

SPANISH AMERICAN CIVIC ASSOCIATION

Testimony before the Senate Urban Affairs and Housing Committee Public Hearing on Urban Issues Affecting Third-class Cities

Good morning Senator Yaw and members of the Senate Urban Affairs and Housing Committee

My name is Carlos Graupera, Executive Director of the Spanish American Civic Association. Our organization has been carrying out its mission of promoting homeownership and neighborhood revitalization in the inner city of Lancaster for the last 25 years. Our work of neighborhood renewal has led us to undertake single rehab projects, the rehabilitation of entire city blocks, the construction of new housing, and the adaptive reuse of blighted buildings for affordable housing and economic development.

It is critical that neighborhoods that have been largely marginalized for decades are returned as solid home owner neighborhoods. In our experience, the families that are needed to become investors in these emerging neighborhoods are those that are already in the area as renters. While we promote mixed income neighborhoods in order to create stable home owner zones, we also need to look no further than low and moderate income families already in our community as the new investors.

As a result of the economic downturn, the revitalization of these neighborhoods into solid home owner zones has become much more difficult and this issue merits serious attention.

Mortgage and Credit

Potential first time homebuyers are being adversely affected by a rise in credit scores and the tightening of mortgage money. First time home buyers are being made to pay for the meltdown in the housing industry. They were hardly the culprits in the housing crisis.

If we are to continue to revitalize blighted neighborhoods, we have to make it easier not harder for low and moderate income homebuyers to become homeowners.

I would urge you to work with state agencies to create mortgage products that enable first time low and moderate income home buyers. These mortgage products need to be designed carefully as to their required credit scores, their interest rates, and in providing closing cost assistance to buyers.

While no one would seriously advocate homeownership for buyers who are not ready or able to become homeowners, benchmarks for homeownership should not be arbitrary.

The promotion of home ownership in our distressed community should be an issue of public policy and not solely to the financial markets.

Examples of how low and moderate income families could be greatly helped are as follows:

- **Allowing home-buyers to use alternative credit such as rent, utility, cell phone, and car insurance payment histories as proof of timely bill payment, as opposed to requiring home-buyers to have trade lines such as Visa or JC Penney.** Low to moderate income families typically deal in cash and money orders, not bank accounts. Today, FHA is the only mortgage source we know of accepting alternative credit as a means to qualify for a mortgage.
- **Providing CHDO's an avenue to draw-down closing costs assistance to help low to moderate income families.** This form of closing cost assistance could be a grant, forgiven over a 5yr period. An example of this was the Federal Home Loan Bank's 1st Front Door, which was a \$5,000 grant forgiven over 5 years, and administered through local banks. Unfortunately this program is also now closed, as are the similar programs of AmeriDream and Nehemiah.

Negative Housing Practices

The presence of investors who continue to rent multiple apartments out of row homes that were built to house only one family has a very negative effect in our neighborhoods. The Commonwealth should work with municipalities on this particular problem. Single family homes that have been dissected into rooms or apartments should be returned to single family use and such existing properties should not be grandfathered in the process.

A requirement for investors to return these homes to single family use should have also a loan program that would assist reputable investors in their conversion of these units.

Façades Improvements

The process of neighborhood revitalization calls for agencies and municipal government to do their utmost. This effort promotes investment by good investors in turn. A most welcomed part of the process of revitalizing blighted neighborhoods takes place when

neighborhood residents and homeowners upon seeing the work of revitalization also begin to make improvements to their own properties; The ability of many of these residents to do façade improvements is limited by their economic condition. Façade improvements are cost effective and have a great impact in the neighborhood revitalization process. I would urge you to work with municipalities to make sure that façade improvement programs are started and strengthened where they exist.

Infrastructure Improvements

A great deal of preparation has to occur in order to bring back blighted neighborhoods into solid home owner zones. An essential part of this effort is an initial investment in infrastructure.

Investment in sidewalks and lighting are proven to hasten the neighborhood development process. In order to keep the investment in rehabilitated homes sound, sidewalks and street lighting improvements are of the greatest priority. It is a reality that municipalities do not generally have the funding required to do significant infrastructure improvements in the neighborhoods. Assistance by state government to the municipalities for neighborhood infrastructure improvements would be a most welcomed development.

Neighborhood Economic Development

The economic revitalization of inner city neighborhoods would seek to reverse trends that for many years have been common in marginalized communities. These include the flight of business from the area, and the lack of investment in these communities perceived to be in decay and blight.

Infrastructure investments in streets, lighting, and sidewalks do a great deal to promote these neighborhoods for future economic growth. The perceived viability of the southeast quadrant of the city of Lancaster brought Belco Community Credit Union to invest heavily along the South Duke Street Corridor. This is the first such investment by a mainstream business in the southeast quadrant of our city in decades.

The City of Lancaster, Community First Fund, and SACA Development Corporation recently collaborated to acquire a 5.7 lot at the end of the South Duke Street Corridor for the purpose of developing it as a business hub for the southeast quadrant of the city.

We hope this project will be a significant investment in the economic viability of the inner city of Lancaster and a format for future endeavors.

Neighborhood Assistance Program

Over the last 25 years, our organization's work of community revitalization would not have been possible without the Neighborhood Assistance Program. We have used the Neighborhood Assistance Program state tax credits to buy homes, subsidize the rehabilitation and construction of homes and obtain site control for economic development projects. In fact, we would not have been able to accomplish much of our revitalization efforts without the Neighborhood Assistance Program.

The Neighborhood Assistance Program is vital to the success of community development efforts. I hope that the Neighborhood Assistance Program is authorized by the legislature at even greater amounts once the economy improves.

Thank you for the opportunity to speak with you today.

Carlos Graupera
Executive Director
Spanish American Civic Association
545 Pershing Avenue
Lancaster, PA 17602
cgraupera@sacapa.org
(717) 203-8532