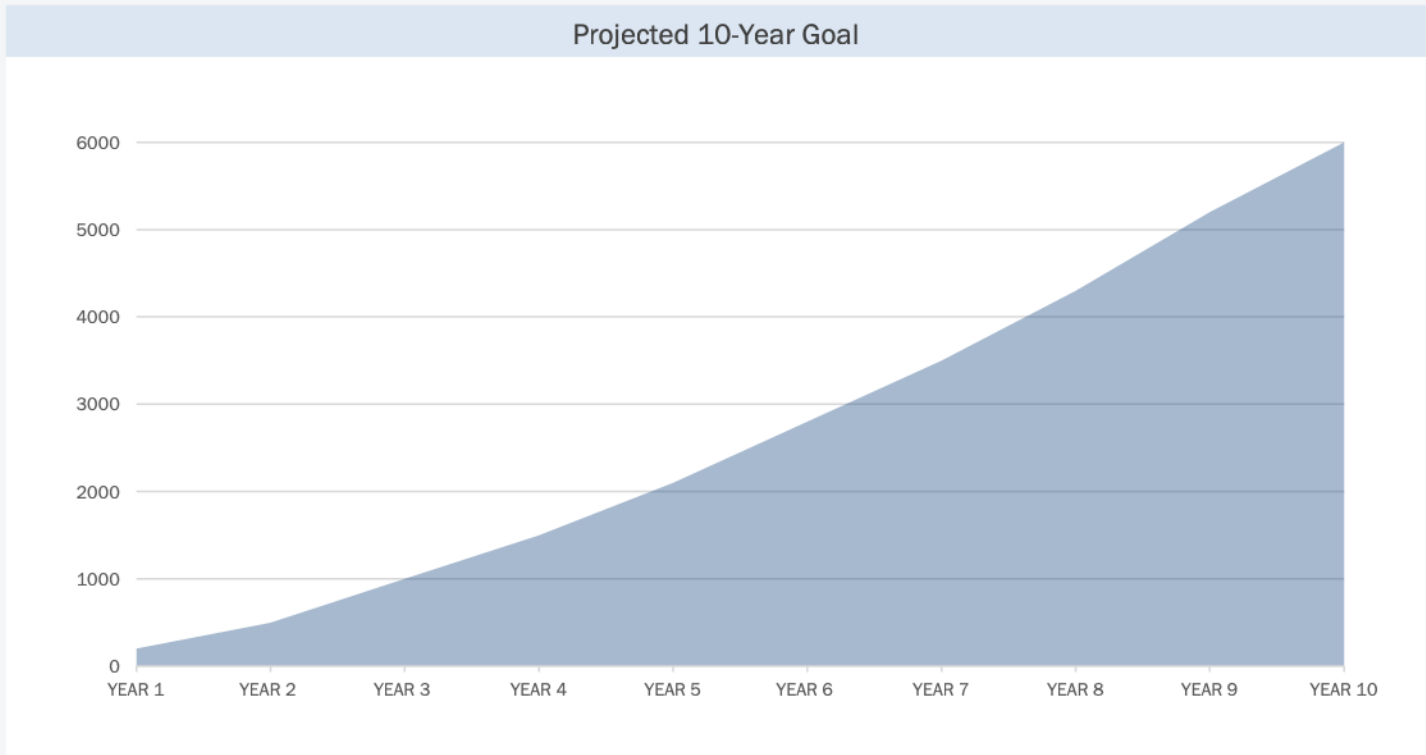
- ✓ APPRECIATES THAT HOUSING DEVELOPMENT HAS OFTEN EXCLUDED AND DISPLACED THOSE ALREADY LIVING IN CITY NEIGHBORHOODS.
- ✓ PROPOSES A COOPERATIVE APPROACH TO HOUSING DEVELOPMENT THAT STRENGTHENS RELATIONSHIPS BETWEEN BIA MEMBERS, THE CITY, AND COMMUNITY PARTNERS.
- ✓ DEMONSTRATES THAT BY LEVERAGING ITS EXPERIENCE AND RESOURCES, THE PRIVATE SECTOR IS ABLE TO DELIVER MEANINGFUL QUANTITIES OF ATTAINABLE UNITS USING A LOWER COST MODEL.
- ✓ OFFERS A PLAN TO SUPPORT THE PUBLIC SECTOR'S WORK AND ACCELERATE AND SUSTAIN THE DELIVERY OF HIGH-QUALITY ATTAINABLE UNITS.
- ✓ ACKNOWLEDGES THAT THE PUBLIC SECTOR PROCESS FOR DELIVERING ATTAINABLE UNITS IS TIME-CONSUMING AND EXPENSIVE.
- ✓ RECOGNIZES PHILADELPHIA'S URGENT NEED FOR ATTAINABLE HOUSING AND THAT THE DEMAND FAR EXCEEDS THE CITY'S ABILITY TO DEVELOP AND DELIVER THESE UNITS.

## 1000+ UNITS IN 3 YEARS

BIA members are on track to deliver more than 1,000 attainable units over the next three years, making a significant impact in neighborhoods throughout the city. Sixty-five percent of these units will serve households at 40-79% of Area Median Income (AMI). If the BIA, City Council, and community organizations are aligned, the long-term potential and power of the Blueprint is unlimited.



With City Council support, BIA members can increase the production of units each year, delivering our goal of 6,000 units in 10 years.

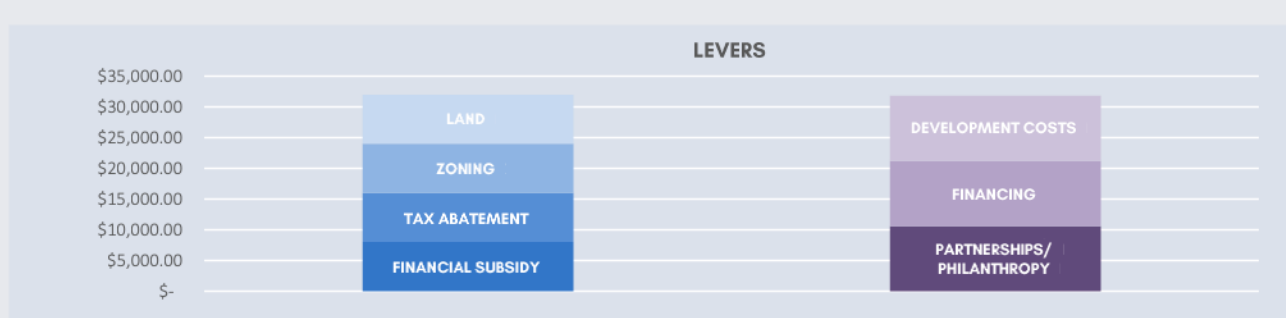


“THE CHALLENGE FOR POLICYMAKERS IS TO ENABLE PRIVATE ENTITIES TO PROVIDE HOUSING FOR THESE HOUSEHOLDS WITHOUT PUBLIC SUPPORT. HOWEVER, MANY REGULATORY BARRIERS—PRIMARILY AT THE STATE AND LOCAL LEVELS—CONSTRAIN THE ABILITY OF THE PRIVATE MARKET TO SUPPLY THE TYPES OF WELL-LOCATED RENTAL HOUSING THAT THESE HOUSEHOLDS CAN AFFORD.”

— THE STATE OF THE NATION’S HOUSING 2020”, JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

## BRIDGING THE GAP

Production of *Blueprint* units is possible through the creativity and cooperation of our members to help solve the city’s housing crisis and bridge the gap between the cost to build units and delivering those units at affordable rents and mortgages. We estimate the median financial gap to be \$60,000-\$80,000 per unit. In order to bring attainable units to market, a variety of levers are available that determine the number of units that can be built and the AMLs they will serve. Private and public sector levers may be combined to maximize the Blueprint’s potential.



### PUBLIC SECTOR LEVERS

Land	City-owned land disposed at nominal cost through the Land Bank.
Zoning	Use of existing density bonuses for attainable housing.
Tax Abatement	Application of the existing tax abatement for attainable housing projects.
Financial Subsidy	Use of Housing Trust Fund or Neighborhood Preservation Initiative funds to serve lower AMLs.

### PRIVATE SECTOR LEVERS

Development Costs	Leverage BIA member base to provide discounted fees for professional services and supplies, lower profit margins for the developer, and reduce bank fees and closing costs.
Financing	Work with BIA member banks and the Accelerator Fund to secure interest-only loans, longer amortization schedules, discounted interest rates, lower debt service ratio and upfront equity requirements, down payment assistance, and mortgage insurance options.
Partnerships/Philanthropy	Includes corporate sponsorship, bank Community Reinvestment Act credits, nonprofit grants, Community Benefit Agreements (CBAs), and Neighborhood Business Districts.

The BIA believes expanding incentives for attainable housing and removing legislative barriers would greatly accelerate the delivery of units. For attainable housing projects, we will continue to work with City Council to:

- ➔ Increase density bonuses for affordable housing.
- ➔ Make zoning by-right for affordable housing projects.
- ➔ Adjust minimum lot size requirements for affordable housing projects.
- ➔ Provide for single-room occupancy and group living.
- ➔ Preserve current tax abatement for properties with over 20% affordable units.
- ➔ Reduce permit and review fees.
- ➔ Waive stormwater and private paving requirements for scattered sites.

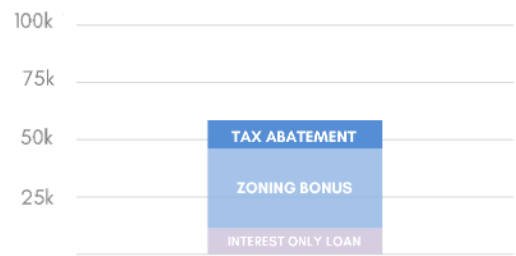
To illustrate how the levers make attainable housing feasible, three Blueprint projects that are currently in development, or in the application stage, are presented as case studies on the following pages.

**PROJECT NAME:** FRONT & BERKS

**COUNCIL DISTRICT:** 7  
**NUMBER OF UNITS:** 113  
**NUMBER OF ATTAINABLE UNITS:** 21 (19%)  
**TOTAL COST:** \$ 20,736,709.00  
**MONTHLY (\$) FOR ATTAINABLE UNITS:** \$775.00



Public & Private Levers Used to Bridge the Gap



**WITHOUT LEVERS (NOT FEASIBLE)**

Market Rate Rent \$ 1,616  
**Affordable Rent (for 80% AMI) \$ 775**  
 Difference \$ 841.21

Number of Units 94  
 Commercial 8  
 Market Rate Units 62  
**No. of Attainable Units 18 (19%)**

**OPERATING INCOME**

Commercial Rental Income \$ 113,604  
 Market Rate Rental Income \$ 1,202,460  
 Affordable Rental Income (\$775/mo) \$ 167,400  
 Less 5% Vacancy \$ (74,173)  
**Total Rental Income \$ 1,409,291**

Management \$ (74,173)  
 Operating Expenses \$ (295,951)  
 Taxes (based on new step-down tax abatement) \$ (117,449)  
**Net Operating Income \$ 921,718**  
 (before mortgage payment)

**PROJECT COSTS & FINANCING**

Land Cost \$ 3,605,000  
 Construction Cost \$ 13,221,441  
 Soft Costs \$ 2,063,571  
 Hard Cost \$ 911,495  
**Total Project Cost \$ 19,801,507**  
 Down Payment (25%) \$ (4,950,377)  
  
 Loan Amount \$ 14,851,130

**THE 'GAP'**

Net Operating Income \$ 921,718  
 Mortgage Payment  
 30 Year 4.5% \$ 911,859  
**ANNUAL PROCEEDS \$ 9,859**  
 Investor Return 0.20%

**MINIMUM REQUIRED DEBT SERVICE RATIO FOR BANK FINANCING 1.25**

DEBT SERVICE RATIO OF PROJECT **1.01**

**INELIGIBLE FOR BANK FINANCING**

**WITH LEVERS**

Market Rate Rents \$ 1,292  
**Affordable Rental Rates \$ 775**  
 Difference \$ 517

INCREASED UNITS WITH ZONING BONUS

Number of Units **113**  
 Commercial 8  
 Market Rate Units 92  
**Attainable Units 21 (19%)**

**OPERATING INCOME**

Commercial Rental Income \$ 113,604  
 Market Rate Rental Income \$ 1,426,656  
 Affordable Rental Income (\$775/mo) \$ 182,172  
 Less 5% Vacancy \$ (86,122)  
**Total Rental Income \$ 1,636,311**

Management \$ (86,122)  
 Operating Expenses \$ (343,625)  
 Taxes (based on current tax abatement) **\$ (50,326)**  
**Net Operating Income \$ 1,156,239**  
 (before mortgage payment)

**PROJECT COSTS & FINANCING**

Land Cost \$ 3,605,000  
 Construction Cost \$ 14,140,191  
 Soft Costs \$ 2,156,056  
 Hard Cost \$ 835,462  
**Total Project Cost \$ 20,736,709**  
 Down Payment (25%) \$ (5,184,177)  
  
 Loan Amount \$ 15,552,532

**THE 'GAP'**

Net Operating Income \$ 1,156,239  
 Mortgage Payment  
 Interest Only at 4.5% **\$ 699,864**  
**ANNUAL PROCEEDS \$ 456,375**  
 Investor Return 8.80%

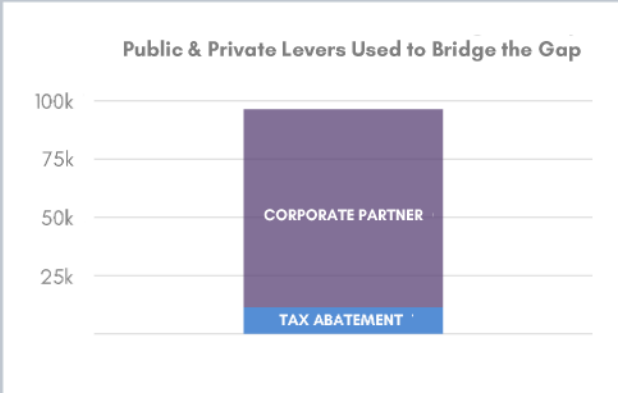
**MINIMUM REQUIRED DEBT SERVICE RATIO FOR BANK FINANCING 1.25**

DEBT SERVICE RATIO OF PROJECT **1.65**

**ELIGIBLE FOR BANK FINANCING**

**PROJECT NAME: WADE FLATS**

NUMBER OF UNITS: 44  
 NUMBER OF ATTAINABLE UNITS: 11 (30%)  
 TOTAL COST: \$ 7,235,485.00  
 MONTHLY (\$) FOR ATTAINABLE UNITS: \$802.00



**WITHOUT LEVERS (NOT FEASIBLE)**

Market Rate Rent \$ 1,461  
**Affordable Rent (for 80% AMI) \$ 802**  
 Difference \$ 659.00

Number of Units 44  
 Commercial 7  
 Market Rate Units 26  
 No. of Attainable Units **11 (30%)**

**WITH LEVERS**

Market Rate Rents \$ 1,461  
**Affordable Rental Rates \$ 802**  
 Difference \$ 659

Number of Units 44  
 Commercial 7  
 Market Rate Units 26  
 Attainable Units **11 (30%)**

**OPERATING INCOME**

Commercial Rental Income \$ 138,708  
 Market Rate Rental Income \$ 455,832  
 Affordable Rental Income (\$775/mo) \$ 105,864  
 Less 5% Vacancy \$ (35,020)  
 Total Rental Income \$ 665,384

Management \$ (33,269)  
 Operating Expenses \$ (199,615)  
 Taxes (based on new step-down tax abatement) \$ (47,987)  
 Net Operating Income \$ 384,512  
 (before mortgage payment)

**OPERATING INCOME**

Commercial Rental Income \$ 138,708  
 Market Rate Rental Income \$ 455,782  
 Affordable Rental Income (\$775/mo) \$ 105,897  
 Less 5% Vacancy \$ (35,019)  
 Total Rental Income \$ 665,368

Management \$ (33,268)  
 Operating Expenses \$ (199,610)  
 Taxes (based on current tax abatement) \$ (14,972)  
 Net Operating Income \$ 417,517  
 (before mortgage payment)

EXPENSES LESS WITH FULL TAX ABATEMENT

**PROJECT COSTS & FINANCING**

Land Cost \$ 1,072,500  
 Per Unit \$ 24,375  
 Construction Cost \$ 5,802,485  
 Soft Costs \$ 813,000  
 Hard Cost \$ 492,500  
 Total Project Cost \$ 8,180,485  
 Down Payment (25%) \$ (2,045,121)

Loan Amount \$ 6,135,364

**PROJECT COSTS & FINANCING**

CORPORATE PARTNER LOWERED PRICE

Land Cost \$ 127,500  
 Per Unit \$ 2,898  
 Construction Cost \$ 5,802,485  
 Soft Costs \$ 813,000  
 Hard Cost \$ 492,500  
 Total Project Cost \$ 7,235,485  
 Down Payment (25%) \$ (1,808,871)

Loan Amount \$ 5,426,614

**THE 'GAP'**

Net Operating Income \$ 384,512  
 Mortgage Payment  
 30 Year 4.5% \$ 376,711  
 ANNUAL PROCEEDS \$ 7,801  
 Investor Return 0.38%

**THE 'GAP'**

Net Operating Income \$ 417,517  
 Mortgage Payment  
 30 Year 4.5% \$ 333,194  
 ANNUAL PROCEEDS \$ 84,323  
 Investor Return 4.66%

**MINIMUM REQUIRED DEBT SERVICE RATIO FOR BANK FINANCING 1.25**

DEBT SERVICE RATIO OF PROJECT **1.02**

**MINIMUM REQUIRED DEBT SERVICE RATIO FOR BANK FINANCING 1.25**

DEBT SERVICE RATIO OF PROJECT **1.25**

**INELIGIBLE FOR BANK FINANCING**

**ELIGIBLE FOR BANK FINANCING**

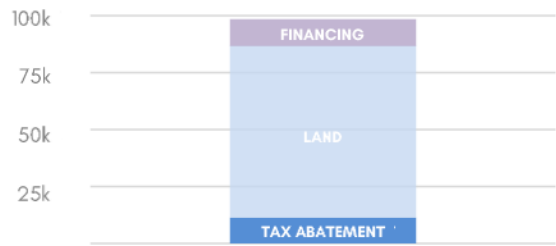
FOR SALE

**PROJECT NAME: RIVERWARDS**

COUNCIL DISTRICT: 7  
 NUMBER OF UNITS: 62  
 NUMBER OF ATTAINABLE UNITS: 32 (52%)  
 TOTAL COST: \$ 13,317,757.00  
 MONTHLY (\$) FOR ATTAINABLE UNITS: \$868.00



Public & Private Levers Used to Bridge the Gap



**WITHOUT LEVERS (NOT FEASIBLE)**

Type	Mortgage	Sales Price	Units	%
Market Rate	\$1,724.14	\$319,000	30	48%
Attainable 120% AMI	\$1,302.05	\$230,000	15	24%
Attainable 80% AMI	\$1,033.28	\$180,000	11	18%
Attainable 60% AMI	\$776.68	\$139,900	6	10%
			62	90%

**WITH LEVERS**

Type	Mortgage	Sales Price	Units	%
Market Rate	\$1,433.00	\$319,000	30	48%
Attainable 120% AMI	\$1,088.00	\$230,000	15	24%
Attainable 80% AMI	\$869.00	\$180,000	11	18%
Attainable 60% AMI	\$649.00	\$139,900	6	10%
	PAYMENTS TO HOMEOWNERS LOWER		62	90%

**PROJECT COSTS & FINANCING**

Land Cost	\$ 2,480,000.00
Per Unit	\$ 40,000.00
Construction Cost	\$ 12,000,000.00
Acquisition Cost	\$ 837,257.79
Site Improvements	\$ 108,500.00
Interest Only Debt	\$ 310,000.00

Total Project Cost	\$ 15,735,757.79
Equity	\$ (1,573,575.78)

Loan	\$ 14,162,182.01
Sales Revenue	\$ 15,839,400.00
Sales Cost (7%)	\$ (1,108,758.00)
Loan	\$ (14,162,182.01)
Revenue After Expenses	\$ 568,459.99

**THE 'GAP'**  
 Profit/Loss \$ (1,005,115.79)

RETURN ON TOTAL COST -6.39%

**PROJECT COSTS & FINANCING**

CITY PROVIDED LAND AT DISCOUNT	Land Cost	\$ 62,000.00
	Per Unit	\$ 1,000.00
	Construction Cost	\$ 12,000,000.00
EXPENSES LESS WITH FULL TAX ABATEMENT	Soft Costs	\$ 837,257.79
	Hard Costs	\$ 108,500.00
	Interest Only Debt	\$ 310,000.00

Total Project Cost	\$ 13,317,757.79
Down Payment	\$ (1,573,575.78)

Loan	\$ 11,744,182.01
Sales Revenue	\$ 15,839,400.00
Sales Cost (7%)	\$ (1,108,758.00)
Loan	\$ (11,744,182.01)
Revenue After Expenses	\$ 2,986,459.99

**THE 'GAP'**  
 Profit/Loss \$ 1,412,884.21

RETURN ON TOTAL COST/MARGIN 10.61%

**INELIGIBLE FOR BANK FINANCING**

**ELIGIBLE FOR BANK FINANCING**

“NATIONALLY, RESEARCHERS HAVE FOUND THAT THERE ARE TWO DISTINCT KINDS OF HOUSING AFFORDABILITY ISSUES IN URBAN AMERICA: ONE PRIMARILY CAUSED BY HIGH HOUSING PRICES AND THE OTHER A RESULT OF LOW-INCOME LEVELS... AMONG THE NATION’S 10 MOST POPULOUS CITIES, NONE HAS A HIGHER PROPORTION OF COST-BURDENED HOUSEHOLDS WITH LOW INCOMES THAN PHILADELPHIA. DESPITE PHILADELPHIA’S RELATIVELY LOW HOUSING COSTS, MANY CITY RESIDENTS SIMPLY DO NOT HAVE ENOUGH INCOME TO FIND HOUSING THEY CAN AFFORD.”

— THE STATE OF HOUSING AFFORDABILITY IN PHILADELPHIA, PEW CHARITABLE TRUSTS, SEPTEMBER 2020

## ▶▶▶ HOMEOWNERSHIP AND THE HOUSING TRUST FUND

The Land Bank’s new land disposition policy (Bill No. 190606) allows projects with 49% market-rate and 51% affordable units up to 120% AMI by right. No City financial subsidies are required to deliver this mix. Members can also provide a mix including 48% market-rate units, 26% at 120% AMI, 19% at 80% AMI, and 7% at 60% AMI without subsidies.

To address the high proportion of cost-burdened households in Philadelphia and create a path to homeownership, the City, community representatives, and BIA can work together to assess needs, develop the right affordability mix, and use Housing Trust Fund (HTF) dollars to serve lower AMIs as outlined in the table below. HTF subsidies may also go directly to the buyer in the form of down payments and closing costs, helping more Philadelphians qualify for mortgages.

SCENARIO #	SCENARIO	MARKET RATE	60% AMI	80% AMI	100% AMI	120% AMI	SUBSIDY
1	BY RIGHT UNDER 190606 (BEST ALLOWABLE OPTION FOR DEVELOPERS)	49%				51%	\$0
2	BY RIGHT UNDER 190606 – MAXIMUM AFFORDABILITY THAT DEVELOPERS CAN DO BY RIGHT DUE TO LENDER CONSTRAINTS	48%	7%	19%		26%	\$0
3	ALL 120% AMI – NO MARKET RATE					100%	\$0
4		48%	17%	19%		17%	\$9,750
5		20%			40%	40%	\$11,220
6		48%	10%	21%		21%	\$14,750
7		48%		26%		26%	\$20,750
8					50%	50%	\$21,804
9		25%	25%	25%		25%	\$23,000
10		25%	25%	25%		25%	\$23,000
11		20%	20%	20%	20%	20%	\$25,620
12	SPLIT MARKET RATE AND 60% AMI	48%	52%				\$31,650
13			25%	25%	25%	25%	\$38,943
14	ALL 80% AMI – NO MARKET RATE			100%			\$39,250
15	ALL 100% AMI – NO MARKET RATE				100%		\$46,254
16	NO MARKET RATE – ALL AFFORDABLE SPLIT EVENLY		33%	33%		33%	\$57,250
17	ALL 60% AMI – NO MARKET RATE		100%				\$81,500



"ONE MAJOR CHALLENGE THAT LIMITS OPPORTUNITY AND INCREASES INEQUALITY IN AMERICA IS THE INCREDIBLE SEGREGATION OF CITIES."

-RAJ CHETTY, WILLIAM A. ACKMAN PROFESSOR OF PUBLIC ECONOMICS AT HARVARD UNIVERSITY.

## Commitment

With an authentic commitment from BIA members, the City, and community stakeholders to work together, the long-term potential and power of the Blueprint to reduce housing instability in Philadelphia is unlimited.

The BIA and its members are prepared to move the Blueprint forward.

- ✓ We've taken into consideration the role of community stakeholders and propose a proactive, cooperative approach to outreach and engagement.
- ✓ We set diversity, equity, and inclusion goals for increasing participation within the BIA and the industry through education, partnerships, and mentoring.
- ✓ We produced scalable models that will allow developers of all sizes to deliver meaningful quantities of attainable housing for rent and for sale.
- ✓ We are engaging with the designers, suppliers, and other service providers in our membership to reduce development costs.
- ✓ We will continue to work with City Council to remove legislative barriers to attainable housing in the areas of land disposition, zoning and permitting, infrastructure improvements, and funding.

## About the BIA

The Building Industry Association of Philadelphia (BIA) supports and advocates for the residential development and construction industry in Philadelphia. Founded in 1937 to promote mostly rowhouse construction, the BIA has grown to include multi-family and mixed-use development. Our mission is to revitalize city neighborhoods and strengthen Philadelphia's economy, enabling it to create jobs and produce market-rate, workforce, and affordable housing to the benefit of all city residents.

Through the work of its Affordable Housing and Diversity, Equity, and Inclusion Committees, the BIA is committed to helping tackle the perennial issues of poverty and housing instability in Philadelphia. We are leading efforts by the private sector to make housing attainable throughout the city and to provide real estate industry career and business growth opportunities to underrepresented residents and businesses.

To learn more about the BIA, visit [www.biaofphiladelphia.com](http://www.biaofphiladelphia.com).