

REAL ESTATE

City life at lower price

Rental developer says he's passionate about creating affordable housing.

By Catherine Laughlin
FOR THE INQUIRER

Over nearly eight years, Raza Properties has developed rental housing in several of Philadelphia's gentrifying neighborhoods: Sharswood, Point Breeze, Francisville, Brewerytown.

The son of blue-collar Pakistani immigrants, CEO Rahil Raza, 32, of Broomall, says he is passionate about providing affordable housing — defined as costing no more than 30 percent of a family's income — for the city's working-class and lower-middle-class populations, those earning between \$45,000 and \$85,000 a year.

"Our vision involves delivering high-quality housing at affordable prices," Raza said. In turn, "we try to highlight the businesses already established. We also want to put in parks and nonprofits, in hopes that all of this builds up the community."

This month, he unveiled his latest project, a new nine-unit structure on the 1900 block of Ingersoll Street in Sharswood, nestled between the Fairmount and Cecil B. Moore neighborhoods. Total cost was \$1.3 million, including the price of two abandoned rowhouses and construction outlays.

Rents are \$1,500 and \$1,700 for the two-bedroom/two-bath units; \$2,000 for three bedrooms/two baths.

Young working- and middle-class Philadelphians want "to experience the great benefits" of the city, Raza said, as he did living here in his teens and 20s, but the recent wave of luxury development downtown has priced some of them out.

Indeed, according to an April report by the apartment search engine Rent Jungle, monthly rent for one-bedroom apartments in Philadelphia averages \$1,454 and for two bedrooms, \$1,874.

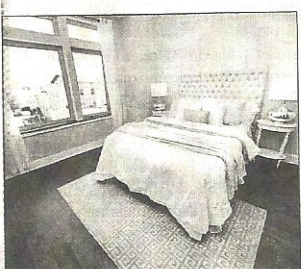
City initiatives typically focus on the needs of lower-income households, and other income groups "are often ignored," Raza

See **AFFORDABLE** on J4



Rahil Raza's company has built or rehabbed 47 structures, including this project at 1715 Jefferson St. JESSICA GRIFFIN / Staff Photographer

32-year-old's effort for affordable living



Inside a two-bedroom dwelling on the 1900 block of Ingersoll Street. Rents are \$1,500 and \$1,700 for two-bedroom, two-bath units.

AFFORDABLE from 31 said. He cited the Philadelphia Housing Authority's ongoing plans in Sharswood to develop below-market-price housing between 19th and 27th Streets and Girard and Cecil B. Moore Avenues, along with a commercial wing on Ridge Avenue.

His Ingersoll Street building sits on a narrow block near inhabited rowhouses, a trash-strewn lot, and another modern apartment building, a location about two miles from the edge of Center City and a 20-minute ride to City Hall. Currently, Raza said, properties here are inexpensive: A vacant lot downtown fetches \$150,000; north of Girard, about \$80,000.

"This creates an imaginary line of value, and therefore gives opportunities to small developers like me who want to build for the middle class," he said. Backpack-wearing Temple University students skateboard to and fro, but the neighborhood is mainly the longtime home of generations of African Americans. You can't walk to a beer garden, bike shop, or co-op market here ... yet. But Raza said he plans to open a coffee shop on the 1300 block of North 18th Street, where he will also set up his office.

Raza, who grew up in Jamison, Bucks County, graduated from Temple with a degree in pharmacy, a "safe" career. "One night, my father said, 'You're going to be a pharmacist,'" Raza recalled.

But it was seeing how the income from his father's apartment-building investment carried the family through lean times, when his parents were laid off from their warehouse and factory jobs, that inspired Raza to invest in property.

Developer's growing pains

In 2009, as a 24-year-old newbie, Raza suffered developer's growing pains when he bought his first two houses in Point Breeze, a heartbeat after the real estate bubble burst.

At the time, he, like other microdevelopers, was scouting Philly's landscape for opportunities that went something like this: Rescue a crumbling structure with high hopes of turning a profit by flipping or renting it out. With \$100,000 in seed money from their father, Raza and his brother Irfan, then 22, bought a 1,200-square-foot drug den on the 2400 block of Reed Street for \$32,000. During renovations, the contractor disappeared with \$30,000 of their money, and a bit of their souls.

The other Point Breeze property? "We didn't do the proper research. We overpaid by about \$40,000" for a three-bedroom house on the 1200 block of Mole Street. "It was living on \$13,000 a year," said Raza. "To lose that kind of money was traumatic." But trial and error ultimately paid off.

To date, Raza Properties has built or rehabbed 47 structures, including a handful of two- to four-bedroom single-family houses that have sold between \$160,000 and \$325,000. The company is on point to develop another 100,000 square feet of residential and mixed-use commercial space in two years.

Its profit goals are 14 percent on rentals and 20 percent on sales within three years. "Those are estimates. Some rehabs are so old that we can't predict even 75 percent of costs," Raza said.

Which is why the firm has shifted to more new construction. Case in point: Progress on a turret-styled, three-unit building on Jefferson Street just above Sharswood has stalled while he decides how to best preserve its limestone facade.

Mark Liu, a friend from Temple and an investor in nine properties, said their clients include teachers, firefighters, and government and health-care workers. Overhead is kept low by using their own construction team. "We try to buy American products when we can, too," Liu said.

Facing a change in zoning attitude

To prepare for on-street parking issues, Raza plans to add surface parking, which will require a variance, for 20 brand-new units he is planning on the 1700 block of Ingersoll Street. (He sees more city dwellers owning cars and joining the 39 percent of residents who already reverse-commute to the suburbs daily.)

Some of his plans may be halted, though: City Council recently approved a remapping bill that rezoned parts of Sharswood and will ultimately restrict the number of condos and apartments there, allowing, instead, construction of more single-family homes.

Raza fought against the measure. "We need the foot traffic for businesses to want to move in."

It's hard to talk about development in the city without acknowledging the vulnerability longtime residents feel. In 2013, Raza pulled out of a Point Breeze project when neighbors opposed his proposed duplex. The irony, he said, is that a local woman complained that the lot was a dumping ground. It remains empty, he noted.

Warren McMichael, president of the Brewerytown-Sharswood Community Civic Association, said he and other representatives are happy for development.

"We've gone through such a depression (in the neighborhood). It's a new frontier," McMichael said. But he noted that Raza's rentals are priced too high for longtime residents to take advantage.

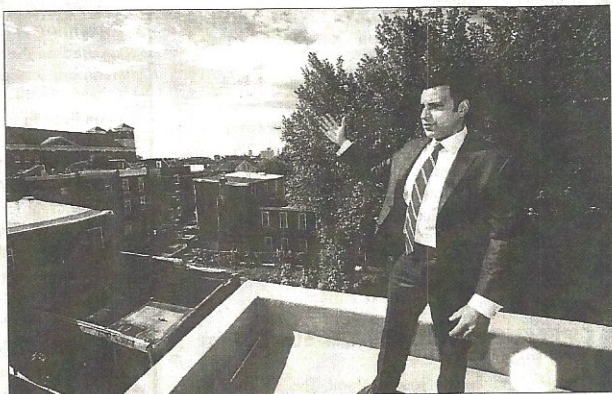
Bernard Savage, director of real estate and project development of Beech Interplay, a social-services group in the Cecil B. Moore section, said that he welcomes change, but that newcomers should be sensitive to the socioeconomic diversity in place.

"I call it the Columbus syndrome. Some people move in and are like, 'OK, I'm here now, so I'm going to tell you how to live and act,'" Savage said.

Raza said he's sensitive to those opinions and is committed to ongoing dialogue between himself and civic associations.

"At this time, our [rental] rates are as low as we can get them and still cover costs, but we're continuing to work to cut them to meet the needs of the neighborhood," he said. "Development is a highly charged word."

We don't want to replace anyone or change cultures. We also can't control the actions of the residents who move in. What we can do is continue to work together."



Razi Raza on the roof deck of the 1900 block of Ingersoll Street housing project. The 32-year-old has a vision of affordable housing for the lower middle class.



Three properties on the 1900 block of Ingersoll Street developed and built by Raza, who sees opportunity building housing for the lower middle class.

A condominium in the nine-unit Ingersoll Street development, Raza's latest project. JESSICA GRIFFIN / Staff Photographer



MORTGAGE NEWS

Multiple closely watched refinance rates fell today

By Cass Bell • Bankrate.com

The national averages for 30-year fixed and 15-year fixed refinances both slid down. The average rate on 10-year fixed refs, meanwhile, also receded. Refinancing rates change daily, but they remain much lower overall than they were before the Great Recession. If you're in the market to refinance, it could be a great time to lock in a rate.

30-year fixed refinance

The average 30-year fixed-refinance rate is 3.82 percent, down 11 basis points over the last week. A month ago, the average rate on a 30-year fixed refinance was lower, at 3.80 percent.

At the current average rate, you'll pay \$467.10 per month in principal and interest for every \$100,000 you borrow. That's \$6.29 lower, compared with last week.

You can use Bankrate's mortgage calculator to figure out your monthly payments and see how much you'll save by adding extra payments. It will also help you calculate how much interest you'll pay over the life of the loan.

15-year fixed refinance

The average rate for a 15-year fixed refi is 3.04 percent, down 7 basis points over the last seven days.

Monthly payments on a 15-year fixed refinance at that rate will cost around \$693 per \$100,000 borrowed. That's obviously much higher than the monthly payment would be on a 30-year mortgage at that rate, but it comes with some big advantages: You'll save thousands of dollars over the life of the loan in total interest paid and build equity much faster.

10-year fixed refinance

The average rate for a 10-year fixed-refinance loan is 2.95 percent, down 14 basis points from a week ago.

Monthly payments on a 10-year fixed-rate refi at 2.95 percent would cost \$969.77 per month for every \$100,000 you borrow. As you can see, the big savings in interest costs you'll reap with that short 10-year term comes with the downside of a much larger monthly payment.

Mortgage Payment Calculator

How much will the loan payment be on a home mortgage loan using the following program at prevailing interest rates.

\$165,000 loan amount		
Loan program	Rate	Monthly Payment
1 yr ARM	2.76%	\$674.47
5/1 ARM	3.42%	\$733.58
15 yr fixed	3.35%	\$1,167.44
30 yr fixed	4.15%	\$802.67

For more information visit www.bankrate.com.

Mortgage Tip:

Credit scores are more like your driving record: They take into account years of past behavior, not just your present actions.

Bankrate National Index

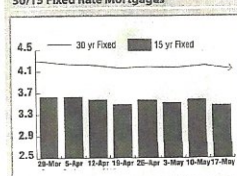
	30 yr fix	15 yr fix	5 yr ARM
This week	4.00	3.35	3.42
Last week	4.22	3.44	3.48
Last year	3.76	2.98	3.18

Indexes

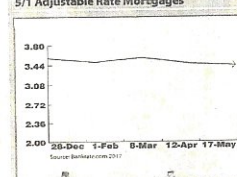
	Prime Rate	Fed Funds Rate*	11th Dist. CDF
This week	4.00	1.00	0.583
Last week	3.75	0.75	0.591
Last year	3.50	0.50	0.678

* The current Fed Funds rate is a range between 0.25%-0.50%.

30/15 Fixed Rate Mortgages



5/1 Adjustable Rate Mortgages



Source: Bankrate.com. For more comprehensive, objective and free personal finance information go to Bankrate.com - www.bankrate.com