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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
HOUSE COMMERCE COMMITTEE

MAIN CAPITOL BUILDING
ROOM 60 EAST WING
HARRISBURG, PENNSYLVANIA

TUESDAY, NOVEMBER 10, 2009
9:30 A.M.

IN RE: PUBLIC HEARING ON
HOUSE BILL 1776

BEFORE:

- HONORABLE PETER J. DALEY, CHAIRMAN
- HONORABLE DICK L. HESS
- HONORABLE MARTIN CAUSER
- HONORABLE TOM C. CREIGHTON
- HONORABLE MIKE FLECK
- HONORABLE RICHARD GEIST
- HONORABLE JIM MARSHALL
- HONORABLE ROBERT F. MATZIE
- HONORABLE CARL WALKER METZGAR
- HONORABLE RICHARD MIRABITO

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(CONT'D)

HONORABLE MIKE REESE
HONORABLE DONNA OBERLANDER
HONORABLE STEVE SANTARSIERO
HONORABLE JOHN J. SIPTROTH
HONORABLE JAMES WANSACZ
HONORABLE ROSITA C. YOUNGBLOOD

1 ALSO PRESENT:

2 ROBERT B. MILLER, JR., , MAJORITY EXECUTIVE DIRECTOR
3 JOSEPH MILLER, MINORITY EXECUTIVE DIRECTOR
4 BARBARA RAMSEY, MINORITY COMMITTEE SECRETARY
5 JOHN SCARPATO, COMMITTEE LEGISLATIVE ANALYST
6 DESTINY ZEIDERS, LEGISLATIVE ANALYST
7 SANDY ATTLAND, LEGISLATIVE ASSISTANT

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BRENDA S. HAMILTON, RPR
REPORTER - NOTARY PUBLIC

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P R O C E E D I N G S

- - -

CHAIRMAN DALEY: This House Commerce Committee will come to order. Would the committee secretary please call the roll?

MS. ALTLAND: Chairman Daley.

CHAIRMAN DALEY: Present.

MS. ALTLAND: Representative Costa. He's on leave.

Cruz.

Galloway. He's on leave.

Johnson.

Keller.

Longietti. He's on leave.

Matzie.

Mirabito.

REPRESENTATIVE MIRABITO: Here.

MS. ALTLAND: Santarsiero.

REPRESENTATIVE SANTARSIERO: Here.

MS. ALTLAND: Siptroth.

REPRESENTATIVE SIPTROTH: Here.

MS. ALTLAND: Curtis Thomas.

Wansacz.

Youngblood.

REPRESENTATIVE YOUNGBLOOD: Here.

1 MS. ALTLAND: Yudichak.

2 Chairman Hess.

3 REPRESENTATIVE HESS: Here.

4 MS. ALTLAND: Representative Causer.

5 REPRESENTATIVE CAUSER: Here.

6 MS. ALTLAND: Creighton.

7 Evans.

8 CHAIRMAN HESS: Proxy.

9 MS. ALTLAND: FLECK.

10 REPRESENTATIVE FLECK: Here.

11 MS. ALTLAND: Geist.

12 REPRESENTATIVE GEIST: Present.

13 MS. ALTLAND: Harris is on leave.

14 Marshall.

15 REPRESENTATIVE MARSHALL: Here.

16 MS. ALTLAND: Metzgar.

17 REPRESENTATIVE METZGAR: Here.

18 MS. ALTLAND: Oberlander.

19 REPRESENTATIVE OBERLANDER: Here.

20 MS. ALTLAND: And Reese.

21 REPRESENTATIVE REESE: Here.

22 CHAIRMAN DALEY: A quorum being present,

23 the House Commerce Committee will commence

24 business.

25 Before we start on the committee hearing,

1 for those that do not know that Dave Callen, the
2 executive director of the House Commerce Committee
3 of the Democratic side, has retired, Dave had some
4 physical health issues that developed, I think,
5 since our last meeting.

6 He has had some stress and for those that
7 know about the situation, he's doing fine. He is --
8 he has moved to Georgia, to a place called
9 Kingsland. So if you're going on 95 south at any
10 time, it's the Exit 1. And he said he'd welcome
11 everybody if they so desire to see him in his home
12 in Kingsland with his lovely wife.

13 But he's doing well. He's -- he's
14 starting chemo next week, and we do expect him to
15 have a long and healthy life. Knowing him, that's
16 going to be a wonderful life.

17 So I'm pleased to announce the new
18 executive director, Rob Miller. Rob comes to us via
19 the Governor's Office and was also the former
20 executive director for the Game and Fish Committee.

21 Rob has been doing -- brings a full aspect
22 to the committee, and we're excited to have him with
23 us.

24 MR. MILLER: Thank you.

25 CHAIRMAN DALEY: I'd like to call on

1 Representative John Bear who is the prime sponsor of
2 House Bill 1776 for his testimony.

3 If the stenographer has any problems,
4 please let me know. Let us know if we're talking
5 too fast and we'll speak loudly and clearly and
6 slowly. We being Pennsylvanians, most of us don't
7 do it slowly. Thank you.

8 REPRESENTATIVE BEAR: Well, thank you,
9 Mr. Chairman.

10 Chairman Daley, Chairman Hess, members of
11 the committee, thank you for allowing me to share
12 and discuss my proposal called the Pennsylvania
13 Housing and Economic Revitalization Act.

14 House Bill 1776, despite having a very
15 catchy bill number, is all about job creation, pure
16 and simple. With unemployment at a 25-year high,
17 Pennsylvania needs to start focusing on how to
18 stimulate job growth and reprioritize some of its
19 current economic development programs.

20 One industry that's -- that's been hit
21 very hard and is very important to the overall
22 health of our economy is the housing industry.

23 At the time we introduced this in the
24 spring building permits were down 47 percent across
25 the Commonwealth. Homes sales were down at least 33

1 percent statewide, and even higher in certain areas
2 across the Commonwealth. And for many counties home
3 sales have dropped even further, between 40 and 50
4 percent.

5 With this contraction also comes
6 significant job loss and in May unemployment in the
7 construction industry alone was 19 percent, and this
8 doesn't even account for the loss of jobs in real
9 estate and supporting industries.

10 So employment in the housing industry is
11 very important to our overall economy because it
12 provides good family-sustaining jobs and drives the
13 business in many other sectors.

14 And the hearing -- the time of this
15 hearing is very timely as well because recently the
16 Congress has just passed the extension of the
17 stimulus or the tax credit program -- or \$8,000 tax
18 credit program. They also expanded it to include
19 other home owners, not just first-time home buyers.

20 So I think what you'll find here is that
21 House Bill 1776 is a true stimulus bill. It's a
22 one-time incentive, once and done, that's working in
23 other states. Two that have done this is California
24 and Utah.

25 It does not cost taxpayers down the road

1 or mortgage our children's future by developing
2 another government program. It revives a sump -- or
3 a slumping housing market and overall employment
4 picture. It generates revenue for state and local
5 governments and provides qualified consumers with an
6 enticing incentive to purchase a new home or
7 renovate an existing one and get off the fence, so
8 to speak.

9 So specifically our program does three
10 things. It invests up to \$100 million in the
11 Pennsylvania economy.

12 And provides a rebate to purchasers of new
13 or existing homes and/or qualified renovation
14 projects. So let's say you want to build a new
15 home. We're looking at giving a purchaser either
16 \$10,000, or five percent of the purchase price.

17 If you have a house that you want to do a
18 renovation project, we're looking to give 5,000 or
19 five percent, whichever is lesser. And, of course,
20 if you have an existing house that you want to sell,
21 we're looking at doing a grant of 2,500 there.

22 The other key thing to note is, let's say
23 you buy a new home that's existing, that's in the
24 current inventory, and you also want to do some
25 renovation, you can combine that \$5,000 tax credit

1 for renovation with the \$2500 with the -- with the
2 resale of your home. So you combine the two for
3 7,500 total.

4 So that's basically the gist of the
5 program. We've been working with many stakeholders
6 to do this over -- over several months. Eight that
7 have been very active in supporting this include the
8 Pennsylvania Builders, the Pennsylvania Realtors,
9 the Pennsylvania Mortgage Brokers and Bankers, UGI,
10 Pennsylvania School Board Association, Pennsylvania
11 Boroughs Association, I believe, just to name a
12 few.

13 So I thank you for coming out to hear this
14 and hopefully we can have an open debate about this
15 and see what we can do to tweak it and move it
16 along.

17 Thank you.

18 CHAIRMAN DALEY: Thank you. Are any
19 members of the committee -- do any members of the
20 committee have any questions for Representative
21 Bear?

22 Representative Youngblood.

23 REPRESENTATIVE YOUNGBLOOD: Question. How
24 did you come up with those figures? I'm just
25 curious.

1 REPRESENTATIVE BEAR: Which figures?

2 REPRESENTATIVE YOUNGBLOOD: For -- for
3 renovation, for a renovation project, \$5,000.

4 The reason I'm asking, I have a
5 two-by-four kitchen in my home, and I had a builder
6 come in to give me an estimate. If I did no -- no
7 frills for the renovation of the kitchen, \$8,500.
8 And that was with no -- no frills. Not replacing
9 maybe like a refrigerator, stove, and something
10 else, you know.

11 So I'm curious, what can you really get
12 done for \$5,000?

13 REPRESENTATIVE BEAR: Well, the idea, what
14 we tried to do is we tried to tier it. Okay? And
15 at 10,000, the highest level for new construction,
16 we're trying to focus on job creation. Because it's
17 balanced against that. And we're going -- obviously
18 that creates a lot of jobs. Whether it be
19 electrical workers or --

20 CHAIRMAN DALEY: Can you move closer to
21 the microphone?

22 REPRESENTATIVE BEAR: I'm sorry. Sure.

23 Again, we're trying to tier the incentive
24 program based on jobs it would create. At the
25 highest level obviously would be new construction.

1 That generates the most jobs and probably touches
2 the most number of employees.

3 Renovations are probably the second tier
4 because you do a renovation, particularly as
5 substantial as you mentioned, \$8,500 is a lot of
6 money, you know, you're going to employ some
7 people.

8 Of course, when you get to resale, 2,500,
9 you know, it still has job generation but probably
10 doesn't have as many -- quite the impact that
11 renovation or new construction would. That's
12 really how we were trying to tier it. It's just
13 trying to incentivize it based on the number of jobs
14 it would create. You know, certainly those numbers
15 were open to debate.

16 But, you know, the key to this program is
17 we're trying to work off what the federal government
18 already started with the \$8,000 tax credit for
19 first-time home buyers.

20 What we're trying to say here in
21 Pennsylvania is let's not -- let's not just do it
22 for first-time home buyers, let's do it for any
23 taxpayer so they have an opportunity to either get
24 into a new home, upgrade from an existing home, or
25 do modifications to what they currently live in and

1 get them off the fence.

2 That's really what we're trying to do. We
3 modeled it off of Utah and California, which were --
4 really they did a \$10,000 tax credit, I think, for
5 California, new construction, and in Utah what they
6 did, I believe, was 6,000.

7 So that's -- that was the basis of it. I
8 mean the numbers, we're just trying to be creative
9 in how you tier it and how you incentivize it so you
10 create the most jobs.

11 I mean that's the general gist of it.

12 CHAIRMAN DALEY: Representative
13 Youngblood, anything else?

14 REPRESENTATIVE YOUNGBLOOD: No.

15 CHAIRMAN DALEY: Okay.

16 REPRESENTATIVE YOUNGBLOOD: That's it.

17 CHAIRMAN DALEY: Representative Reese.

18 REPRESENTATIVE REESE: Thank you,
19 Mr. Chairman.

20 Representative Bear, can you explain the
21 renovation portion? Is it -- is it that you have to
22 at least spend 50,000 on the renovation?

23 But it -- because that 80 -- that \$8,500
24 example, that -- that wouldn't necessarily qualify
25 for the rebate. Is that correct?

1 REPRESENTATIVE BEAR: Yeah. We actually
2 put -- again, because the focus is on job creation,
3 we were trying to put some parameters around there
4 where it actually would get trades people out there
5 to do the work.

6 I mean it's not that we don't want to --
7 and this goes back to Representative Youngblood's
8 question really. We're trying to get trades people
9 out there to do the work.

10 If you do too low a dollar figure, you're
11 probably going to get someone to do it themselves or
12 get the homeowner to do it themselves. If it's
13 focused on job creation, you want a -- you want a
14 contractor or -- or an electrician or whoever to
15 come out and do the work.

16 So that's why I put some numbers on it.
17 So basically what we did for this was the
18 renovation, yes, must cost at least \$50,000 and add
19 square footage to an existing homestead or you can
20 convert a multi-family residence into a qualified
21 primary residence.

22 So that's -- those were the criteria
23 around the renovations.

24 REPRESENTATIVE REESE: Is there any
25 requirement on pushing for energy efficient windows

1 or insulation or anything?

2 REPRESENTATIVE BEAR: No, the bill did not
3 go into that level of detail or stipulation. We're
4 going to work -- we're going to work with the
5 Pennsylvania Housing Finance Authority, the PHFA, in
6 the administration of this. So some of those things
7 are going to be, you know, worked out through them.

8 REPRESENTATIVE REESE: Okay. Thank you.

9 Thank you, Mr. Chairman.

10 CHAIRMAN DALEY: Representative Siptroth.

11 REPRESENTATIVE SIPTROTH: Thank you,

12 Mr. Chairman.

13 Representative Bear, I applaud you for
14 coming forth with this incentive.

15 Could you tell me how this is going to be
16 paid for? That's -- that's the only question that I
17 really have. Thank you.

18 REPRESENTATIVE BEAR: Hey, it's a great
19 question. A couple things have changed when I --
20 from the time I introduced this.

21 This was done in early spring, and at that
22 time you had the stimulus dollars out there that
23 some states were using for this, and indeed I think
24 our governor did decide to throw some of that
25 towards low income housing tax grants -- or tax

1 credits.

2 And you also had the thing called tax
3 amnesty, which I was introducing right after this.
4 And the good news is we got the tax amnesty in the
5 budget deal but that money is going to be used for
6 the budget hole.

7 Now, what happens with the amnesty program
8 if it goes above a 190 million, which I think it
9 will, it goes into the rainy day fund. But, you
10 know, I think that's a possibility down the road as
11 well as looking at other opportunities.

12 Because the revenue sources I initially
13 identified, again, the stimulus or amnesty, has been
14 changed slightly since this was introduced. So it's
15 something we would have to discuss.

16 But I think first, the most important
17 thing is, you know, do we as a Commonwealth and as a
18 legislature think this is a good idea and, you know,
19 what can we do to tweak it to make it just right.

20 And if we can agree to all those things,
21 then let's start work -- you know, working on the
22 revenue sources, which I know in these tight times
23 is really tricky. But I'm confident we can find the
24 money.

25 Even though a hundred million is a lot of

1 money, in the grand scheme of things, you know, \$28
2 billion, it's not too bad.

3 And I think, again, the other part to look
4 at is this will generate jobs, will generate tax
5 revenue at both the local and state levels. So in
6 some regards I think it will pay for itself.

7 REPRESENTATIVE SIPTROTH: Thank you very
8 much.

9 Thank you, Mr. Chairman.

10 CHAIRMAN DALEY: Representative Causer.

11 REPRESENTATIVE CAUSER: Thank you,
12 Mr. Chairman.

13 I want to commend Representative Bear for
14 sponsoring the legislation and more along the lines
15 of a -- a comment.

16 You know, I think it's a good piece of
17 legislation. I do have some concerns about how we
18 pay for it.

19 But at the same time, when you look at the
20 job creation, I come from one of the areas of the
21 Commonwealth that has the highest unemployment in
22 the state and -- and a lot of that is -- is due to
23 the downturn in the -- in the forest products
24 industry and this really has a potential to -- to
25 provide a real economic stimulus for forest products

1 in this state and -- and -- and it's very badly
2 needed in the state right now.

3 So I commend you for -- for sponsoring the
4 legislation and -- and hope that we can move forward
5 quickly.

6 REPRESENTATIVE BEAR: And thank you. By
7 the way, I think I mentioned -- I forgot to mention,
8 when I was talking about all the endorsements, we do
9 have the PA Forest Association on board, too. So I
10 apologize if I missed that.

11 You know, again, just commenting on the
12 times we're in, the fact you had federal government
13 extend the \$8,000 first-time home credit, also
14 expand the program to now include home buyers that
15 are people that already have homes and want to get
16 the second home, and the fact that you had
17 bipartisan support, I believe, on that bill, tells
18 you about the times we're in.

19 This industry is very important to jobs
20 across the Commonwealth. It's one that's not really
21 picked up at all during -- you know, any home sales
22 have gone up a little bit but really construction
23 and the renovation has not gone up much.

24 So I think it's something that we
25 certainly should look at here in the upcoming fiscal

1 year because I don't think things are getting any
2 better.

3 Thank you.

4 REPRESENTATIVE CAUSER: Thank you,
5 Mr. Chairman.

6 CHAIRMAN DALEY: Thank you. No other
7 questions from members of the committee, I'd like to
8 call Mike Garman and Christopher Gillen, our first
9 testifiers.

10 Gentlemen, make sure your microphones are
11 on when you're testifying. The light will light up
12 when you push the button which will indicate it will
13 be working.

14 Mike Garman is with Garman Builders, Inc.,
15 from Ephrata, Pennsylvania and Christopher Gillen,
16 who is division president of Beasel -- Beazer -- how
17 do you say that?

18 MR. GILLEN: Beazer Homes.

19 CHAIRMAN DALEY: Beazer Homes in Trenton,
20 New Jersey.

21 Gentlemen, you can begin.

22 MR. MICHAEL GARMAN: Good morning. My
23 name is Mike Garman. I'm president of Garman
24 Builders, Incorporated, a company with 35 years of
25 home building experience in Lancaster County.

1 We are a member of the Pennsylvania
2 Builders Association, an 8,500-member statewide
3 trade organization, representing the interests of
4 the housing industry, and I serve as chairman of
5 their housing stimulus task force.

6 And I'd just like to say thank you for the
7 opportunity to testify here today regarding the
8 primary issues of Pennsylvania's housing industry,
9 and we believe that the state government must
10 address, if we are to generate a sustained, robust
11 economic -- economic recovery.

12 The home building industry is one of
13 Pennsylvania's major economic forces. Even during
14 the downturn in the year 2008, people invested 3.8
15 billion in 20,240 new homes in Pennsylvania.

16 CHAIRMAN DALEY: Hey, Mike, can you pull
17 that microphone a little closer? I don't know
18 whether I'm going deaf or others can't hear either.

19 MR. GARMAN: Sorry.

20 CHAIRMAN DALEY: I don't know if everyone
21 in the back can hear? No. They're saying they
22 can't hear.

23 MR. GARMAN: Okay.

24 CHAIRMAN DALEY: Can you just pull it
25 closer because Sandy can't find the volume level on

1 the equipment.

2 MR. GARMAN: Even -- there we go. Even
3 during the down year in 2008, people invested 3.8
4 billion in 20,240 new homes in Pennsylvania. Every
5 10,000 new homes mean 2,448 jobs and about 42.5
6 million in taxes, fees to federal, state, and local
7 governments.

8 Home building has slowed considerably from
9 1999 to 2006. Pennsylvania home builders produced
10 17,000 to 23,000 homes during that period. In the
11 first eight months of each year is when they
12 produced those 17,000 to 23,000 new homes.

13 In 2008 the eight-month total -- or I'm
14 sorry -- 2007 the eight-month total fell to 14,000
15 homes and a year later it was at just 10,721, and
16 this year it is at 60 -- 6,838.

17 So the drop in home building activity is
18 significant in the state. Nationwide, though, it's
19 nowhere near as significant as the dramatic totals
20 from Georgia, California, Arizona, and Nevada where
21 the numbers rose much faster and fell much faster
22 over the last decade.

23 Based on the number of permits filed, the
24 state estimates that home building jobs in
25 Pennsylvania lost about 32,000 home building

1 industry-related jobs by the year 2008 and 2009
2 continues this trend.

3 So it's time for action in Pennsylvania.
4 We need a tax incentive to support the vital
5 residential construction industry, like those
6 proposed in the Housing and Economic Recovery Act,
7 House Bill 1776, introduced by John Bear.

8 The Act would provide up to 10,000 in tax
9 incentives for those purchasing a new home. Studies
10 have shown how much positive effect federal tax
11 incentives had for selling first homes to first-time
12 home buyers.

13 Home building could have been far worse in
14 2009 but Congress -- Congress acted quickly in
15 January to approve the first-time home buyer tax
16 credit, which was a real plus to the industry.

17 We at Garman Builders know personally of
18 about five homes that we sold to people through the
19 first-time home buyer tax credit.

20 We don't really know the specifics of
21 their financing because we're home builders and
22 their -- their personal financing is kind of off
23 limits to us unless they're willing to share it.

24 We did have one employee that worked for
25 us who was able to buy a house through the tax

1 credit, and he -- and he just told us that that was
2 the reason why. He had come back from his second
3 tour in Iraq and wasn't sure where he wanted to go
4 with his life. He had a new wife and was able to
5 buy a house instead of having to rent. So it worked
6 for him, and he was specific when he told us.

7 The federal tax credit led to about
8 350,000 new homes nationwide. Congress has extended
9 it, but it will not be enough to help Pennsylvania
10 recover and that's why House Bill 1776 is needed.

11 The bill includes \$5,000 for remodeling
12 projects valued at 50,000 or more, the 2,500 credit
13 for the purchase of existing homes. Both measures
14 will help families in Pennsylvania meet their needs
15 while keeping more people at work in residential
16 construction and related businesses.

17 This bill was introduced several months
18 ago. It includes tax incentives starting in July 1
19 of 2009, continuing for two years. It should be
20 updated to provide incentives for the two years
21 starting January 1 of 2010.

22 In conclusion, Pennsylvania needs to
23 supplement the federal housing stimulus to provide a
24 future for the home building industry in
25 Pennsylvania.

1 Thank you.

2 CHAIRMAN DALEY: Thank you, Mike. Thank
3 you, Michael.

4 The chair recognizes the presence of
5 Representative Tom Creighton. Thank you, Tom.

6 Mr. Gillen, please.

7 MR. CHRISTOPHER GILLEN: Good morning.
8 Can everybody hear me okay?

9 CHAIRMAN DALEY: You're good.

10 MR. GILLEN: All right. Good.

11 My name is Chris Gillen, and I'm from
12 Beazer Homes. I'd like to thank the committee for
13 giving me the opportunity to speak today in support
14 of House Bill Number 1776.

15 Beazer Homes is a nationally -- is a
16 national publicly traded home builder. We're
17 located in Atlanta. Traded in the New York Stock
18 Exchange under the symbols BZH and a top ten builder
19 in the country.

20 My position is division president of
21 Beazer Homes and I'm responsible for the areas of
22 New Jersey, Northern Delaware, and Pennsylvania.
23 Pennsylvania includes Bucks, Montgomery, Chester,
24 Delaware Counties, along with Philadelphia and
25 Lehigh County.

1 My office is located in Trenton, New
2 Jersey, although I'm happy to report we're
3 relocating our offices to Bucks County next month.
4 So we'll be adding some jobs to Pennsylvania in the
5 next 60 days.

6 Again, my position as division president
7 is responsible for the all -- the overall operations
8 of Beazer Homes. And I can tell you that -- well,
9 first off, my -- I've been with Beazer Homes for
10 four years. I've been in the housing industry for
11 19.

12 The past five years has been an
13 unprecedented downturn for the housing industry.
14 We've spoken earlier about the impact the housing
15 industry has to the overall economy, and our company
16 has certainly witnessed that.

17 And I'm, today, going to talk about really
18 Beazer's experience nationally and locally in our
19 markets, the markets that I'm responsible for.

20 During the 2005/2006 period our company
21 closed over 12,000 homes, and this year we'll be
22 down to approximately 4,500. We've laid off
23 approximately 70 percent of our employees, and in my
24 division that translates to about 125 jobs.

25 Does not include the engineers, the

1 architects, the attorneys that we engage, the trade
2 partners that we engage that are not on our payroll,
3 that we have not engaged in the past two to three
4 years.

5 Our company overall has laid off
6 approximately 4,000 people and it's impacted, as
7 Mike said, not only the economy but the families,
8 having to tell a hundred people in the past two
9 years personally that they no longer have a job
10 obviously is not easy for anybody.

11 The American -- the American Recovery
12 Reinvestment Act of 2009 was introduced and it
13 amended an earlier tax credit of \$7,500 which was
14 basically a loan to the consumer that they would pay
15 back over time.

16 The amendment was -- allowed that loan to
17 be a true tax credit and raised it to \$8,000. When
18 it was just a loan, we did not see much impact; but
19 once they changed the credit to \$8,000 we saw an
20 immediate impact, not only locally, but nationally.

21 Some figures that I got here, if I could.
22 Our website activity increased 63 percent
23 nationally, community traffic improved 30 percent
24 nationally, and locally, this most recent quarter,
25 September 30th was our highest sales for our

1 division in the past three years. The majority of
2 those sales came from first-time home buyers.

3 Now, in our minds, first-time home buyers
4 are in the price range of about 350 to -- and
5 below. There are certain occurrences that
6 first-time buyers can buy more expensive homes, in
7 the 5 to \$600,000 range, and actually we have many
8 active adult communities and there's several
9 communities -- several buyers that we have in those
10 communities that are actually older than 55 that
11 qualify for that first-time buyer credit.

12 We have seen at least 25 percent of our
13 sales be a direct result of that tax credit. Now,
14 we don't know that for certain for the reasons that
15 Mike explained. However, when we were coming up on
16 the November 30th deadline, we had certain
17 construction deadlines we had to meet in order for
18 our buyers to qualify for that tax credit.
19 Fortunately, they've extended that.

20 My division during the -- about 2005
21 closed 450 homes. This most -- most recent year,
22 which our fiscal year ended September 30th, we
23 closed 207. In 2011 we're forecasting -- actually
24 2010 we're projected to close less than 200 and if
25 the economy -- you know, if the housing market

1 continues on its current -- you know, on its trend,
2 we'll be less than 100 in 2011.

3 Some other benefits of the federal tax
4 credit, they reduced the foreclosure rate. That
5 became our major -- our most significant competitor
6 during this downturn.

7 Foreclosures became -- in certain areas of
8 the county were responsible for almost 90 percent of
9 the sales. It improved consumer confidence. Our
10 consumer confidence rate has doubled since this bill
11 has been introduced and it basically gave our
12 consumers more confidence that they can go out there
13 and buy a new home.

14 Although it's only \$8,000, it allows
15 someone to get the confidence to put that deposit
16 down on a \$300,000 home that they can finance.

17 Our biggest challenge that we've seen is
18 the closing costs and the dollars to come up to buy
19 a home.

20 In the past, our mort -- the mortgages
21 that our -- our buyers usually move forward with was
22 a conventional loan which required a 20 percent
23 deposit. But in the past year the majority of our
24 buyers now use something called FHA financing, which
25 requires only a three-and-a-half percent deposit.

1 That's approximately a \$11,500 deposit on a median
2 home price -- excuse me -- \$326,000. So that \$8,000
3 tax credit on a \$11,000 deposit goes a long way.

4 In California, where we do operate, they
5 allowed an additional \$10,000 tax -- state tax
6 credit on top of the federal tax credit and their
7 traffic improved 80 percent, their sales more than
8 doubled, and the reason for that is, again, they had
9 the \$8,000 tax credit, plus the \$10,000 state tax
10 credit on top of that.

11 That gives that consumer much more
12 confidence that they can handle that down payment in
13 that first few years where it's most difficult for
14 the first-time home buyer when they purchase their
15 home.

16 The other big impact, positive impact is
17 that it's really reduced the inventory, the supply
18 of homes that we have out there on the market.

19 I have some figures in my testimony
20 regarding the fact that the month's supply of
21 inventory went from 8.1 months down to six point
22 months -- 6.0, and that's for homes priced a lot
23 lower than \$300,000.

24 Also saw a decrease for homes priced less
25 than \$500,000. Homes priced more than \$500,000 that

1 did not benefit from that tax credit, actually saw
2 an increase in inventory.

3 So you can see an obvious impact that it
4 had on the -- the product that the majority of our
5 first-time home buyers qualified for.

6 So the benefits of the proposed House Bill
7 1776, it stimulates additional demand for housing.
8 I think it became obvious with what California
9 experienced.

10 It will create thousands of new jobs. It
11 will provide hundreds of millions of additional
12 state and local taxes. It actually improves the
13 homeowner's housing equity if there's more
14 confidence in the home -- in the housing industry.
15 And, again, it will increase consumer confidence.

16 I respectfully request that the committee
17 consider passing of the Bill 1776 for those reasons,
18 and for several others.

19 One is that I operate in New Jersey and in
20 Delaware. I can tell you that those states are also
21 seriously considering a state tax credit. We should
22 have some news in New Jersey in the upcoming
23 months.

24 I think it's important that the state tax
25 credit work along with the federal tax credit as

1 opposed to replace it. If we could get this bill
2 passed during the time frame of the federal tax
3 credit, I think you will see an incremental benefit
4 on top of that as opposed to it standing alone.

5 And we believe and our forecasts say that
6 the housing market is going to remain challenged.
7 You've got the rising unemployment rate, 10.2
8 percent they just reported. Consumer confidence
9 with that unemployment rate remains challenged.

10 And with the -- with the job losses we'll
11 also see foreclosures continue to be a challenge
12 moving forward.

13 So, again, I respectfully request that you
14 consider this bill. I thank you for giving me the
15 time to speak towards it. I'll be happy to answer
16 any questions if you have them.

17 CHAIRMAN DALEY: Thank you, Christopher.

18 Are there any questions from the committee
19 for either Mike or Christopher?

20 REPRESENTATIVE MIRABITO: Just one.

21 Mike, I think you testified that there were 10,000
22 homes constructed, the industry provides -- but the
23 written testimony is a thousand homes. Your -- your
24 verbal testimony said 10,000. Is it a thousand or
25 10,000 that --

1 MR. GARMAN: Is that --

2 REPRESENTATIVE MIRABITO: If you look in
3 the second paragraph of your testimony, it says for
4 the every thousand homes constructed the industry
5 provides 2,448.

6 MR. GARMAN: It should be 10,000.

7 REPRESENTATIVE MIRABITO: It should be
8 10,000. All right. Thanks.

9 CHAIRMAN DALEY: Any other -- any other
10 questions. I thank you -- oh, I'm sorry. Go ahead.

11 Representative Santarsiero.

12 REPRESENTATIVE SANTARSIERO: Thank you,
13 Mr. Chairman.

14 Just briefly, I'm assuming the industry
15 would not have a problem if the bill were amended to
16 require energy efficient windows, other construction
17 methods?

18 MR. GILLEN: If I could? No, we
19 wouldn't. Actually our company, just so you know,
20 is already on that path.

21 REPRESENTATIVE SANTARSIERO: Okay.

22 MR. GILLEN: I think you'll see that many
23 national builders are.

24 REPRESENTATIVE SANTARSIERO: Great.
25 Okay.

1 MR. GARMAN: The same.

2 REPRESENTATIVE SANTARSIERO: Yeah. Okay.

3 Thank you.

4 CHAIRMAN DALEY: Representative Bear.

5 REPRESENTATIVE BEAR: Christopher, could
6 you just share a little bit about California's
7 experience? Because I understand they had a hundred
8 million initially and then it went on from there.
9 What happened?

10 MR. GILLEN: Well, the hundred million was
11 depleted actually much faster than they
12 anticipated. And I think it took four months in
13 total. They then extended that or expanded that
14 to -- I'm not sure of the exact amount of funds, but
15 they went beyond that hundred million.

16 In speaking with our division president in
17 California, he couldn't speak enough about it and
18 how it impacted his business.

19 I mentioned the traffic increase. I
20 mentioned the sale increase.

21 The other interesting component of this is
22 that with land acquisition, that's where you're
23 creating new communities, hiring new people, this
24 market has been stalled for the past three years.
25 But in California, where they have had the tax

1 credit, there has been -- pardon the phrase -- but
2 there has been a rush on land because they've worked
3 through that inventory in such a short time the
4 builders now have to replace that inventory.

5 And we're finding that the land
6 acquisition market, specifically in California, is
7 actually one of the hottest in the country. And we
8 believe that's a direct result of the state credit
9 on top of the federal tax credit.

10 REPRESENTATIVE BEAR: And just as a
11 follow-up. You know, we talk about all these
12 different states and the different housing
13 industries and what they're experiencing.

14 You know, Pennsylvania, I mean just -- the
15 question is would you consider Pennsylvania as one
16 of the states that had a housing bubble?

17 I mean I don't know if we had the same
18 level of production that some of these other states
19 had.

20 MR. GILLEN: No. Actually we don't. And
21 it's really because of the constraints, barriers to
22 entry is really the -- and they always have the
23 conversation with me, specifically when I'm meeting
24 with our corporate office, is that this area,
25 because of the town -- you know, the local

1 townships, it's much more difficult to get new
2 economy communities open. It's very hard to get
3 communities of large sizes of three, four, five
4 hundred homes that you'll see in other parts of the
5 country.

6 So because of that we haven't seen the
7 spike or increase in pricing when all the others had
8 it in 2001 through 2005.

9 And, yes, we've seen the decrease in
10 pricing, but not as dramatically as other parts of
11 the country.

12 REPRESENTATIVE BEAR: And I guess one of
13 my other points, along those lines were that, you
14 know, Pennsylvania was acting pretty responsibly.
15 Our housing industry was not overheated and look how
16 bad it's been hit.

17 MR. GILLEN: Uh-huh.

18 REPRESENTATIVE BEAR: Despite all that.
19 And that's really why, you know, considering this
20 bill is important.

21 Thank you.

22 CHAIRMAN DALEY: Gentlemen, thanks for
23 your testimony.

24 The next testifier will be Bill Fogarty.
25 He's director of the governmental affairs for the

1 Pennsylvania Housing Finance Agency.

2 DIRECTOR FOGARTY: Thank you, Chairman
3 Daley and Chairman Hess.

4 My name is Bill Fogarty. I'm the director
5 of government affairs of the Pennsylvania Housing
6 Finance Agency and I appreciate the opportunity to
7 be here today to talk about House Bill 1776.

8 I would also like to thank Representative
9 Bear. The agency really appreciates the fact prior
10 to introduction he did provide us with copies of
11 various drafts of the bill, and we were able to
12 comment on it. We always appreciate that outreach
13 so the best proposal can be introduced.

14 I'm going to summarize -- I've submitted
15 for the record my testimony. I'd just like to
16 summarize some things, especially on the first two
17 pages.

18 PHFA is the largest provider of affordable
19 housing finance in the state. We have provided over
20 \$9 billion. We have financed 85,000 rental units,
21 135,000 homes. The emergency -- Homeowners'
22 Emergency Mortgage Assistance Program has helped
23 save 45,000 homes from foreclosure.

24 In late 2007, in response to the predatory
25 loan problems and -- in -- in the marketplace, we

1 developed two programs, REAL, which is a refinance
2 program for people in adjustable rate mortgages, and
3 HERO, which is a program we developed to help people
4 who are upside down in their mortgages.

5 So far we've provided over \$30 million in
6 finances for those programs.

7 Specifically with regard to House Bill
8 1776, as has been mentioned, it would provide
9 rebates for new, existing and housing that is being
10 changed up or renovated.

11 It's similar to the federal tax credit.
12 We decided when the tax credit was made into a grant
13 that we would monetize the tax credit, as has been
14 related by the builders. Part of the problem of
15 people getting into homes is trying to come up with
16 money for the down payment and the closing costs.

17 So what we did is we provided \$5,000 for
18 someone buying an existing home that would be
19 provided to them at closing and \$6,000 for a newly
20 constructed home.

21 So far we've done 1,300 of those. You
22 have to have PHFA financing to get those.

23 I suspect at the board meeting on Thursday
24 this week, noting that the federal government has
25 extended the tax credit, that the board will be

1 considering whether or not there they will be
2 extending that program into the future.

3 So in summary, with regard to -- to our
4 capabilities, let me just say that PHFA does have
5 the relationships. We work very well with the
6 realtors, the builder, the lender community, and we
7 could operate a program like this. It would not be
8 a problem for us.

9 And in our early discussions with
10 Representative Bear, we did mention that we would
11 not charge an administrative fee if the -- if the
12 legislature were able to come up with -- and
13 everybody understands the difficulty in raising
14 revenue right now for programs no matter what the
15 merit -- if -- if -- if the General Assembly can
16 come up with the funding, the PF HA will administer
17 the program free.

18 However -- and the legislation was changed
19 before introduced to allow PF HA to -- to keep
20 whatever earnings it could earn on the money in the
21 fund prior to going out for these rebates. So we do
22 offer that to the members of this -- this
23 committee.

24 With regard to the original draft, when we
25 commented early on, it was primarily new

1 construction. Subsequent to that it was changed and
2 expanded.

3 And if you refer to the last page of my
4 testimony, I do have some recommendations with
5 regard to how the definitions could be cleaned up,
6 made a little bit more simple.

7 If you read the bill in detail, you'll see
8 that it mentions qualified primary residence and it
9 defines it as a newly constructed house.

10 If -- if you continue to look throughout
11 the bill, it mentions primary residence. It gets a
12 little confusing as to whether or not you're talking
13 about a newly constructed house, and we would
14 suggest that qualified primary residence be a
15 general definition that denotes the three types of
16 home buying activities that would generate a
17 rebate.

18 In PF HA's programs, we simply note that a
19 -- that the new construction is a house that has
20 never been lived in. So if a house has never been
21 lived in, even if it has been sitting there for two
22 years, it would be considered new construction and
23 it would qualify for the higher new construction
24 rebate.

25 The second point is that -- and, again,

1 you try to keep these things simple and intuitive.
2 Because the -- the -- the term qualified renovation
3 program actually means there's an addition as well
4 as a property conversion component, we just think it
5 would be simpler just to note that it's a qualified
6 addition or property conversion as opposed to a
7 qualified renovation project.

8 I believe this language makes it clear
9 that there's two allowable types of activities.

10 My third point on that page would be that
11 there's no definition of what is considered a
12 primary residence. So that's -- and I've mentioned
13 some criteria that's usually considered in the tax
14 code as to what is considered a primary residence,
15 and we would ask the committee consider an amendment
16 to make certain that it is a primary residence by
17 defining that term.

18 We also think -- my point four there is
19 establish a time frame for how long someone should
20 occupy the house. In the federal tax credit
21 legislation or law, rather, there's a residency
22 requirement that requires that someone be there for
23 36 months.

24 My point five is that we do have penalties
25 in the legislation for someone who is

1 misrepresenting, that the property is not a primary
2 residence, but there's no penalty in the legislation
3 if someone is representing that it's new
4 construction and it's not and they get the higher
5 rebate.

6 So we would recommend that there also be a
7 penalty for someone misrepresenting that.

8 And, lastly, it's just a paperwork
9 reduction point I'd like to make. It requires us to
10 get -- to come up with a form that's a
11 certification. And, you know, if you're working
12 with realtors and builders, there's so many forms
13 anyway and we would like the opportunity to reserve
14 the right to require that if there's a question, but
15 not require that on every transaction we have that
16 certification in there.

17 And with that, I appreciate again the
18 opportunity to be here. I'll be happy to answer any
19 questions you may have.

20 CHAIRMAN DALEY: Thank you, Bill.

21 Any questions from the committee?

22 REPRESENTATIVE MIRABITO: Do you have any
23 concern -- you know, the \$50,000 threshold for a
24 qualified renovation project, I'm from the
25 Williamsport area.

1 DIRECTOR FOGARTY: Uh-huh.

2 REPRESENTATIVE MIRABITO: And the median
3 price of a house there is much less than the 350,000
4 cited in the testimony earlier.

5 Do you have any concern that we might be
6 not having some people be able to participate in the
7 program because the threshold is high?

8 Our labor costs are lower there.

9 DIRECTOR FOGARTY: Right.

10 REPRESENTATIVE MIRABITO: But it's a --
11 that's a lot of money to -- to require.

12 DIRECTOR FOGARTY: Yes. I think in
13 Pennsylvania, if you look across the state, I think
14 it's a good point. There are -- I know my -- my
15 children that went to school in different parts of
16 the country.

17 I know in -- in Penn State, and you go to
18 State College, you can get a great apartment for a
19 certain amount of money. You go to different areas
20 of the state the apartments are much higher, and, of
21 course, the labor rate and everything else in
22 Philadelphia is much higher.

23 So maybe there should be a look at maybe
24 adjusting that downward.

25 REPRESENTATIVE MIRABITO: Yeah. I think

1 it's great idea. And maybe there's a mechanism that
2 PHFA has for adjusting, without making it too
3 complicated, adjusting for different markets.

4 CHAIRMAN DALEY: I'm sure that if there's
5 a way of doing it, Bill will help figure that out --

6 DIRECTOR FOGARTY: Sure.

7 CHAIRMAN DALEY: -- Representative
8 Mirabito.

9 REPRESENTATIVE MIRABITO: Thank you.

10 CHAIRMAN DALEY: Any other questions from
11 members of the committee?

12 The chair would like to acknowledge the
13 presence of Representative James Wansacz who has
14 joined us this morning.

15 Hearing another -- no other questions,
16 thank you, Bill, for your testimony today.

17 The next testifier will be Elizabeth
18 Hersh, the executive director of the Housing
19 Alliance of Pennsylvania.

20 Hi, Elizabeth, and --

21 DIRECTOR HERSH: Good morning. Thank you
22 very much.

23 I thank you very much for the opportunity
24 to testify this morning on House Bill 1776, the
25 Housing and Economic Revitalization Act.

1 I think we can all agree that the
2 relationship between the housing market and the
3 economy has never been clearer. In fact, if we have
4 learned nothing else from the events of the past
5 year, it's that we can say incontrovertibly that a
6 strong, healthy housing market under-girds the
7 economy. When the housing market fails, the economy
8 fails.

9 The question on the table today is can the
10 housing -- can housing, which triggered the current
11 economic downturn, also work as the stimulant to
12 recovery? And the answer is yes.

13 In fact, the Housing Alliance of
14 Pennsylvania released a report last May written by
15 the Econsult Corporation, entitled Rebuilding
16 Pennsylvania's Housing Market, Potential Economic
17 Impacts of a Pennsylvania Housing Trust Fund.

18 We were looking at the Pennsylvania
19 housing trust fund because, as you know, Chairman
20 Daley has proposed the establishment of a
21 Pennsylvania housing trust fund through House Bill
22 60, the Pennsylvania Housing Affordability and
23 Rehabilitation Enhancement Act.

24 PHARE is similar to House Bill 1776. It
25 also proposes increased investment in the housing

1 market, but it does through so -- through so --
2 there so -- does so through capital rather than tax
3 credits and rebates.

4 And PHARE specifically targets homes that
5 are priced for consumers that earn more modest
6 incomes and might not be able to afford, say, a
7 \$300,000 house. And that's where the biggest gap is
8 in the housing supply.

9 The Housing Alliance asked Econsult
10 whether, in fact, investing in the housing market
11 would help the economy in Pennsylvania, and the
12 results of this economic impact analysis are very
13 useful for the discussion at hand today.

14 Economist and Econsult Director Lee Huang
15 concluded investments in the housing market have a
16 significant impact on the overall economy. It's
17 clear from the past couple of years that declines in
18 the housing market have a negative impact on
19 employment and on consumption.

20 Conversely, investments in housing
21 construction and repair can create jobs and lead to
22 increased spending and jobs in other industries.

23 The economic analysis found that each
24 dollar the state invests in housing returns from a
25 \$1.62 to 2.28 to the state's economy.

1 And this return, the increased economic
2 activity, is a result of increased goods and
3 services supplied by other businesses to support
4 construction, lumber, drywall, roofing and other
5 direct expenditures, fuel, payroll, insurance, et
6 cetera, as well as those who increase spending by --
7 when they're employed which, in turn, causes further
8 increases in supply in a wide variety of goods and
9 services and their concomitant economic impacts.

10 In the trust fund example, they found that
11 each million invested in this kind of work created
12 more than 20 full-time jobs for annual jobs in a
13 wide range of sectors, including construction --
14 construction, manufacturing, and all the other
15 related industries, health care, retail, finance,
16 insurance, et cetera.

17 The economic impacts of state expenditures
18 for construction are widely distributed throughout
19 the state with each region sharing in the benefit
20 because housing construction and rehab impacts are
21 felt locally.

22 And in Pennsylvania the materials used for
23 construction are largely manufactured in state.

24 So increases in the housing supply
25 increased state and local tax bases through personal

1 and corporate income tax, sales and use taxes, and
2 public investment in housing creates benefits that
3 last over many years that the housing in use -- is
4 in use.

5 So from a purely economic perspective, the
6 Housing Alliance strongly supports the intent and
7 underlying philosophy of the Housing and Economic
8 Revitalization Act.

9 Housing equals jobs and economic growth
10 for the Commonwealth, and investing in the housing
11 market as proposed in both House Bill 1776 and House
12 Bill 60, PHARE, are actually the right thing to do.

13 But the economic impact analysis conducted
14 by Econsult leads the Housing Alliance down a
15 different path than what House Bill 1776 currently
16 proposes. And it's our hope that we can work
17 together with Chairman Daley, with Representative
18 Bear, with the Builders Association, to bring the
19 Housing and Economic Revitalization Act, together
20 with House Bill 60, the Housing and -- Affordability
21 and Rehabilitation Enhancement Act.

22 And here's why. The economic analysis by
23 Econsult found that the biggest and quickest return
24 on taxpayer investment comes from rehabilitation and
25 repair of existing properties.

1 The highest rate of return, two dollars --
2 228 million for each one million of public
3 expenditure creates jobs equivalent to 20 FTEs as
4 compared to 16 for new construction.

5 This is significant, because while all
6 state's funds spent on housing are put directly into
7 circulation quickly, remodeling and rehabbing
8 existing properties can be started and completed the
9 fastest. And that means we get construction workers
10 back to work sooner.

11 Rehab, updating existing stock has
12 immediate qualitative impact on neighborhoods
13 suffering from outdated, uninhabitable, and
14 abandoned swell -- dwellings as well, which is
15 critical to restoring and maintaining property
16 values.

17 So we would recommend that the threshold
18 for the bill's remodeling rebate be eliminated or
19 significantly reduced to better incentivize the
20 range of rehabilitation work on existing
21 properties. And we would de-emphasize making homes
22 bigger as a primary legislative goal.

23 In Pennsylvania, not only would this
24 modification create more work in construction and
25 stimulate the economy more quickly, but it responds

1 to the unique character of Pennsylvania's housing
2 stock.

3 74 percent of our homes are more than 30
4 years old, and for low income and elderly homeowners
5 there's a dire need of repair assistance. 17
6 percent of homeowners have incomes under \$20,000 a
7 year, and this kind of incentive would help them
8 with needed repairs and enhance the value of their
9 house.

10 Similarly, we would advocate for balancing
11 the rebate in the bill for -- between new and
12 existing homes. We would -- we would see that the
13 incentive go -- that we even have a preference for
14 existing homes, not just new construction.

15 We would also advocate for the inclusion
16 of rental housing in this legislation. Again, there
17 are many good policy reasons to include multi-family
18 development and rehabilitation in this incentive and
19 investment package; greater affordability for entry
20 level and lower wage workers, attracting and
21 retaining young people in our communities, making a
22 home for the older generation when they retire.

23 But to stick with the economic impact and
24 job creation aspects of the legislation, there's
25 good news. Construction of multi-family homes

1 creates more jobs than single family construction.

2 So, again, let's get multi-family
3 construction and rehab into this bill and get our
4 builders, carpenters, architects, HVAC guys and all
5 the others working in the building and trades
6 industry back to work faster by investing in
7 multi-family as well as single family construction
8 and rehabilitation.

9 Finally, we would add an affordability
10 component. We cannot ignore the fact that more than
11 90,000 qualified families statewide are on waiting
12 lists for homes that they can afford.

13 More than half of Pennsylvania's renter
14 households pay more than 30 percent of their income
15 for housing, leaving little money for anything else,
16 and 15,000 families are homeless. School districts
17 are serving 13,000 homeless children who cycle
18 through annually.

19 Now, we don't believe that it's the
20 obligation of home builders to solve the housing
21 affordability problems of the Commonwealth.

22 But I do think that we have a unique
23 opportunity to stimulate the economy, bring builders
24 back to work, and make it economically advantageous
25 for them to do the right thing, which is to also

1 construct and rehabilitate homes that are within the
2 reach of people with modest and low incomes.

3 So I think we can stimulate the economy
4 and do the right thing by increasing supply for
5 people who might otherwise not be able to afford a
6 higher cost new construction home.

7 In closing, the Housing Alliance shares
8 your goal of a stronger, healthier housing market
9 spurred by state investment in housing to bring the
10 construction industry back to work and to jump start
11 the economy.

12 But to achieve these goals we believe that
13 House Bill 1776 would need to be amended to
14 incentivize existing -- investment in existing
15 homes, not just new ones, incentivize rehab and
16 repair, eliminate the minimum cost in square footage
17 requirement, expand to multi-family housing and add
18 an affordability component to reach new segments of
19 the market where supply is -- is greatly needed.

20 We hope that you will consider working
21 with us to marry these two agendas and to rebuild
22 the Pennsylvania housing market and to help rebuild
23 our economy.

24 Thank you very much.

25 CHAIRMAN DALEY: Thank you, Elizabeth.

1 Any questions from members of the
2 committee.

3 Representative Wansacz.

4 REPRESENTATIVE WANSACZ: Thank you,
5 Mr. Chairman.

6 I have a -- when I was reading through
7 your testimony, I like the idea of the -- of looking
8 at existing homes. But would also your agency be in
9 support of something? If there's an older home and
10 there's a blight in the neighborhood, sometimes it's
11 cheaper to tear it down than it is to go ahead and
12 try to rebuild it.

13 Would that be something that hopefully the
14 maker of the bill would -- would consider and the
15 housing finance agency that would maybe provide a
16 grant to tear it down, to make that property much
17 more attractive for people to try to come in and
18 build a new home on it?

19 DIRECTOR HERSH: Well, we do support
20 demolition in cases where the quality of the -- of
21 the existing structure is so poor that it's so much
22 more costly to re -- to fix it up than to just put
23 in new construction to replace it.

24 So there are certainly cases where
25 demolition would be put in -- in -- would be a good

1 option.

2 Sometimes what works really well,
3 especially in row homes or twins, is if the -- the
4 adjacent property is demolished and then replaced as
5 an addition to the existing home. It makes it more
6 modern.

7 So it can be an opportunity to modernize
8 the existing stock and make it more appealing for
9 the people who live there.

10 So we would not have a problem with it. I
11 would think that you'd want to make -- you'd want to
12 have some kind of reuse of that property be
13 contingent upon the demolition.

14 REPRESENTATIVE WANSACZ: Thank you.

15 CHAIRMAN DALEY: Hearing no other
16 questions, Elizabeth, thank you for your testimony
17 this morning.

18 DIRECTOR HERSH: Thank you.

19 CHAIRMAN DALEY: Our next testifier, David
20 Kittle, executive vice president of Vision Mortgage
21 Capital, LLC, Blue Bell, is not going to be with us
22 today but we're going ask that Mr. Paul Lyskava step
23 in and give us maybe five minutes.

24 He's with the Forest Products
25 Association. I just want you to note that he does

1 have a letter that has been attached to your packet
2 today, as well as the Pennsylvania Association of
3 Realtors.

4 Did I pronounce your name right,
5 Mr. Lyskava?

6 MR. PAUL LYSKAVA: Yes, you did. I
7 appreciate the opportunity of kind of being called
8 in as the left-hander from the bullpen to take a
9 couple minutes.

10 And I had a very short letter in the -- as
11 part of the pact, don't have written comments
12 prepared, but just a few very quick comments.

13 As stated numerous times, this bill has
14 benefits to the construction industry; the trades;
15 the financial sector; home buyers, first-time as
16 well as secondary home buyers, assistance of the
17 Commonwealth.

18 I wanted to draw the attention of -- to
19 the committee that there's a whole other group of
20 benefactors from an economic development standpoint,
21 the matter of suppliers, who service the building
22 and trades construction industry, and the forest
23 products industry is -- is one of those.

24 Pennsylvania's Forest Products industry,
25 we're the leading producer of hard wood lumber

1 within Pennsylvania. For those who are not
2 knowledgeable about that, hardwoods are cherry and
3 maple and oak.

4 As it relates to construction, we're not
5 talking about two-by-fours which are hidden within
6 the wall as studding, but rather we're talking about
7 things like flooring and moldings, architectural
8 millwork, cabinets, the things that really make a
9 house a home.

10 And those are the -- we're an industry
11 which as recently as 2006 employed about 80,000
12 people within the Commonwealth, accounting for about
13 one of every nine manufacturing employees within the
14 state. We generate an economic impact of roughly
15 \$25 billion a year.

16 Due to the ongoing recession and what has
17 happened with the housing industry, our industry, at
18 least within the secondary processing sector, which
19 are the cabinets and the flooring and the
20 architectural millwork, as well as the sawmills,
21 we're roughly about half the size of what we
22 previously were. We're half the employees that we
23 were, half the sales, half the economic impact.

24 While you can read the newspaper and talk
25 about whether or not the recession is over or not,

1 certainly with our -- within our industry things do
2 not look like they're going to get any better any
3 time soon and they will not unless demand for our
4 products which really means -- demand for our
5 products increases, which really means an
6 improvement in the housing market, which is why
7 we're very appreciative of what Representative Bear
8 has done with this piece of legislation and are
9 supportive of it.

10 Two -- two specific things to -- to get
11 across to the committee which I think benefits the
12 companies and employees of the hardwood industry
13 within the state are the fact that it does cover
14 remodeling and rehabilitation.

15 Those are the types of things which would
16 utilize putting in something like a hardwood floor,
17 putting in new cabinets, expanding a kitchen, things
18 of that nature, which are going to benefit our
19 industry and other manufacturing -- manufacturers in
20 the state which would supply materials to -- to the
21 construction sector.

22 And the other aspect of it is also that it
23 does apply to a wider enfranchisement of potential
24 homeowners -- homeowners that can buy into or
25 benefit from this program, whether it's individuals

1 who are buying-up in the home, not necessarily
2 first-time home buyers, but also the fact that there
3 is not a -- a economic threshold, an income
4 threshold within -- within the bill.

5 You know, one of the things that we see --
6 and we saw this from the first-time -- from the
7 federal program, is that first-time home buyers,
8 while there is some benefit, certainly from our
9 industry because of our high quality products that
10 are a little more pricey, the benefit was not
11 necessarily there.

12 That's why we appreciated the expansion
13 in -- on the federal tax credit side of things to
14 folks who are buying up because there's more of an
15 opportunity for them to buy up into homes which --
16 which have more of our products in it.

17 And this bill does that and even more,
18 again, with -- with allowing for the remodeling as
19 well.

20 So with that, Mr. Chairman, thank you very
21 much for allowing me to make some brief comments and
22 if anybody has any questions I would certainly try
23 to address those.

24 CHAIRMAN DALEY: As a former chairman of
25 the Ag Committee, I had great exposure to some of

1 the things you're -- you've done, and now in this
2 capacity I thought it was important to have you
3 testify. I'm glad you did.

4 Any members of the committee that have any
5 questions?

6 Hearing none, I'm going to suggest that
7 any organization that may want to set forth with any
8 amendments regarding the bill, any members that want
9 to provide amendments, please get those to Chairman
10 Hess's staff as well as to my staff.

11 We're going to be moving this bill
12 probably within the next week to ten days. So I
13 want to get the bill out of the committee and get it
14 on the floor and get this thing debated before the
15 holidays.

16 Our next hearing will be on December 1st,
17 on Tuesday. We're going to hear Representative
18 Ross's House Bill 506. There is a very complicated
19 piece of legislation. I need all members to pay
20 attention regarding this. Not saying that you don't
21 normally pay attention, but, I know, you very much
22 do. But this is the Uniform Commercial Code, and
23 we're looking at doing revisions to that.

24 Having that all said, we anticipate also
25 having a special meeting to either vote up or down

1 this legislation, this particular legislation, on
2 House Bill 1776.

3 No other questions, comments, this meeting
4 is adjourned.

5 (The following is written testimony
6 submitted to the committee.)

7 (The following is the written testimony
8 submitted by the Pennsylvania Forest Products
9 Association by Executive Director Paul Lyskava:)

10 Dear Chairmen Daley and Hess:

11 The Pennsylvania Forest Products
12 Associations offers the following comments in
13 support of House Bill 1776, the Pennsylvania Housing
14 and Economic Revitalization Act.

15 Pennsylvania's forest products industry
16 continues to suffer through the ongoing global
17 recession. As recently as 2006, Pennsylvania's
18 forest products industry was contributing nearly \$35
19 billion annually in economic impact to the state and
20 employing nearly 80,000 Pennsylvanians -- accounting
21 for one of every nine manufacturing jobs in the
22 state.

23 Much of this economic activity was focused
24 on production of high-quality hardwood materials
25 that finds its way into people's homes as flooring,

1 cabinets, millwork, and furniture. The economic
2 downturn has reduced these economic impact and
3 employment figures to almost one-half of their
4 previous levels.

5 While there are indications of the
6 beginning of a slow and shallow economic recovery,
7 the outlook for our hardwood manufacturers and
8 employees remains problematic. The core economic
9 factors that drive demand for our products --
10 healthy housing markets, credit access, rising
11 household income, and consumer confidence --
12 continue to lag.

13 The upcoming year is projected to be
14 another difficult one for our industry, as most
15 sawmill and secondary wood manufacturers will
16 struggle to survive against continued depressed
17 demand, low prices for their products and increased
18 global competition. The future of our industry as a
19 major driving force in Pennsylvania's economy is
20 less than assured.

21 House Bill 1776 provides stimulus that we
22 believe will help to jump start housing and
23 remodeling demand. This, in turn, will benefit the
24 construction and building trades, forest products
25 and other manufacturers that provide products and

1 services in the home construction and remodeling
2 markets.

3 Of particular interest and benefit to the
4 state's forest products industry are the provisions
5 in House Bill 1776 which target incentives beyond
6 first-time home buyers. This includes the rebates
7 for the purchase of previously owned homes and
8 rebates for qualified renovation projects. These
9 "move-up buyers" and major remodeling projects will
10 create greater demand for Pennsylvania-produced high
11 quality hardwood products, as compared to a program
12 limited to first-time or lower income home buyers.

13 Congress recently saw the economic
14 stimulus benefits of including "move-up buyers" in
15 the extension of the federal home buyer tax credit.
16 House Bill 1776 does this and even more, as it also
17 provides incentives to those who would choose to
18 expand and improve their existing home rather than
19 move.

20 We recognize that the program costs and
21 limited state resources provide a major hurdle to
22 enactment of this legislation. But we support the
23 goals and approach of House Bill 1776 as a temporary
24 and targeted stimulus to assist the companies and
25 workers in some of Pennsylvania's most important

1 economic sectors.

2 We feel this bill would result in greater
3 overall economic and job impacts across
4 Pennsylvania, compared to some of the other economic
5 development and incentive programs existing in the
6 Commonwealth.

7 We look forward to future discussions and
8 work with you on this issue.

9 Sincerely,

10 Paul Lyskava, Executive Director.

11 (This concludes the written testimony
12 submitted by the Pennsylvania Forest Products
13 Association.)

14 (The following is the written testimony of
15 the Pennsylvania Association of Realtors,
16 Ms. Derenda Updegrave, Director, Government
17 Affairs:)

18 Dear Representative Daley:

19 On behalf of the Pennsylvania Association
20 of Realtors (PAR) and its more than 30,000 members,
21 I am writing in support of House Bill 1776 (Bear,
22 R-Lancaster). The bill creates a rebate program for
23 consumers purchasing a home or making substantial
24 renovations to their primary residence through June
25 2011.

1 A strong belief of PAR is that the
2 American dream of homeownership should be the
3 reality for all Pennsylvanians. Homeownership is
4 an integral component to maintaining Pennsylvania's
5 vibrant communities.

6 According to the National Association of
7 Realtors, several research studies indicate that
8 homeownership adds to the value of communities, has
9 positive effects on children, and even contributes
10 to increased voter participation rates.

11 In the current economic climate,
12 Pennsylvanian's, as well as the housing market,
13 would benefit from the rebate program. New
14 homeowners would receive a \$10,000 rebate for new
15 construction and a \$2,500 rebate for the purchase of
16 existing housing stock.

17 PAR is working with the National
18 Association of Realtors to extend the Federal
19 Housing Tax Credit through 2010. Coupled with the
20 \$8,000 tax credit, the rebate would give prospective
21 first-time homeowners the added push to invest in
22 homeownership. For those that are thinking about
23 upgrading or downsizing, the incentives would give
24 them more confidence during these uncertain times.

25 Many homeowners are interested in fixing

1 up their home instead of purchasing a new one.
2 House Bill 1776 includes this segment of the
3 population by offering up to \$5,000 for such
4 renovations. Home improvements are another
5 essential way to stimulate the local economy by
6 hiring contractors and purchasing building supplies.

7 In closing, PAR looks forward to continued
8 dialogue with you and other members of the House
9 Commerce Committee regarding House Bill. 1776. We
10 believe that incentives like those contained in
11 House Bill 1776 will help rebuild the housing market
12 in Pennsylvania at a faster rate and continue to
13 make Pennsylvania a great place to live.

14 Sincerely,

15 Derenda Updegrave, Director, Government
16 Affairs.

17 (This concludes the written testimony
18 submitted by the Pennsylvania Association of
19 Realtors.)

20 (This concludes the written testimony
21 submitted for the record.)

22 (The proceedings were concluded at
23 10:37 a.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

Brenda S. Hamilton, RPR
Reporter - Notary Public