



PENNSYLVANIA LEGISLATIVE UPDATE JANUARY 12, 2012

Goal: Balancing the Housing market; Increasing choices for lower income households. We believe that if you work hard and play by the rules, you should be able to afford a decent place for your family to live. We envision communities where people from all walks of life can live comfortably; communities with market rate and low cost homeownership, market rate and low cost rental homes, and supportive housing for those who need services. With adequate support, we can improve the quality of life for all Pennsylvanians.

1. Closing the Affordability Gap

Issue: On any given day, 14,500 Pennsylvanians are known to be homeless. More than 90,000 qualified families statewide are on housing authority waiting lists for homes they can afford. 50.6% of Pennsylvanians who rent pay more than 30% of their income for housing leaving few dollars left to cover other family needs. There is a shortage of 220,000 rental homes that are both available and affordable to extremely low income renters. As much as the private sector would like to address the shortage, they cannot do it alone. It simply costs more to build a modest home than a low wage worker or person on fixed income can afford.

Solution: Fund the State Housing Trust Fund

In 2011, a new state housing trust fund, the PA Housing Affordability and Rehabilitation Enhancement (PHARE) Fund was created. PHARE exists as a line item at the Department of Revenue and is ready to be administered by the PA Housing Finance Agency (PHFA). Unfortunately, there is no money in the account. It is an empty piggy bank. In order to achieve our goal of increasing the availability of affordable homes, we must fund the PHARE Fund.

An opportunity to fund PHARE has arisen out of the crisis in the Northern Tier rental market. With the influx of Marcellus Shale gas drillers, many of whom are from out of state, rental prices have skyrocketed. Displacement and homelessness have resulted. Recognizing the problem, both the House and Senate impact fee bills include affordable

housing. However, the two bills do it in very different ways. (For a side by side analysis of the two bills, go to www.HousingAlliancePa.org.)

Both **HB 1950** (Ellis, R-Butler) and **SB 1100*** (Scarnati, R-Cameron, Clearfield, Elk, Jefferson, McKean, Potter, Tioga, Warren) list affordable housing as one of 12 allowable uses of the local share of the impact fees. HB 1950 stops there. SB 1100 also directs \$5 million a year into the PHARE Fund, which would provide PHFA with the guaranteed revenue it would need to finance a bond. With \$5 million a year, PHFA could finance approximately \$70 million for the Shale region's immediate use.

SB 1100 also limits the amount of fees each municipality may receive. If the distribution formula leads to an amount higher than the cap, the overage would go into the PHARE Fund.

The Housing Alliance has not endorsed any Marcellus Shale bill. We are not experts in environmental or land use matters. However, we are strongly advocating for the SB 1100 housing language to appear in whatever bill reaches the Governor's desk.

* HB 1950 was amended in the Senate to mirror SB 1100. This analysis refers to HB 1950 prior to amendment insofar as it reflects the desire of the House.

Status: SB 1100 is in the House Finance Committee. HB 1950 was amended in the Senate, but the House voted not to accept the Senate changes. A conference committee will be appointed after both chambers return to session on January 17. In the meantime, House and Senate leadership staff are meeting to negotiate a compromise.

Solution: Increase Funding for Philadelphia Housing Trust Fund

In 2006, Philadelphia established a housing trust fund under the Optional County Affordable Housing Fund Act (Act 137). (Philadelphia had been prohibited by law from establishing a fund prior to that time.) Since then, the Philadelphia Housing Trust Fund has expanded housing opportunities for nearly 5,000 families and individuals while leveraging more than \$140 million in non-city funds. In addition, these investments have created jobs, strengthened the City's tax base, and saved the City millions annually in emergency services.

In 2010, Philadelphia City Council passed an ordinance to increase the recording fees for deed and mortgages in order to put more money into the housing trust fund. However, the ordinance could not go into effect until the state changed the enabling statute. Rep. Taylor (R-Phila) introduced **HB 639** to allow Philadelphia to increase its fees.

✓ Status: **HB 639 has been signed by the Governor and is now Act 114 of 2011.**

Solution: Federal Funding for Housing

Many good programs exist to fill the gap between what it costs to build or rehab a home and what low income Pennsylvanians can afford to pay. Unfortunately, those programs have never had enough funding to solve the problem. Now, as Congress looks for ways to shrink the deficit, these programs are under attack.

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Housing – capital fund	2,500*	2,040	1,875
Public Housing - operating	4,775	4,617	3,962
CDBG formula grants	4,450	3,501	3,308
HOME	1,825	1,607	1,000
Housing counseling	87.5	0	45
Section 202	825	399	374.6
Section 811	300	150	165

* All figures are in millions.

USDA Rural Housing programs fared well in the FY11 compromise, but the FY12 budget cut all but two loan guarantee programs.

	<u>2010</u>	<u>2011</u>	<u>2012</u>
502 Single Family Direct	1,121*	1,121	900
502 Single Family Guaranteed	12,000	24,000	24,000
504 VLI Repair Loans	34.4	23.4	10
504 VLI Repair Grants	31.6	34	29.5
515 Rental Housing Direct	69.5	69.5	64.5
538 Rental Housing Guarantee	129.1	30.9	130

* All figures are in millions.

On February 6, 2012, President Obama will present his FY13 budget. Spending caps for FY13 have already been put in place by the Budget Control Act that was passed last summer as part of the debt ceiling agreement. The Budget Control Act will allow 2% per year increases in spending through 2021, increases which are expected to be below inflation and so is in effect a spending cut.

In addition, because the “Super Committee” did not reach agreement on further cuts and/or revenue increases, the Act calls for across the board cuts (“sequestration”) beginning January 1, 2013 and every year thereafter through 2021. The sequestration reductions will be based on the 2013 budget, so there will be a great deal of maneuvering this spring and summer to get program funding as high as possible within the general spending caps.

Solution: Restore Funding for PA Housing Programs

The 2011-12 budget included substantial cuts to housing programs. To make matters worse, Governor Corbett announced a Budgetary Freeze on January 4, 2012, cutting

funding for the remainder of the fiscal year by 3% with some programs being cut as much as 10%.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012 Freeze</u>
Housing and Redevelopment Assistance*	\$ 17.8 M	\$ 0	
New Communities*	\$ 9 M		
Accessible Housing*	\$ 1 M		
Keystone Communities*		\$ 12 M	-10% 10.8 M
Neighborhood Assistance Tax Credits	\$ 9 M	\$ 18 M	(not impacted)
Homeless Assistance	\$ 22.8 M	\$ 20.5 M	-5% 19.5 M
Legal Aid to help people keep their homes	\$ 3 M	\$ 2.7 M	-10% 2.5 M
Homeowners Emergency Mtg Asst Prgm	\$ 10.5 M	\$ 2 M	0% 2 M
Human Services Development Fund	\$ 23.5 M	\$ 15 M	-5% 14.2 M

*The 2011-12 budget created a new Keystone Communities program, incorporating the old New Communities (Main Street, Elm Street, and Keystone Opportunity Zones) and Housing Assistance Program. New program guidelines developed by DCED also lists housing and community development as eligible activities.

With a projected deficit of \$500 million, some mandated increases, and a refusal to raise revenue, the administration is looking to cut another \$750 million from the budget for next year. But more cuts will lead to more homelessness and more institutionalization – costly alternatives to providing quality homes and services. And investing in the housing market is not only good for the people who benefit from safe, affordable homes, it is also good for the economy. Every \$1 invested turns into as much as \$2.28.

The 2012-13 budget must include funding to prevent foreclosures, address homelessness, and provide for home modifications to keep people in their homes.

Status: Governor Corbett will propose the FY 2012-13 budget on February 7.

Solution: Repeal Mandatory Sprinkler Systems

The 2009 International Building Code (IBC), adopted by Pennsylvania under the Uniform Construction Code (UCC), requires a sprinkler system in all new residential construction. For multifamily and townhomes, the requirement went into effect in January 2010 and is unchallenged. For detached and semi-detached homes, the requirement became effective in January 2011. While no one argues with the value of saving lives, we question the value of the sprinkler systems in doing so in detached and semi-detached homes.

Studies show that far more fire deaths occur in older homes than new ones. We need to focus on upgrading our older homes and installing life-saving hard-wired smoke detectors. Moreover, in 2010, 10 times as many people died of homelessness in Philadelphia alone than died of house fires in all of Pennsylvania. If we want to save lives, our focus should be on making sure that all of our neighbors have a safe place to live.

Sprinkler systems add anywhere from \$2,500 - \$15,000 to the cost of a home; the lower price being for the system alone in a modest house and the higher price including the cost of replacing water lines or installing a dedicated holding tank and pump. These expenses mean fewer homes will be built and what is built will be more costly. Rep. Everett (R- Lycoming) introduced **HB 377** to remove the requirement for sprinkler systems in new detached and semi-detached homes.

✓ Status: **HB 377 was signed by the Governor and is now Act 1 of 2011.**

2. Supporting Homeowners

Issue: Now more than ever, Pennsylvania's homeowners, the proud backbone of our communities, need help to avoid foreclosure. Pennsylvania has been fortunate to have had the Homeowners Emergency Mortgage Assistance Program (HEMAP), but HEMAP needs more resources to help the increasing number of homeowners in trouble.

Solution: Restore Funding for HEMAP

The current year's budget appropriated only \$2 million for HEMAP. (HEMAP received \$10.5 million in 2010-11.) This was not even enough to fund applications already in the pipeline. HEMAP must be included in the 2012-13 budget at a level that can keep the program running and keep people in their homes.

Status: **HEMAP closed its doors to new applicants on July 1, 2011.**

Solution: Federal Foreclosure Prevention Program

Congress created the Emergency Homeowners' Loan Program (EHLF), using HEMAP as the model, to provide funding for the states to help unemployed homeowners. Pennsylvania received \$105 million and successfully spent every cent. In fact, *Pennsylvania accounted for 26% of all EHLF loans nationally!*

✓ Status: **EHLF ended September 30, 2011.**

Issue: Private Transfer Fees (PTF) are a new approach to financing development, which allow investors recoup their investments over 99 years via deed covenants that require sellers to pay the investors 1% of the sale price each time the properties are sold. These are often hidden fees. The seller was probably not aware of the PTF when he bought the property because as the buyer he did not pay it. The PTF comes to light when the title search is done. The PTF creates an additional cost that makes purchasing a home more expensive.

Solution: Ban private transfer fees

HB 442 (Helm, R-Dauphin) and **SB 353** (Fontana, D-Allegheny) ban PTFs and require disclosure of any PTFs currently in existence.

✓ Status: **HB 442 was signed by the governor and is now Act 8 of 2011.**

3. Providing Stability for Manufactured Housing Residents

Issue: Residents in manufactured housing communities (mobile home parks) are in a unique situation in terms of their housing tenure. While most own their homes, they rent the land on which the home is situated. They are homeowners, but without the stability of homeownership, being subject to rent increases, changes in community rules, and in some instances being forced to relocate their homes when the community closes.

Solution: Disclosures; Resident Protections

Manufactured housing community residents would be protected from community closures by the amendments to the Manufactured Home Community Rights Act proposed in **HB 1767** (Rep. Freeman, D-Northampton). The bill requires community owners to provide current and prospective residents with notice of a closure within 30 days of deciding to close the community. Residents would have at least 180 days to move before the community could be closed. The bill also requires community owners to consider an offer to purchase the community by the residents, and provide for relocation expenses if the community is closed.

Status: HB 1767 is in the House Urban Affairs Committee.

HB 1182 (Rep. Harper, R-Montgomery) amends the Manufactured Home Community Rights Act by clarifying the disclosures required under the Act and by ensuring that all prospective residents receive the disclosure and not just those with leases of more than 60 days.

Status: HB 1767 is in the House Urban Affairs Committee.

4. Supporting Renters

Issue: Many communities in Pennsylvania discourage rental housing, making it difficult for young people and low income families to find suitable homes. Where there are rental homes, problems sometimes arise which need to be dealt with fairly. Landlord tenant law is intended to strike a fair balance in rental housing between the needs and interests of owners and renters. Fairness is essential in order to support those who cannot, or chose not to, buy a home, as well as those property owners who make quality homes available to renters.

Solution: Statewide standard for disposal of abandoned personal property

Sen. Browne (R-Lehigh, Monroe, Northampton) addresses the issue of a landlord's liability for personal property left on the premises by the tenant in **SB 887**. The Housing Alliance has been leading a coalition of advocates and working with staff from both Sen. Browne's and Sen. Fontana's offices to develop SB 887. The bill requires that a landlord notify the tenant that personal property has been left behind and give the tenant 10 days to respond. If the tenant does respond and states that she wants the items, the landlord

must hold them for a total of 30 days. If the tenant does not respond, the landlord can dispose of the items after 10 days.

Status: SB 887 passed the Senate by a vote of 49-0 on October 25, 2011. It is now in the House Urban Affairs Committee.

Solution: Fair and balanced eviction laws, NOT quicker evictions

HB 177 was introduced by Rep. Miller (R-York) to shorten the eviction timeframe. The bill would reduce the post-judgment time period by ten days, giving tenants only 11 days to move. Since the mid-1990's, Pennsylvania's landlord tenant law has been amended four times, all in favor of landlords. HB 177 would continue that trend, making the law even more one-sided. The Housing Alliance opposes any attempt to accelerate the eviction process.

Status: HB 177 is currently in the House Judiciary Committee.

Solution: Strengthening Rent Rebate law

HB 415 (Rep. Wagner, D-Allegheny) prohibits a rent rebate received under the state Property Tax and Rent Rebate program from being assigned to the landlord.

Status: HB 415 was voted out of the House Urban Affairs Committee on November 2, 2011. So far it has not been scheduled for a vote by the full House.

5. Providing Communities with the Tools they Need to Prevent and Address Blight

Issue: Pennsylvania's older communities can once again be vibrant places to work and live. State legislation is needed to make the acquisition and disposition of vacant and abandoned property faster, easier, and cheaper; and to provide communities with new tools to bring vacant property into productive reuse.

Solution: Clear Title for Long Term Residents

Occupied properties without owners – an odd concept, but one that occurs too often, to the detriment of both the occupants and their neighborhoods. Sometimes it is a landlord who has disappeared or died without heirs. Sometimes it is an “inheritance” without the sanction of the law. Where there are occupants without legal title, and the title holders are no more, the occupants cannot maintain the property for long because they cannot qualify for home improvement loans or for grant programs. As hard as they try to maintain their homes, often paying property taxes, these families will eventually abandoned the houses if they cannot get help.

Rep. Wheatley (D-Allegheny) has introduced **HB 1022** which would lower the time period to file a claim of ownership in adverse possession from the current 21 years to 10 years for occupied single family dwellings on one-half acre or less. This will allow long term residents to obtain clear title to their properties.

Status: HB 1022 passed the House on May 3, 2011 by a vote of 140-57. It is in the Senate Judiciary Committee.

Solution: Establish Land Banks

Land banks are public bodies whose sole purpose is to focus on blighted and tax delinquent properties and return them to productive reuse. Land banks acquire and maintain vacant properties, clear title, do site preparation, and package parcels for the best redevelopment for that site.

Rep. Taylor (R-Phila) introduced **HB 1682** which will permit (but not require) counties and municipalities with populations of 10,000 or more to establish land banks by ordinance and/or intergovernmental cooperation agreements. It will grant the land banks the power to acquire, maintain, and dispose of properties in an effective manner, including the ability to hold properties without taxes accruing and to clear title in an expedited manner.

Status: HB 1682 was amended and voted out of the House Urban Affairs Committee on December 15, 2011. It is awaiting a vote by the full House.

Solution: Enacting Historic Preservation Tax Credits

Pennsylvania is rich with historic properties, but many have fallen into disrepair and contribute to neighborhood blight in large and small municipalities across the Commonwealth. A state historic preservation tax credit will provide an additional incentive to rehabilitate those properties while maintaining the communities' historic character.

Sen. Smucker (R-Lancaster) introduced **SB 1150** creating a tax credit program for commercial buildings, including residential rental properties. (The bill follows the guidelines for the federal historic tax credit program.)

Status: SB 1150 was voted out of the Senate Finance Committee on June 26, 2011, and is now in the Senate Appropriations Committee.