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HOUSE DEMOCRATIC POLICY COMMITTEE

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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING

Topic: Affordable Housing and Rebuilding Neighborhoods

Teamster Local Union 249 Hall – Pittsburgh, PA

October 11, 2017

AGENDA

2:00 p.m. Welcome and Opening Remarks

2:10 p.m. Panel One:

- Pittsburgh City Councilman Corey O'Connor
District 5
- Eric Stoller
Chief Development Officer
Rebuilding Together Pittsburgh
- Jason Tigano
Board President of Rebuilding Together Pittsburgh
Real Estate Director, Economic Development South

3:00 p.m. Panel Two:

- Robert Rubinsten
Executive Director
Urban Redevelopment Authority of Pittsburgh
- Ray Gastil
Director of City Planning
City of Pittsburgh
- Larry Swanson
Executive Director
ACTION-Housing, Inc.

3:50 p.m. Closing Remarks



COREY O'CONNOR

Councilman, City of Pittsburgh – District 5

Testimony of Pittsburgh City Councilman Corey O'Connor to the House Democratic Policy Committee

House Democratic Policy Committee
Public Hearing on Rebuilding Our Neighborhoods
123 University Place
Pittsburgh, PA 15260
October 11, 2017

Good Afternoon,

I appreciate the opportunity to speak to you today about the work that my colleagues and I have undertaken to support affordable housing in Pittsburgh, as well as to suggest some additional ideas that bear further consideration.

Thriving neighborhoods are a key element to supporting the city's growing population and the many opportunities that have come along with successful entrepreneurship and expansion of economic diversification. Good quality housing stock must be available to long-term residents, as well as newcomers to Pittsburgh. While those at the upper end of the economic scale can afford to purchase homes, we must find ways to help those who need assistance because owning one's home is the largest source of equity investment for a majority of the population.

More than 23,000 Pittsburgh households spend more than half of their income on housing, making those families susceptible to foreclosure, eviction, and other hardships. At the end of last year, legislation established the Housing Opportunity Fund, which could be used for down-payment assistance, home rehabilitation, foreclosure prevention, to help individuals stay in their home by using low-interest loans to rehabilitate their property, and provide other types of aid and capital support. Advocates believe the fund will stabilize existing mixed-income neighborhoods and foster the creation of more, encouraging newcomers and helping long-timers stay put amid higher property values, taxes, and market pressures. It should also increase home values in neighborhoods that have not seen occur in a long time.

Beyond the creation of the Housing Opportunity Fund, we have identified three potential programs to support and encourage homeownership and neighborhood revitalization in the city.

Student Loan Forgiveness for Mortgages

Students are burdened with an ever-increasing loan debt, making it difficult for them to purchase a home. We can help young adults become first-time homeowners by repaying a portion of their student loan debt upon their purchase of a home in Pennsylvania. A similar initiative, called the SmartBuy Program, already exists in Maryland, and H.B. 1235 was introduced in the General Assembly of Pennsylvania in April of this year to create a Pennsylvania College Graduate Homeowner Program. The State and Pittsburgh City Council's proposal differs in some respects, but the underlying principles are virtually the same.

In our model, we would take a percentage of the cost of a home and repay this amount of the home buyer's student loan debt over a set period of time. Individuals with student loan debt who are required to make regular monthly debt repayments face a significant financial burden that can make saving for or purchasing a home unduly difficult or cost-prohibitive. These individuals are often kept out of the housing market for an extended period of time. By repaying a portion of these individuals' student loan debt, Pennsylvania can promote homeownership. This will grow the tax base, invest in neighborhoods on a local level, free up money for use in regional economies, expand the population, and secure longer-term residency by individuals who may otherwise move.

City Divestment in Publicly-Owned Properties

Pittsburgh currently owns a large portfolio of run-down and vacant homes and parcels of land. By investing city money into these properties and rehabilitating them, we can get them back on the tax rolls and, at the same time, help revitalize neighborhoods. Any effort to address a shortage of affordable housing should include the preservation and improvement of existing housing stock. In doing so, the city can capitalize on its existing assets. Preserving existing housing stock can often be more cost-effective and efficient than building brand new units. After the rehabilitation of these properties is completed, the city or other responsible party managing the property can return it to the market and restrict its sale or occupancy to families or households in certain, restricted income targets. There are a variety of options that involve working with other government entities, community groups, and the private sector to sell or rent property to income-eligible people, thereby increasing the inventory of safe, high-quality, affordable housing.

Deed Restrictions

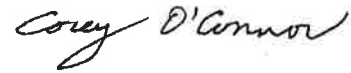
Deed Restrictions are covenants that are protected and stay with the property from owner to owner. Placing such covenants on publicly-owned properties helps to ensure long-term affordability and affords the city the ability to set its own terms. By using deed restrictions in combination with other affordable housing strategies, housing units that are accessible to income-eligible individuals can be protected from speculators or flippers. Insulating a portion of publicly-held properties from the often volatile market can help to secure affordable housing in ways that can be strategically matched to comprehensive neighborhood or city planning initiatives that look ahead to the future.

Conclusion

As Pittsburgh continues to take action to tackle the problems associated with unaffordable housing and disinvestment in cities and urban areas, we need the state to be a willing and committed

partner. While local governments can take concrete steps toward meeting the housing needs of its residents, as Pittsburgh has done and will continue to do, those efforts can only be improved by working closely with state officials. By leveraging both local and state resources, we can cooperatively face these challenges head on for all of our collective residents.

Thank you,

A handwritten signature in black ink that reads "Corey O'Connor". The signature is written in a cursive, flowing style.

Corey O'Connor
Pittsburgh City Council



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Testimony of Eric Stoller, Chief Development Officer – Rebuilding Together Pittsburgh

My name is Eric Stoller, the Chief Development Officer for Rebuilding Together-Pittsburgh (RTP). I want to thank the Democratic Policy Committee for holding this hearing today and for taking up the very important subject of rebuilding low-income and middle class-communities. I am happy to testify on Councilman O'Conner's legislation, City of Pittsburgh Resolution 1508 of 2017, and how organizations like RTP could assist the City. I believe it is also important to talk about how the Commonwealth could mirror legislation like this at the state level to help cities fight blight and rebuild communities.

Before I get into my testimony, I first want to tell you about RTP. We were founded in 1993 as an organization called "Christmas in April" by the Master Builders Association of Western Pennsylvania and Greater Pennsylvania Regional Council of Carpenters. What began as an all-volunteer effort is now an organization with an annual budget of over \$3 million that supports the work of nearly 20 staff completing more than 150 physical rehabilitation projects a year for low-income homeowners in Allegheny County. While our core business is owner-occupied home renovation, today I want to talk to you about another RTP business line that directly pertains to today's hearing. We call it Rehab 4 Resale or R4R.

R4R applies RTP's expertise as a high-quality, low-cost general contractor to the work of affordably rehabilitating vacant and dilapidated homes. Local partners buy and hold properties that RTP rehabilitates, bringing significant savings to work. Additional partners canvas the neighborhood to build a pipeline of local renters who are ready to be first time homebuyers. The program aims to produce affordable homeowner housing while providing a modest return to RTP. This allows us to have some capital to go on and do the next project.

So far in 2017 RTP has completed four homes, three in Hazelwood (which is in the Councilman's District) and one in the Hill District. We should complete two to three more before the end of the year. After several years of doing this work, we've learned that the rehab work is the easiest, if most expensive of the steps. Affordably securing properties for rehab is time consuming and risky. And identifying potential buyers who already live in the neighborhoods we're working in (which is the primary aim) is even more challenging.

So, what does all of this mean for this piece of legislation which is in front of City Council and this panel? The legislation is designed to facilitate the work RTP already does in our R4R program by providing much needed capital for acquisition and rehab costs. If combined with a thoughtful approach to transferring title of city- and URA-owned houses that can be rehabbed to non-profit partners this could be an important piece of a larger affordable housing strategy in Pittsburgh. RTP has a scalable approach to this work which that can advance the shared aims of city government and our mutual non-profit, community partners. I believe if we are able to get this process started at our City level, and the Commonwealth follows, it would provide an opportunity to leverage certain philanthropic monies to round out our funding sources.

In the end, this leverages the government's ability to rebuild neighborhoods with the investment of the people who already live there. We have seen this repeatedly at RTP. We do a rehab for resale, and then do some incident core repair in homes surrounding that block face, all of a sudden you have rebuilt a block. Then the homes which we haven't worked start investing in their homes. I'm happy to take any questions from the panel.

Respectfully submitted,

Eric Stoller

Robert Rubinstein, Executive Director – Urban Redevelopment Authority of Pittsburgh (URA)

Introduction and Request:

Pittsburgh is in dire need of affordable housing. According to a housing assessment completed in 2016 by Mullin and Lonergan Associates, Pittsburgh lacks roughly 15,000 affordable housing units in order to meet the housing needs of our current residents. One out of every three Pittsburghers spends more than 30 percent of their income on housing costs, the widely accepted threshold upon which housing becomes unaffordable. Furthermore, 66 percent of extremely low-income households are cost burdened in Pittsburgh. This means that Pittsburgh's most vulnerable residents are at risk of not having roofs over their heads.

Though many public, private and non-profit organizations are working to remedy this situation, the unfortunate reality is that federal and state resources have declined drastically in recent years. For example, in the early 2000s, the City of Pittsburgh received as much as \$7.2 million annually in funding from the Pennsylvania Housing and Redevelopment Assistance line item, the predecessor to today's Keystone Communities Program. Now in 2017, the city is competing statewide for a share of the \$13 Million Keystone Communities line item. It is likely that the city will receive less than \$500,000 of those funds. Similarly, federal funding, such as Community Development Block Grants and HOME, to support housing affordability is but a fraction of what it once was.

We respectfully ask that the State expands financing for, and awards to, Pittsburgh for programs such as the Low-Income Housing Tax Credits (LIHTC), Keystone Communities (KCP), and Redevelopment Assistance Capital Program (RACP) for affordable housing.

Body

In 2015, the City of Pittsburgh created an Affordable Housing Task Force to identify strategies for addressing this housing need. This taskforce consisted of developers, non-profit organizations, government officials, bankers, lawyers, and local residents. The task force recommended the following strategies to increase the supply of affordable housing in the city:

Robert Rubinstein, Executive Director – Urban Redevelopment Authority of Pittsburgh (URA)

- Preserve existing affordable units by rehabilitating and refinancing debt on current deed-restricted units;
- Build Mixed-Income Communities by developing new housing units; and
- Fight Displacement by trying to replace affordable units on a one-for-one basis where possible.

To advance these recommendations, Pittsburgh's Mayor William Peduto signed five executive orders in early 2017.

1. To provide and expand resources, policies, and programs to increase housing security for existing city residents.
2. To increase and improve the opportunities for public housing residents.
3. To increase mixed-income and affordable housing opportunities across Pittsburgh.
4. To preserve and protect the public interest in existing mixed-income and affordable housing across Pittsburgh.
5. To improve real estate tax incentives, abatements, and assessments to advance the public interest.

The URA and Department of City Planning have established an exploratory committee and several subcommittees to carry out these tasks. The committee drafted a multitiered, mandatory inclusionary zoning policy for the City of Pittsburgh. Additionally, the city's tax abatement programs are currently being restructured to incentivize the creation of affordable housing units in Pittsburgh. Four percent Low Income Housing Tax Credit (LIHTC) education sessions are also in the works – as to inform Pittsburgh developers of the program and how to fully utilize it. Lastly, the URA is in the process of completing an affordable housing preservation database that will track housing units nearing the end of their affordable deed restrictions. The City of Pittsburgh is hard at work in finding innovative solutions to our housing need.

Despite our city's commitment to affordable housing, Pittsburgh is far from being able to fully address the issue. With limited federal and state funding, Pittsburgh has been forced to stretch what funds we have and target funding at innovative projects that broaden the length

Robert Rubinstein, Executive Director – Urban Redevelopment Authority of Pittsburgh (URA)

of affordability over time. In Lawrenceville, for example, where rents have skyrocketed in recent years, the URA and several foundations financed the first Community Land Trust (CLT) in Western Pennsylvania. With ground leases that are typically 99 years, CLT properties give lower income residents the chance to become homeowners in amenity-rich communities like Lawrenceville. According to the Lawrenceville Corporation, the seven new homes that were built in the first phase of the CLT will provide roughly 98 low income families with homeownership over the next 99 years. Creating CLTs is one potential strategy to create permanent affordability with limited resources.

Conclusion

In conclusion, while the need for affordable housing and the costs to develop and preserve it are increasing, public resources for the creation and preservation of Affordable Housing are decreasing. And so, despite the city's current actions to address the shortage of affordable housing in Pittsburgh, affordable housing units cannot be built without increases in state funding for affordable housing programs and increases in program awards to the City of Pittsburgh. To support Pittsburgh's ongoing strategy under a federal government that aims to further decrease funding for housing and community development, the Commonwealth of Pennsylvania must find ways to help finance affordable housing programs at the state level. We ask the committee to seek ways to increase funding for state-sponsored housing programs and to expand current programs so that Pittsburgh can truly be a city for all.

House Democratic Policy Committee:

Affordable Housing and Rebuilding Neighborhoods

October 11, 2017

Testimony: Ray Gastil, City Planning Director, City of Pittsburgh

Good afternoon, and thank you for the opportunity to speak to the Committee on Affordable Housing and Rebuilding Neighborhoods.

In my capacity as City Planning Director, I have had the opportunity to address affordable housing and rebuilding neighborhoods in a number of ways.

First, as co-chair of the Affordable Housing Task Force, with Pittsburgh City Councilmember Daniel Lavelle, I worked with a cross-section of housing professionals, advocates, and community members to develop a shared set of recommendations to the Mayor and City Council in 2016.

The key recommendations focused on:

- Establishing a Housing Opportunity Trust Fund
- Increasing use of the 4% LIHTEC tax credit
- Preservation of existing housing and protection of residents
- Inclusionary Housing/Zoning

Today, in 2017, we have begun but not completed the work on several fronts in this regard, and I'll note a few in particular that I am most directly involved in.

Earlier this year, Mayor Peduto issued an Executive Order for the Planning Department to develop and staff an Exploratory Committee on Inclusionary Zoning. We were tasked with establishing a task force with a broad base of stakeholders, from advocates to residents to developers, consult with our law department on the viability of various options, assess the feasibility, structure, and location of a potential overlay zone (with affordability requirements), and to provide final recommendations to the Council and Administration.

Inclusionary Zoning is only one tool for affordable housing. Its focus is to harness the strong market to effectively cross-subsidize affordable housing with the market power of new development. It revolves around producing a percentage of affordable units in a market-driven project. While market-sensitive – you only get affordable units from Inclusionary in a very strong market – it is a crucial tool for inclusion, in terms of working to insure that in neighborhoods of great opportunity for work, learning, and quality of life, that they offer opportunity to a range of incomes.

The Committee's work is not done, but we are committed to our November deadline and are confident that we will achieve it. We have worked hard to develop a "calculator" that goes beyond our preliminary work for the task force to provide a strong working model of how an inclusionary project can work financially, the inputs and the outputs, from costs to square foot, to exit cap rates, to Returns on Investment, to tax strategy assumptions. We have looked carefully at how these work in the market, with a robust discussion including a range of perspectives of the art of the possible – how can we get

affordable units while there is also a strong enough return on investment for the investment to occur in the first place.

There are many issues beyond that calculation, including the mapping of where and how we can both pilot and apply meaningful incentives and requirements. We will have recommendations on key issues from the duration of affordability requirements, to the percentages of income-targeted units, to the percentages of median income that are assigned in those income-targeted units, strategies for compliance, and tax abatement policies among others. Following our meeting later this month, we will begin the program of reporting out, anticipating a vigorous discussion at City Council and with the broader public.

I would also like to note three other programs which reflect our commitment to affordable housing.

First, we have completed the EcoInnovation District Plan, approved by the City Planning Commission in September, which states affordability as a clear goal. The legislation accompanying the plan, calling for new zoning text and mapping, has now advanced to the City Council for its review. In that zoning, the Planning Commission supports a “performance zoning” concept which allows for greater height for a number of public benefits, with provision of affordable housing providing the most points, and hence, most height. We look forward to supporting that proposal through the process with the City Council, as we have with Planning Commission and the Community.

Second, in doing that work, we looked closely at the P4 principles and metrics: People, Planet, Place, and Performance. This City-Civic initiative called for close collaboration of Planning and the Affordable Housing Task Force in developing guidelines to incentivize affordability. I am proud to say that with initiatives like the EcoInnovation District, we are putting P4 Principles to work.

Third, we are now completing a Riverfront Zoning proposal, looking at 35 miles of riverfront. As we look at how and where height can be accommodated along our shared treasure of waterfront sites and neighborhoods, we have heard loud and clear the concern of stakeholders and the broader community that affordability be considered here. A century ago, riverfronts were neighborhoods of opportunity for steel mills, today they are neighborhoods of opportunity for many kinds of jobs and many ways of living, but critical to this is that the neighborhoods, and not just the riverfront trails, have opportunities for a broad range of Pittsburghers.

As communities move forward with neighborhood planning in the city, with comprehensive community plans underway in Homewood, Hazelwood, and Manchester, with many more to come, we are working every day to better understand neighborhood priorities together with the potential for successful, leveraged, public, private, and non-profit investment and commitment to affordable housing. Every neighborhood wants to be a neighborhood of opportunity, and we move forward with vision, guidelines, incentives and code, we will work to meet that mutual and profound goal.