



**REMARKS PREPARED FOR DELIVERY
ANDREW HAINES, CHAIRPERSON
PENNSYLVANIA DEVELOPERS' COUNCIL**

**COMMERCE COMMITTEE
HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA**

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Good Afternoon Chairwoman Delozier, Chairman Galloway and members of the committee. My name is Andrew Haines, and I serve as the Chairperson of the Pennsylvania Developers Council (PDC). The PDC consists of over 40 members, who are developers, attorneys, accountants, investors and lenders who work in the affordable housing industry here in the Commonwealth. In my regular job, I am a for profit developer of affordable and market rate housing, based out of State College, in the S & A Homes company portfolio. I have developed over 1000 units of affordable housing in the Commonwealth since 1999.

Like many of our members, the majority of our financing for our developments comes from Federal Low Income Housing Tax Credits (LIHTC), which is allocated by the Pennsylvania Housing Finance Agency (PHFA). We then sell the credits to large national corporations and/or banks, also leveraging local and state HOME funding, PHARE, Realty Transfer Tax and conventional debt. In Pennsylvania alone, since 1986, the Federal tax credit has funded 94,077 units of affordable housing, generated \$16.6 billion in wages and business income. Typically, the 30 plus LIHTC deals under construction create 147,000 jobs in the state annually.

Many of the members of this Committee have tax credit-supported projects in their districts, and they are found in large and small towns and in urban and rural areas.

This Committee has heard testimony from several of our housing partners, and we work very closely with PHFA, the Housing Alliance of Pennsylvania and the Apartment Association as well as others, and we all support development of affordable housing. We agree with the recommendations of our sister agencies:

1. Extend the deadline for rental assistance applications to October 31, 2020. The current deadline is September 30. Administering agencies simply need more time to ensure that the funds get into the hands of the many tenants and landlords who need it.
2. Change the formula for the maximum amount of rental assistance to reflect differences in costs by county. Specifically, we support an increase of the maximum amount of rental assistance per month to 130% of the HUD Fair Market Rent for a two-bedroom unit for the area in which the property is located. This would remove the current cap of \$750 per month, which is discouraging many landlords from participating in the program.

3. Eliminate the requirement that households be 30 days in arrears to be eligible for assistance.
4. Remove some of the requirements imposed on landlords. specifically replacing the requirement that they waive the remaining rent or mortgage obligation.
5. Clarify that 5% of funds can be utilized for administrative costs for the local agencies who are administering the program on behalf of PHFA.

Given the very important theme of this hearing, "What comes next...the impacts of COVID crisis," we would like to take a moment to talk about what the path forward should look like apart from the comments made above.

While many Developers' Council members are landlords, we are also actively involved in the development and construction of affordable housing across the state. These developments create economic opportunity for communities through the removal of vacant and blighted properties, renovation and new construction with use of local subcontractors and suppliers and provide stable housing for low income families and seniors. In many parts of the Commonwealth, affordable housing financing using the current Federal tax credit is the only source of housing financing available. Many rural communities use the Federal credit as an economic development tool - one of the few left for these communities.

As you know, the pandemic is cutting off the bloodlines to the industries we are involved in. Construction costs, especially materials, have skyrocketed over the past few months. Lumber alone is up 60% over the past 6 months. The shutdown from March to May resulted in many sub-contractors ceasing operations or suffering severe cash flow restrictions that have constrained their ability to move forward. Many lost employees, who have not returned for various reasons. We are now 60-to-90 days behind on each project which is intended provide affordable housing. Contractors are facing severe challenges in maintaining cost controls, which is essential in the affordable housing industry.

The development side is also delayed due to municipal offices being closed, as well as the staff of lenders and financial firms working from home. Deals are now taking an additional 3 months to close and then start construction. Every impediment delays economic recovery.

On the Federal tax credit equity side, the purchasers of those credits are large banks and corporations. Investors tend to pull back on purchasing tax credits during economic downturns, as their profits are lower than in strong markets. The pandemic is not only stressing tenants' ability to pay rent, it is also jeopardizing the operations of architects, engineers, attorneys, title lawyers, consultants, sub-contractors, material suppliers and ourselves, who now have financing gaps to cover.

We understand the most important goal of legislation providing rent assistance to tenants – both bills which have been enacted and changes which have been proposed - is to protect at-risk tenants and families from losing their homes. We rely on long-term tenants, support those actions and efforts, and also applaud the enactment of Act 61, Sen. Judy Ward's recently approved legislation to promote the thoughtful development of mixed-use projects in blighted areas.

That said, the challenge of affordable housing was present pre-pandemic, and will be present post-pandemic.

It is time for the Commonwealth to be more proactive in providing affordable housing development a more efficient path. We, along with PHFA and the Housing Alliance, are actively advocating for the passage of Senator Tom Killion's Senate Bill 30, which creates a Pennsylvania low income tax credit beginning in the 2021-22 fiscal year. We could couple it with the Federal tax credit to make our projects more viable and enable all of us to build more units.

As I said earlier, the need for affordable housing is an issue that cuts all the way across the Commonwealth. Over just the past three years, tax credits have supported affordable housing projects from Clarion to Lemoyne, and from Kittanning to Dallastown. Not just in Philadelphia, not just in Pittsburgh, but all over.

We also believe that we have an opportunity to address some other issues that affect housing affordability, such as title insurance reform, reform of tax assessments of affordable housing, and creation of a steady source of development subsidy to allow projects to hit rural areas where rents are very low, but demand for redevelopment is strong. This is the time to start having meaningful conversations that address affordable housing.

We appreciate the opportunity to address your committee and look forward to responding to your questions today and in the future.