House Housing & Community Development Committee
Informational Meeting on Housing Development
Lancaster Chamber, Rooms 2E/2F
115 East King Street
Lancaster, PA 17603

October 23, 2023

Prepared Written Statement of Matt Richards of Bowery Development Co.

Hello. I would like to begin by introducing myself. My name is Matt Richards, and I am the principal of Bowery Development Co. I am a developer of market rate multifamily apartment projects ranging from 20 to 150 units in size located in the states of NY, NJ, FL, and of course, PA. I was asked to appear before this committee because of a project that I am building here in Lancaster City, called 347 North Queen Street. This project will bring 72 new market rate units downtown and fill in a gap in the city's retail corridor that previously was occupied by a surface parking lot.

As a developer of housing, I work with all levels of government from local, to county, to the state. As it pertains to the state, and how it could better assist us in achieving the creation of more market rate housing units, I would offer the following recommendations:

> First, incentivize development by implementing a statewide Payment in Lieu of Taxes program, otherwise known as a PILOT program. PILOT programs grant municipalities the authority, at its discretion, to render a parcel in need of redevelopment thereby qualifying it for a long-term real estate tax abatement. PILOTS address the most pressing issue for developers which is that the project is often financially unviable because the rents do not justify the cost of new construction. By reducing the taxes, the state is effectively lowering the rent threshold required to start new projects. To be effective, this recommendation would need to be implemented in a way where city, school and county taxes are all abated via one redevelopment application. I submit to the Committee that they look to New Jersey's Long Term Tax Exemption Law (NJSA 40A:20-1) and New Jersey's Five-Year Tax Exemption Law (NJSA 40A:21-1) as successful examples of PILOT programs.
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> Second, consider simplifying existing programs to mitigate secondary criteria, thus allowing for higher participation. Many great programs have been instituted by the state such as those for historic redevelopment tax credits, financing, opportunity zones, CRIZ etc. which each have a primary objective. For example, the primary objective of the CRIZ is to revitalize downtowns by reinvesting money that would go to the state in the form of sales tax back in the local community. However, this program requires construction to be performed at prevailing wage in order to qualify. The secondary objective in this case is to provide higher wages to construction labor, which while virtuous, increases the cost of projects by 20-30%, much of which is associated with the administrative cost of proving compliance and not the actual wages themselves. Very few projects have the financial wherewithal to increase their costs by this much and therefore the CRIZ goes unused for the construction of most market rate housing. The point I am trying to make is, the more secondary requirements that a program implements, the less potential uses it will have.

Third, consider the future. We know that our consumers are requesting future technologies to be integrated into our projects and many of these technologies have a net community benefit. One such technology is electric vehicle charging and another is solar panels. I would ask that the State consider investing in these technologies by offering credits for their installation into new construction. Neither of these technologies, without subsidy, can be widely implemented because their high upfront costs do not justify installation. However, many states now offer incentives, sometimes through the utility, but other times directly from the state, to encourage their adoption.

It is my hope that my experience as a multifamily apartment developer, one with comparative experiences developing in other states, will lend to some insights. I thank the Committee and the panelists for their time.