



**SENATE
of the
COMMONWEALTH OF PENNSYLVANIA
URBAN AFFAIRS and HOUSING COMMITTEE**

**Testimony of
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Lancaster Housing Opportunity Partnership (LHOP)**

On behalf of the Board of Directors of Lancaster Housing Opportunity Partnership (LHOP), thank you for inviting LHOP to offer testimony and to participate on the “Affordable Housing” panel. As a 501 (c) 3 with a mission of increasing the array and the amount of housing choices available to persons of modest means, LHOP helps its clients improve their financial literacy skills through its Community Homebuyer Program, a 10 hour pre-closing education program for first time homebuyers. LHOP also helps persons of low to moderate income purchase their first home by providing closing cost and down payment assistance. Finally, LHOP provides loans and conditional grants to non-profit and for-profit developers of affordable housing (rental, homeownership, supportive, and transitional housing) throughout Lancaster County.

As a partnership for housing opportunity, we are here today to say that cheap housing is neither the challenge nor the need. Safe, decent, well-maintained housing – that is also affordable – is the challenge and the need. There is a compelling need to provide the full array of housing types and tenancy throughout all communities in Lancaster County and for all economic strata. LHOP believes that all Lancastrians deserve safe, sanitary and well-maintained housing – whether it is through home ownership or rental. The challenge of urban communities is: How to provide the public services and maintain a quality of life that results in market rate housing that attracts persons with incomes above 80% of HUD median income? The challenge in suburban communities is: How to provide housing choices affordable to persons at 80% or less of HUD median income? Thanks to committed governmental partners, a strong corporate community, and a collaborative non-profit sector, Lancaster County is crafting innovative private/public partnerships to address these twin challenges.

For instance, the Lancaster Housing Opportunity Partnership (LHOP) plays a major role in increasing the rate of homeownership in Lancaster City and the boroughs. LHOP provides up to \$5,000 in a no-interest, deferred loan to assist low and moderate income buyers acquire their first home. These borrowers would be unable to enter the ownership market but for the availability of financial support to cover down payment and closing costs. LHOP does not allow adjustable rate mortgages, interest only mortgages, or unconventional proofs of credit worthiness. Since 1994, LHOP has issued 1,632 loans with a principle value of \$8.1 million dollars. Sixty-eight percent (68%) of those loans were issued for homes in Lancaster City, and fifteen percent (15%) were issued to homes located in boroughs. The majority of LHOP loans were made in urban communities because of market conditions and policy decisions.

Meanwhile, certain townships surrounding the City provide examples of innovative zoning techniques and standards that encourage the provision of affordable housing units. West Lampeter Township is leading the way in zoning for the dispersal of affordable housing types and tenancy throughout market rate developments. These provisions are significant because they allow for the integration of low to moderate income households throughout all sections of the housing development.

Likewise, certain boroughs are thinking creatively to ensure that they continue to provide housing that is affordable while simultaneously working to revitalize their downtowns and increase their tax bases. Mount Joy Borough, Charter Homes and Lancaster Housing Opportunity Partnership (LHOP) have received planning recognition and an award from the Governor's Center for Local Government for the Florin Hill development. This is a mixed use development in which ten percent of all housing units (rental and homeownership) are workforce or affordable units. Despite these successes, however, additional efforts need to be made to ensure the provision of affordable housing within all municipalities and to meet the housing goals of municipal, regional, and county comprehensive plans.

It is important to note that Lancaster County, has adopted a housing plan element of the Lancaster County Comprehensive Plan entitled "*Choices*", as required by the PA Municipalities Planning Code. Lancaster Housing Opportunity Partnership (LHOP) stands shoulder-to-shoulder with the Lancaster County Planning Commission to implement the policy plan, growth management plan, and housing plan of the county. The county's housing plan, called for the formation of a broad-based housing coalition to assist the county planning commission and LHOP implement the plan's recommendations.

Lancaster Housing Opportunity Partnership (LHOP) significantly extended its outreach by merging the Lancaster Housing Coalition into its newly formed Advocacy Committee. This merger is the result of a joint effort by LHOP and the Coalition, with extensive support from the county planning commission, to

produce the soon-to-be released study on regulatory barriers to housing affordability within Lancaster County. Today I am pleased to give you a preview of selected findings of the study.

The forthcoming report on regulatory barriers indicates agreement among representatives of the public, private, and non-profit sectors that a major barrier to the provision of affordable housing is the cost of providing public services and infrastructure. Standards for stormwater, highway access, water, and sewage are driven by state regulatory requirements. For the construction of new units of affordable housing, meeting these standards presents a cost burden to project developers. Infrastructure costs are often not eligible for PHFA Low Income Tax Credit funding – the mechanism used to fund most affordable housing activities within the county. Maintaining and ultimately replacing that infrastructure becomes a cost borne by the municipality. This dynamic may result in tension between applicants and regulators, which in turn increases the complexity and/or the timeline of the project approval process, and often presents a financial obstacle that cannot be overcome. As a result, affordable housing is further concentrated in areas that already provide that infrastructure – the urban communities.

A solution to this impasse could be to expand the role the Department of Community and Economic Development (DCED) already plays in funding infrastructure. DCED could become a major partner with local governments and affordable housing developers by instituting place-based infrastructure financing programs. Funding of infrastructure in suburban communities could be an incentive for the inclusion of affordable housing units within market rate development and for the construction of predominately affordable housing developments. Funding for infrastructure maintenance, replacement, and upgrades would greatly assist the efforts of urban communities to boost homeownership rates, provide the enhancements that improve the quality of life of all residents, attract middle and upper income persons, and create an environment that stimulates private sector investment.

Another impediment to the provision of affordable housing is reliance upon federal funding and the necessity of adhering to the constraints and limitations imposed by that funding. For instance, federal funds to acquire and rehabilitate vacant and/or blighted property require that the end use of that rehabilitation be housing for persons of low to moderate income. It may be that the need of the community within which that property is located, would be a mixed use development or a market rate development. A non-Community Development Block Grant source of funding for blighted properties would allow these properties to be used for something other than low-to-moderate income housing. An agile source of state funding to support urban communities in their efforts to replace decaying housing stock with mixed use development would provide for commercial uses to serve the neighborhood and housing geared to all income levels. Building upon this effort to improve and sustain urban neighborhoods, a

good use of state housing trust fund money would be to direct funding to qualified for-profit and non-profit developers of affordable housing – allowing them to acquire deteriorated housing units, bring those units up to code, and flip those units to qualified first time homebuyers or responsible tenants.

Thank you for allowing us to provide findings stemming from the soon-to-be-released regulatory barriers to affordability study. We will be providing each of you with a copy of the study.

You can see from our recommendations as local funders and producers of affordable housing, there is an overwhelming need for place-based programs with accountable yet agile funding streams to capture local opportunities and leverage existing state and federal programs.

Thank you.