



BrainGain@PEC

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BrainGain@PEC provides brief summaries of research or publications on family homelessness and related issues. Previous issues of BrainGain@PEC can be found at <http://bit.ly/29MhFEx>.

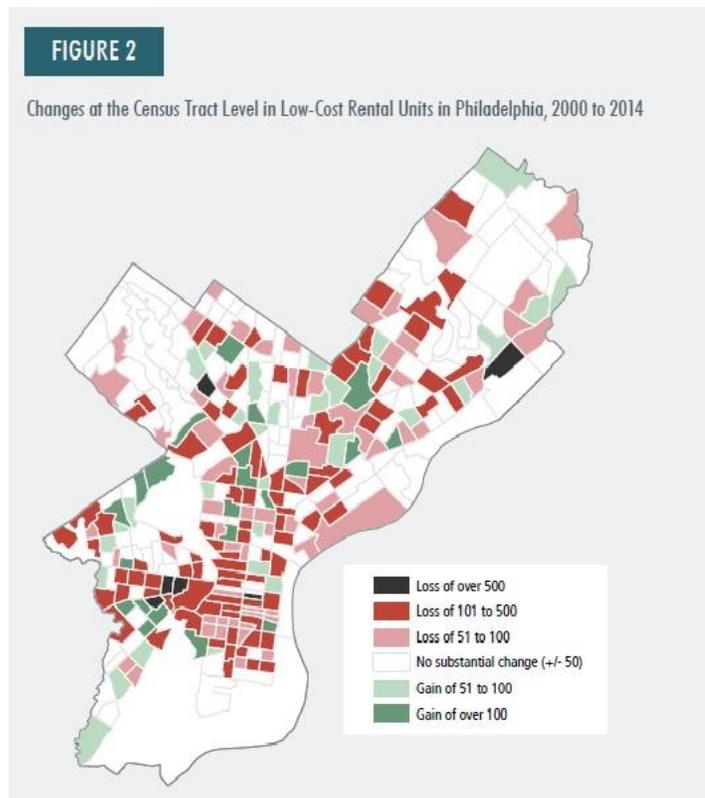
Philadelphia lost over 23,000 low-cost rental housing units between 2000 and 2014.

The **purpose** of this summary is to inform agencies who work with Philadelphians who experience homelessness to help identify neighborhoods where affordable rental housing might be found.

The **Federal Reserve Bank of Philadelphia Community Development (FRBPhi)** department looked at U.S. Census data to find that, between 2000 and 2014, Philadelphia **lost one out of five units** with rents that fell below a \$750 per month cost threshold.

The report -- [Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014](#) -- continues the Fed's ongoing series examining rental housing affordability.

PEC has summarized parts of the report, providing text that is mostly verbatim from the FRBPhi report. Data citations are to be found in the original report. PEC encourages reader to read the full report at 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



Highlights:

- Philadelphia **lost over 23,000** low-cost rental housing units (gross rent of \$750 or less) between 2000 and 2014.
- Gentrifying neighborhoods lost low-cost units at **nearly five times** the rate of non-gentrifying neighborhoods.
- There are over 2,300 federally subsidized rental units in gentrifying neighborhoods with affordability requirements that will expire in the next five years.
- Of these expiring units in gentrifying neighborhoods, over 1,000 are owned by for-profit entities.

Background:

- The **demand** for rental housing in Philadelphia grew substantially between 2000 and 2014, with the total number of renter households in the city **increasing by 15.3 percent**.
- The **number of affordable rental units** available for every 100 lower-income renter households **fell** from 82 to 68 between 2005 and 2014.
- For the lowest-income renters, there were just **33 affordable and available units per 100 renter households** in 2014.

Change in Stock of Low-Cost Rental Units

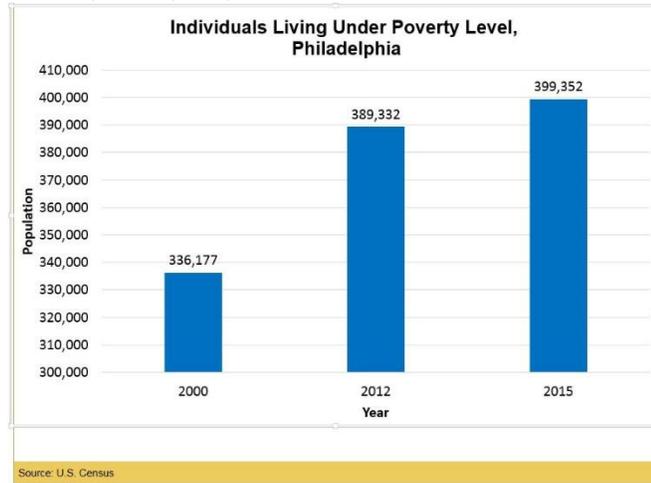
- FRBPhl's report examines the change in the city's stock of low-cost rental units, defined as units for which gross rent is less than \$750 per month in 2014 dollars. The U.S. Census defines gross rent as rent plus estimated average monthly cost of utilities and fuels. Although such low-cost units may be in distressed neighborhoods and in poor physical condition, or may not provide an adequate amount of space for residents, they often represent the only financially attainable source of housing for many lower-income residents.
- Overall, Philadelphia lost a total of 23,628 low-cost rental units (**20 percent** of the initial stock) between 2000 and 2014. These losses were more concentrated in neighborhoods near the city center and in neighborhoods that experienced gentrification.
- The three largest statistically significant tract-level losses occurred in the **University City** area (-882 units), the **Holmesburg** neighborhood in Northeast Philadelphia (-737 units), and the area of **Center City around Thomas Jefferson University Hospital** (-730 units).

Location of census tracts with low-cost rental units

- Use the map in this paper and in the FRBPhl's report to locate census tracts.
- 10 tracts **gained** in the number of low-cost rental units, **increasing** by 1,926 low-cost units.
- 234 tracts had **no statistically significant change** but lost 3,476 low cost units.
- 91 tracts **lost** low-cost rental units, losing 22,000 low-cost rental units.

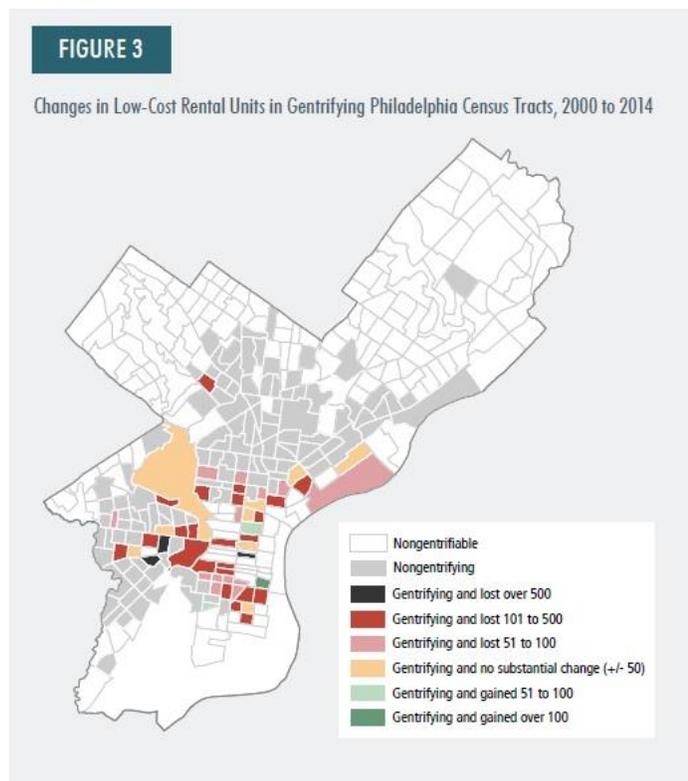
Renter's income

- While the city's median gross rent increased by nearly 20 percent between 2000 and 2014, the median renter income fell by 2 percent.
- 26 percent of Philadelphia residents had incomes below the poverty line in 2014.
- In addition, **the number of Philadelphians living under the poverty level has increased** since 2000, suggesting keener competition for affordable rental housing. (sources of this comes from PEC's examination of the U.S. Census and not from the FRBPhl)



Low-Cost Rental Housing and Gentrification

- Figure 3 maps the changes in stock of low-cost rental units in Philadelphia tracts that were classified as gentrifying by FRBPhl researchers.
- Renters faced shrinking low-cost housing options in most gentrifying neighborhoods between 2000 and 2014.
- The tracts that experienced any level of gentrification **lost 34 percent** of their low-cost rental units over this period, while tracts that were eligible but did not gentrify **lost only 7 percent**.
- Tracts generally clustered in **South Center City** and north of Market Street in **University City** lost over a third of their low-cost units.



Stock of Federally subsidized Rental Housing in Philadelphia

- Philadelphia had 37,369 rental units with property-based federal subsidies as of January 1, 2016. However, 20 percent of these units are expected to reach the end of their current affordability restriction period within the next five years.
- A recent study of LIHTC-funded properties found that the vast majority of properties remain affordable after their restrictions expire. Some owners choose to recapitalize their property with new tax credits, which extend the property's affordability restrictions.
- Many others do not renew their tax credits, but still continue to operate the property as affordable low-income housing.
- Prior research has found that properties with expiring subsidies are more likely to lose their affordability if they have for-profit ownership and are located in areas where market rents for comparable properties are higher than the rent allowed by the subsidy.
- Of the 7,614 subsidized units with impending expirations, 14 percent are located in a gentrifying neighborhood and are owned by a for-profit entity.
- There are more than 8,000 LIHTC-funded units in the city. Yet the LIHTC-mandated 30-year affordability periods will elapse for 44 percent of these units in the next five years.