

Senate of the
Commonwealth of Pennsylvania
Urban Affairs Committee

June 11, 2009

Testimony of
Matthew T. Sternberg, Executive Director
Housing and Redevelopment Authorities of Lancaster County

Concerning
Impediments to Affordable Housing

On behalf of the board of directors of the Housing and Redevelopment Authorities, I welcome you to Lancaster County and thank you for this opportunity to address our most urgent housing needs. The primary function of my organization is to administer HUD funds that come into Lancaster County, exclusive of the City. This includes Section 8 Housing choice Vouchers, Community Development Block Grants, HOME investment Partnership and Emergency Shelter Grants. We are also administering a couple of the new programs created by the federal stimulus bill.

Lancaster County is more fortunate than other parts of the state in that our housing market has remained comparatively stable during the recession. Our market never hit the dizzying heights experienced elsewhere, so it never fell to the profound depths. There was pain but not catastrophe. Instead, our problems with affordable housing are more chronic, more systemic in nature than the acute problems experienced by others. But they are very deeply rooted and represent a social time bomb if not defused.

I should start with a definition of “affordable.” It means different things to different people, which causes confusion when discussing housing policy. Ideally, the housing market should contain an adequate supply of housing at every price point to satisfy the ownership market. Everyone with enough income to afford home ownership should be able to find an appropriate house in their price range. And everyone in the rental market should be able to fund a suitable apartment in their price range. However, as land costs, permit costs and infrastructure costs increase, prices rise for reasons having nothing to do with simple supply and demand. As time goes on and prices are forced up faster than

incomes rise, it becomes difficult for both buyers and renters to find suitable housing in their price range. Therefore, for the purposes of this testimony, “affordable” means affordable for those of low or moderate income who are being priced out of the market as housing costs rise faster than incomes. And as concerns the Housing and Redevelopment Authorities, we are principally dealing with rental housing.

While there are many inter-related issues affecting affordability, I will focus on two: the challenge of reducing development costs to achieve lower home prices, and the effect of the limited availability of Low Income Housing Tax Credits.

First, if housing is too expensive for the people who need it, you can fix the problem either by lowering the cost of the housing or increasing the incomes. The third option is making payments to offset the high cost. We do this often and it can work in the short term but is difficult to sustain over time. So, looking at the challenge of lowering costs or increasing incomes, the part of the equation we can most readily affect through the Authority is lowering – or at least offsetting - costs. The Lancaster County Planning Commission, working in partnership with the LHOP Advocacy Committee, is just completing an analysis of regulatory barriers in twenty municipalities in Lancaster County. It is very interesting stuff.

While I do not want to speak to the recommendations of the report, which is not quite ready for release, there are several issues that seem to be rising to the surface. These include the widely varying requirements from municipality to municipality, the appropriateness of land use designations, fees and the time required for project reviews. All of these add complexity for the developer and result in higher pre-development and carrying costs. But one issue that really sticks out is the cost of infrastructure. In generations past, the municipality would install the infrastructure and the developer would build the housing. These days, the developer builds both, and the municipality assumes the long term maintenance of the system. Perhaps if the public sector takes on more of the infrastructure development, we could lower the costs for the developer and have those savings passed along to the buyer in the form of a lower price for the house. The details of such a program must be thought through very carefully, as costs don’t just disappear but have to be paid sometime by someone. However, if done properly, the result could be not only more affordable housing but development of a

sustainable mix of housing within the community, as well as support for economic development. I believe there is a big opportunity here.

The second issue has to do with Low Income Housing Tax Credits. Over the past twenty years, this has been the most effective program nationally for developing affordable housing. The model works. The problem is that there aren't enough tax credits; and I don't know if there ever could be. As a result, Lancaster County typically has two or three good projects making application every year. We're doing well if we get one of them funded every couple of years. And Lancaster County is getting its fair share of the pot. It's just that the pot is too small. This is unlikely to change. The only likely solution, over time, is to formulate other programs that can help projects move forward without Low Income Housing Tax Credits. Certainly in the short term, it is unreasonable to ask the state to create new programs. The funding simply is not there. But we can revisit existing programs and see what can be done to adjust program regulations to allow their greater use for a wider range of development scenarios, downtown redevelopment and mixed-use, mixed-income development. This we can do.

Again, I thank you for this opportunity to address the committee and look forward to working with you as we seek solutions for affordable housing.