A NEW VISION
for
Housing Market
Recovery:
What the Data Tells Us
About What Works
The ongoing housing correction is not ending as quickly as it might have appeared ... And it now looks like it will continue to adversely impact our economy, our capital markets, and many homeowners for some time yet.

A Promising New Approach

Housing leads the way out of a recession. Increased home buying, renting, construction, and repair activity are catalysts for other economic activity, from the approval of home improvement loans to the sale of furniture and building supplies. In the current economy, Pennsylvania is better positioned for success than many other states suffering the long-term effects of reckless mortgage lending. Although many Pennsylvania communities have been hurt badly by the recession and the foreclosure crisis, our regional and local housing markets are now better positioned for stabilization and revitalization than some Sunbelt real estate markets in which average sales prices have dropped by one-third to one-half since the housing bubble burst.

It is important to move forward with an agenda to build a balanced housing market. Integral to this agenda is preventing and ending homelessness, strengthening the private rental market, expanding low-cost homeownership, and preserving low-cost homeownership. It is by pursuing this agenda that a balanced housing market can be achieved.

Here we describe the agenda for a new approach to housing and market recovery in Pennsylvania outlined through eight action steps. Each step discusses a specific housing issue and is organized into three sections:

1. Diagnosis
   What we know about what's going wrong—and right—in the housing market in Pennsylvania today

2. Lessons from the Data: Models that Work
   Evidence-based Practices that enable us to use factual data to identify proven, cost-effective models that work

3. Practical Steps to Housing Market Recovery
   No or Low-Cost Strategies that can be implemented by communities, and strategies and solutions that are Worth the Investment

Adoption of this step-by-step program of self-help can lead to a healthy housing market and provide Pennsylvania with real success during the coming years of economic recovery.
In Pennsylvania, the foreclosure crisis is just one element of a much larger housing problem: over-production of new market-rate sales housing at the expense of balanced development. Housing policies in effect during the past 80 years have made homeownership a top priority. These policies emphasized new construction rather than repair and improvement of existing housing stock. This market encouraged larger-scale development ventures that produced more units on many acres of land. The results:

- An oversupply of new sales housing units that will not be absorbed by local and regional real estate markets for many years.
- A shrinking supply of developable land. In Westmoreland County, 27,000 acres of land have been developed since 1967—an amount equal to half of the total acreage developed from the start of the county’s development history through 1967. In this and other counties, the need for a strategic approach to development is critical.
- A shortage of high quality rental units affordable to households with incomes of about $30,000 a year or less such as people with disabilities, low-wage working families and older adults (65+).
- A lack of investment in households with insufficient resources needed to repair and improve their existing homes.

The housing supply no longer meets demand.

Today the continuing financial crisis provides us with an opportunity to reshape Pennsylvania’s housing market. In this changing economy, the best housing opportunities for Pennsylvania can be achieved through an approach that produces the best outcomes for a variety of housing consumers. In the future, Pennsylvania should emphasize the development and improvement of more market-rate and affordable rental housing, make the preservation of existing occupied homes a high priority, and encourage neighborhood-scale investment to stabilize and strengthen our communities.
## Table of Contents

### Step 1: Preserve Home Equity by Preventing Foreclosure Due to Job Loss

Lessons from the Data: Models that Work  
- Housing Counseling Results in Lower Mortgage Payments and Fewer Foreclosures  
- Free Legal Aid Helps Low-Income Homeowners Negotiate with Lenders and Work Out Win-Win Payment Plans  
- Involving the Court Brings Parties Together to Avoid Foreclosure  
- Research is a Useful Guide in Targeting Foreclosure Outreach

Practical Steps to Housing Market Recovery:  
- Use Data to Inform Outreach Strategies  
- Connect Homeowners and Renters with Counseling and Relocation Services  
- Market Properties So They Can Be Sold to Responsible Owners  
- Reduce Negative Impact of Vacant Buildings Through Building Maintenance  
- Create a Mortgage Foreclosure Diversion Program  
- Clarify Ownership Throughout Foreclosure and Resale Processes to Ensure Maintenance and/or Occupancy  

Worth the Investment  
- Jump-Start the National Model: Homeowners Emergency Mortgage Assistance Program  
- Support Housing Counseling Programs

### Step 2: Use Preventive Measures to Reduce Cost of Special Needs Housing

Lessons from the Data: Models that Work  
- Supportive Housing is a Cost-Effective Alternative to Shelter  
- Rental Assistance Brings Renters into the Affordable Range  
- Fairweather Lodge Provides Interdependent Group Living for Those with Special Needs

Practical Steps to Housing Market Recovery:  
- Set Aside Low Income Housing Tax Credits for Special-Needs Housing  
- Ensure Rental Assistance for Persons with Mental Health and Intellectual Disabilities  
- Support Increased Municipal Government/Housing Authority Collaboration  
- Designate PHFA as a State/Statewide Housing Authority  
- Provide More Support for Technical Assistance of MHMR Ventures  

Worth the Investment  
- Create a Statewide Rental Assistance Program  
- Support Funding for Pennsylvania’s State Housing Trust Fund

### Step 3: Address Homelessness Using Cost Effective Solutions

Lessons from the Data: Models that Work  
- Housing First Provides Stable Alternative to Traditional Homeless Approaches  
- Master Lease Programs Expand Housing Options for Challenging Populations

Practical Steps to Housing Market Recovery:  
- Develop Effective Coordination of Homeless Veterans Rental Assistance Programs to Expand Reach  
- Replicate and Educate Others About the Benefit of Housing First Strategies  
- Use Temporary Assistance for Needy Families Funding to Provide Rental Assistance  

Worth the Investment  
- Support Funding for the Homelessness Prevention and Rapid Re-Housing Program  
- Support Funding for the Homeless Assistance Program  
- Support Funding for the Human Services Development Fund  
- Support Funding for McKinney Vento Homeless Assistance Programs

### Step 4: Organize a Collaborative Approach to Preserve Homeownership

Lessons from the Data: Models that Work  
- Rehabilitation of Existing Homes is Major Trend  
- Basic Systems Repair Program is a Cost-Effective Alternative to Abandonment and Demolition  
- Volunteers are a Valuable Resource when Rehabilitating Homes  
- Renovation Mortgage Loan Fund Provides Home Buyers with a Tool for Major Renovations  
- Home Modification Program is an Affordable Approach to Maintaining Homes and Helping People Age in Place  
- Creative Partnerships Generate Comprehensive Targeted Home Repairs  
- Homeowner Rehab is Essential Component of a Targeted Comprehensive Development Strategy

Practical Steps to Housing Market Recovery:  
- Master Lease Programs Expand Housing Options for Challenging Populations  
- Housing First Provides Stable Alternative to Traditional Homeless Approaches  
- Set “Fix It First” Priorities for State and Federal Funds  

Worth the Investment  
- Establish a Deferred Loan Fund  
- Create a Competitive Home Improvement Loan Program  
- Create a State Preservation Tax Credit  
- Support Funding for the Accessible Housing Program  
- Offer Home Repair Grants to Extremely Low-Income Seniors
**Step 5: Invest in Attractive, High Quality Rental Housing Assets**

**Lessons from the Data: Models that Work**

- Preparing Renters Through Training Reduces Eviction
- Educating Renters on Financial Management Increases Family Stability
- Engaging Landlords and Service Providers Creates a Support System for Landlords and Tenants

**Practical Steps to Housing Market Recovery:**

- Convene and Strengthen Partnerships with Landlords
- Support Seniors and Persons with Disabilities
- Provide Financial Education to Renters and Teach Renters to be Good Tenants

**Worth the Investment**

- Establish a Fund to Spur Private Investment in the Rental Market
- Support Funding for Public Housing and Housing Choice Vouchers
- Preserve Public Housing Units
- Support the Low Income Housing Tax Credit Program

**Step 6: Increase the Availability of Developable Land for Modestly Priced Homes**

**Lessons from the Data: Models that Work**

- Land Banks Are Needed Stewards for Blighted and Abandoned Properties
- Modernizing Zoning Laws Encourages Development

**Practical Steps to Housing Market Recovery:**

- Design Land Banks to Have Maximum Impact

**Step 7: Use Strategic Code Enforcement to Manage Rental Housing Assets and Stabilize Neighborhoods**

**Lessons from the Data: Models that Work**

- Blighted Property Review Committee Uses Code Enforcement to Effectively Target Properties for Compliance
- Certificate of Compliance as a Condition of Sale is Proactive Approach

**Practical Steps to Housing Market Recovery:**

- Implement Conservatorship: An Alternative to Eminent Domain
- Re-Engineer Code Enforcement Systems Using Data Through a “Progressive Discipline” Approach to Owners Who Fail to Comply

**Worth the Investment**

- Develop an Acquisition and Rehab Fund at the County Level

**Step 8: Pursue New Housing Investment Opportunities in the Marcellus Shale Region**

**Lessons from the Data: Models that Work**

- Convening a Diverse Set of Stakeholders Leads to Effective Problem Solving
- Low Income Housing Tax Credit Developments Provide Additional Units to Combat Shortage

**Practical Steps to Housing Market Recovery**

- Organize a Broad-Based Coalition to Address Housing Shortage
- Engage Gas Companies in Being a Part of the Solution
- Increase Fair Market Rents to Reflect Housing Market Changes
- Encourage Companies to Bring Housing Allowances Provided to Workers in Line with the Local Markets
- Focus on Homeless Prevention and Rapid Re-housing Over the Traditional Shelter Approach
- Encourage Investment in Existing Housing Stock and Mixed Income Development
- Set Rental Assistance Priorities for County Trust Funds

**Worth the Investment**

- Make Sure Your County Has a County Trust Fund

**Step 9: Gain Economic Benefits Through Mixed-Housing Initiatives**

**Lessons from the Data: Models that Work**

- Inclusionary Zoning is an Effective Tool for Creating Communities with a Range of Housing Options
- Workforce Housing Serves as an Essential Component of the Housing Market
- Transit- and Proximity-Oriented Development Reduces the Cost Burden for Tenants and Homeowners
- Smaller-Scale Infill Development is an Affordable Approach to Cultivate Mixed-Income Communities

**Practical Steps to Housing Market Recovery:**

- Assess Region by Using Housing and Income Location Information
- Leverage Engagement of the Private Sector Through Inclusionary Zoning or Related Policies
- Employ Strategies to Give Families with Housing Vouchers the Ability to Live in Communities of Opportunity
- Consider Transportation and Housing Costs when Selecting Infill Development Sites
- Work with Housing Authorities and the Department of Public Welfare to Provide Subsidies in Traditionally Market-Rate Developments for a Scattered Site Approach
- Review and Inform the Qualified Allocation Plan to Reflect Local Priorities Related to Mixed Housing

**Worth the Investment**

- Develop Affordable Homes in Areas Accessible to Job Centers and Other Amenities

**Conclusion**

**Acknowledgments**

**About the Housing Alliance of Pennsylvania**

**Resources**
**Step One:**

**Preserve Home Equity by Preventing Foreclosure Due to Job Loss**

Promote foreclosure prevention and mitigation strategies that offer a cost-effective path to a stronger, more stable home-sale market and families who can continue on the path to wealth creation.

**Diagnosis**

Similar to the "golden hour," the time period when medical intervention is most effective after the onset of heart attack symptoms, persons facing foreclosure find themselves in a time-sensitive situation; prompt action can mean the difference between continued homeownership and loss.

Often homeowners in default are unaware of the loss mitigation measures a lender may be willing to consider or of programs that may lead to affordable refinancing. In fact, if a homeowner contacts their lender within weeks of becoming delinquent on their mortgage, they are most likely to be referred to loss mitigation personnel who are willing to explore alternatives to foreclosure, which is costly and time-consuming for all involved. If a homeowner delays, however, the delinquent mortgage is likely to be referred to a collection agency. Such an agency will not offer any options other than payment of the amount due plus penalties. By this time, the homeowner’s credit score will have been downgraded, further reducing their alternatives. If contacted in time, homeowners in this predicament can avail themselves of several proven programs.

Where foreclosure is unavoidable, communities can help homeowners relocate, address neglected properties, and work to purchase and repurpose vacant and Real Estate Owned (REO) properties.
Lessons from the Data: Models that Work

Housing Counseling Results in Lower Mortgage Foreclosures and Fewer Foreclosures

Timely information and advice given by a qualified Housing Counselor can provide the homeowner with an understanding of the options available and help them to develop a plan to get organized and make the best use of available resources.

A Step-by-Step Program for Housing Market Recovery in Pennsylvania

Involving the Courts Brings the Parties Together to Avoid Foreclosures

A Residential Mortgage Foreclosure Diversion Program was first piloted in Philadelphia and is now being implemented in Pittsburgh, Scranton and Harrisburg, among other jurisdictions around the state and nation. This Court-supervised diversion model mandates the scheduling of a “conciliation conference” for every owner-occupied property that would otherwise be eligible for mortgage foreclosure auction. The conciliation involves the mortgage holder or servicer, a pro bono attorney working on authority of the court, the owner in default and the housing counselor. The purpose of this conference is to identify and agree on a workout plan to implement in place of foreclosure sale.

Court Programs Lead to Successful Agreements between Lenders and Servicers

An independent evaluation of the court-based mitigation program conducted by The Reinvestment Fund found:

- 1/3 of homeowners eligible for and who participated in the program were successful in reaching an agreement with their lender or servicer;
- Fewer than 3% of parties could not reach an agreement and exited the program, returning to the basic foreclosure process;
- Sheriff Sale was ordered for only 12% of cases.

Free Legal Aid Helps Low-Income Homeowners Negotiate with Lenders and Work Out Win-Win Payment Plans

In FY 2010, the Pennsylvania Legal Aid Network, in partnership with housing counseling agencies, provided free legal services for families at or below 125% of the federal poverty level for whom housing counseling was inadequate to prevent foreclosure. Two-thirds of these cases avoided foreclosure.

Proactive Steps to Housing Market Recovery

Low- or No-Cost Investment

Use Data to Inform Outreach Strategies

Learn how to map trends and identify parcel level data for foreclosures in your community by participating in the University Center for Social and Urban Research's Pittsburgh Neighborhood and Community Information System (PNCIS) mapping training program at the University of Pittsburgh.

Connect Homeowners and Renters with Housing Counseling and Relocation Services

Identify qualified housing counseling agencies within your community or region. Learn how other communities like yours are meeting consumer demand for counseling services. Connect these services to lenders, mortgage holders, local realtors and clergy to ensure that homeowners facing foreclosure know there is help available. Educate renters about their rights as defined by the Protecting Tenants at Foreclosure Act and support them in transitioning to a new apartment when necessary.

Market Properties So They Can Be Sold to Responsible Owners

If you are in a stronger market, consider the feasibility of having a community group purchase foreclosed or abandoned properties and resell them. Whether or not you own the properties, decide which properties are the most marketable and develop a plan for helping to bring quality buyers to the table. For example, you can talk to local realtors, the city or county to help market these properties or list them on your community group's website or Facebook page.

Reduce Negative Impact of Vacant Buildings Through Building Maintenance

In weaker markets, use targeted code enforcement efforts to focus on foreclosed, abandoned properties. Use techniques discussed in Step 6 to hold owners responsible for upkeep and resale. The Office of the Comptroller recently released guidelines for banks dealing with foreclosed properties. They have detailed their responsibilities for maintaining these properties. Review these guidelines and contact financial institutions in your area concerning them.

Create a Mortgage Foreclosure Diversion Program

If your county does not have a program like Philadelphia’s, talk with county court officials, the County Bar Association, or a legal services agency about creating one.

Practical Steps to Housing Market Recovery

Clarity Ownership Throughout Foreclosure and Resale Processes to Ensure Home Maintenance and/or Occupancy

Sometimes after initiating the foreclosure process, banks realize the property is not worth the cost of foreclosing or they want to take title to the properties until there is an interested buyer. This allows them to avoid the costs and burdens associated with maintaining the property. As a result, families are displaced who may still have title to their property, buildings deteriorate, and property titles become clouded, making selling and purchasing the properties even more difficult. While the Office of the Comptroller provides guidelines to banks on how they should conduct themselves in this type of situation, statewide legislation is needed to ensure that banks either take title to property once the foreclosure process has been initiated, maintain the property whether or not they take title, or notify the owner of changes that have occurred without receiving services from NFMC counselors.

Worth the Investment

Jump-Start the National Model: Homeowners Emergency Mortgage Assistance Program (HEMAP)

Since its inception in 1983, this state-run loan program has provided assistance to more than 47,000 homeowners. Over 85% of loan recipients have retained ownership of their homes. Assistance is provided to homeowners who, because of job loss or other unanticipated hardships, are temporarily unable to keep pace with mortgage payments and are facing foreclosure. Over the life of the program, loan recipient repayments have exceeded government allocations to the program. On July 1, 2011, HEMAP was forced to stop accepting applications due to insufficient funding.

Support Housing Counseling Programs

Housing counseling uses several different strategies to help homeowners keep their homes. Counselors offer three levels of counseling: level one, where a counselor does intake and creates a budget and action plan with the client; level two, where the counselor helps the client implement the action plan; and level three, in which the same counselor conducts both levels one and two in succession. Most interesting about these levels is that the amount a homeowner’s mortgage payments are reduced is directly correlated to the level of counseling they receive (lower payments for higher levels of counseling). Housing counseling agencies are struggling to provide the highest level of service possible due to the current economic climate.
A Step-by-Step Program for Housing Market Recovery in Pennsylvania

Data-Driven Strategies for Success in a Changing Economy

**Step Two:**

Use Preventive Measures to Reduce Cost of Special Needs Housing

Realign service delivery systems so that resources are readily available to people with health and human service needs.

**Diagnosis**

The Recession Is Causing Increased Demand for “Special Needs” Housing

Many people have lost their jobs and their ability to sustain market-rate homes. “In October 2011, the American Psychological Survey reported that 83% of American women and 78% of American men were experiencing heightened stress over job stability, housing costs and the loss of retirement savings.”22

Returning veterans face a tight job market as well, in addition to mental and/or physical challenges. “The unemployment rate of Iraq and Afghanistan vets jumped to 12.1% in May—up from 10.9% in April. That's three points above the national average, leaving 232,000 veterans without work.”23

In the current economic climate, demand for low-priced homes associated with or near services is increasing. This kind of housing attached to services is referred to as Supportive Housing. Without help, supportive housing consumers may be unable to live independently. Conversely, those who are able to live in community with supports can benefit from being able to contribute to society, live safely with dignity, and also save money. For instance, $15,000 in home modifications to keep an older adult in their home is two to three times less than the cost of one year in a nursing home for that same individual.

Q. What do we mean by “Special Needs”? 
A. Individuals whose personal characteristics make it hard for their housing needs to be met by the traditional housing market. This term is generally used to describe the following:

- People experiencing homelessness
- Veterans
- Older adults (65+)
- Persons with physical or intellectual disabilities
- Persons with HIV/AIDS
- Persons recovering from drug or alcohol addiction
- Justice-involved and/or newly released inmates
- Persons utilizing mental health services
Lessons from the Data: Models that Work

Supportive Housing is a Cost-Effective Alternative to Shelter

A 2010 study by University of Pennsylvania researchers, sponsored by nonprofit housing developer and service provider Project H.O.M.E., found that the cost of producing permanent supportive housing for special-needs consumers was far lower than responding to crises. This alternative, providing shelter and services on an ad hoc basis, can cost $22,000 per person per year.1

Rental Assistance Bring Rents into the Affordable Range

Rental assistance is an effective tool for saving money. When appropriate housing is available and individuals are capable of living in communities of their choice, it is possible to bypass expensive shelter facilities and emergency services by providing financial assistance for housing in existing apartments within stable communities accessible to health care and human services. Some examples of rental assistance are:

**“Affordability Gap” Financing**

The Housing Choice Voucher program administered by public housing authorities provides assistance to low-income renters. It is the best-known illustration of rental assistance. A contract with a rental housing manager provides a stream of payments making up the difference between fair market rent for a particular housing unit and the amount a family or individual can afford to pay, often calculated as 30% of gross income. Without the help of this program, many assistance recipients would be paying a median 37% (for income between $20,000 and $30,000) or 47% (for income between $35,000 and $20,000) of their gross income on housing alone.2 Although it may not seem significant, this is a difference of $1,400 to $3,400 that is made available for food, utilities, medical bills, and other necessities that can be pumped back into the local economy.

**Shallow Rent**

Significantly less costly than Housing Choice Vouchers, shallow rent programs also pay for a portion of fair market rent—not necessarily by enough to reduce the assisted household’s share of rent to 30% of gross income, but sufficient to keep residents housed. In some shallow rent programs, the share of rent paid by a household may be as much as 50% of income, with shallow rent funding providing the remainder. Because the cost per unit of rental assistance is lower in a shallow rent program, more households can be served. This approach may be particularly useful for people in need of temporary housing assistance who anticipate increased income and a return to market-rate housing in the future.

### Average Cost Per Unit of Emergency and Crisis Services in Philadelphia

<table>
<thead>
<tr>
<th>Type of Service/Treatment</th>
<th>Cost Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Hospital Stay</td>
<td>$1,300</td>
</tr>
<tr>
<td>Psychiatric Hospital</td>
<td>$700</td>
</tr>
<tr>
<td>Emergency Room Crisis Visit</td>
<td>$220</td>
</tr>
<tr>
<td>Detoxification Program</td>
<td>$150</td>
</tr>
<tr>
<td>Non-Hospital Rehabilitation</td>
<td>$215</td>
</tr>
<tr>
<td>Prison</td>
<td>$79</td>
</tr>
<tr>
<td>Emergency Shelter</td>
<td>$34</td>
</tr>
<tr>
<td>Permanent Supportive Housing</td>
<td>$25</td>
</tr>
</tbody>
</table>

Note: The per day costs above do not include related expenses, often taxpayer-funded, including police services, court processing, emergency medical transportation and assistance, physical health care, and hospitalization.

### Sample Population

<table>
<thead>
<tr>
<th>Low Income Consumers with HIV/AIDS</th>
<th>Total</th>
<th>Percent stably housed at the end of 1 year</th>
<th>Percent stably housed at the end of 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received Shallow Rent Subsidy</td>
<td>185</td>
<td>99%</td>
<td>96%</td>
</tr>
<tr>
<td>Received No Rental Assistance</td>
<td>218</td>
<td>32%</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Shallow Rent Helps People Live Stably

Research published in 2007 provides evidence of the value of a shallow rent approach for special-needs households. Housing outcomes were studied for households eligible to receive assistance through the federal Housing Opportunities for Persons with AIDS (HOPWA) Program. The outcomes are astounding.3

**Fairweather Lodges Provide Interdependent Group Living for Those with Special Needs**

Research conducted by Dr. George Fairweather produced evidence that people with serious mental illness are less likely to return to institutional living when they live and work together as a group, rather than individually. This finding is the basis for the development of the Fairweather Lodge model, implemented in many Pennsylvania communities.

The goal underlying the Fairweather Lodge model is to provide housing, employment, and emotional support for persons with mental illness through a combination of shared housing and shared employment.

### Survey of Fairweather Lodge Residents

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percent engaged in activity</th>
<th>Standard percent engaged in activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise Regularly</td>
<td>56%</td>
<td>50% or more</td>
</tr>
<tr>
<td>Report Drug/Alcohol Use</td>
<td>3%</td>
<td>7% or less</td>
</tr>
<tr>
<td>Engage in Civic Activities</td>
<td>56%</td>
<td>25% or more</td>
</tr>
</tbody>
</table>

### Allegheny County Shallow Rent Program

**Lead Agency:** Community Human Services

The purpose of this program is to stabilize families with children in their current housing using a temporary shallow rent subsidy and/or identifying appropriate housing that can be maintained with assistance from a temporary shallow rent subsidy.

### Project Design

Clients complete a single application, participate in intake, and are formally accepted into the program. One case manager is assigned to the program participants. A rent subsidy of $200 per month per household is provided to qualifying families, with some flexibility depending on need. Households are approved for the subsidy in three month increments up to 12 months. At each three month mark, clients must recertify eligibility and progress toward their goals.

### Qualifications—Clients must:

1. Be homeless or homeless but for the support of this program
2. Have legal custody of at least one child
3. Be willing to work toward financial literacy, including taking courses and doing monthly budgets with staff
4. Be able to maintain their housing once mainstream benefits are in place
5. Be recertified every three months for up to a 12-month total
6. Stabilize in housing with shallow rent assistance
7. Work within their Children Youth and Families plan if one is in place
8. Work with staff to create an individualized goal plan and work toward goals outlined in that plan
Practical Steps to Housing Market Recovery

Low- or No-Cost Investment

Set Aside Low Income Housing Tax Credits (LIHTC) for Special-Needs Housing

Petition the Pennsylvania Housing Finance Agency (PHFA) to reserve a portion of the LIHTC financing available each year to support the production of a specific number of special-needs rental units by committing on PHFA’s Qualified Allocation Plan (QAP). The tax credit remains a valuable resource for creating new special-needs housing at locations where existing housing stock is not available or is not suitable for a rental assistance approach.

Ensure Rental Assistance for Persons with Mental Health and Intellectual Disabilities

Set-asides of rental assistance funding should be offered as an incentive to encourage more housing developers and service providers to work together to address the housing needs of consumers with mental health and intellectual disabilities since this type of housing cannot be developed as large projects. Housing for these consumers must be developed on a small scale or as part of a mixed-housing development.

Support Increased Municipal Government/ Housing Authority Collaboration

Establish or strengthen working relationships between municipal government and the housing authority. Of utmost importance, consumers of these housing services should be represented in such collaborations and on the boards and commissions administering funds to special-needs housing programs.

Designate PHFA as a State/Statewide Housing Authority

Some housing authorities lack the capacity or desire to compete for federal funding awards that would benefit consumers within their jurisdictions. In addition, housing authorities have long waiting lists and may be reluctant to establish preferences that can accompany funding for special-needs housing. To be considered for designation as a state housing authority, an entity has to be administering an existing program—but PHFA could fulfill this requirement by taking over the administration of a county housing authority program (in coordination with a county that would be willing to do so). Counties willing to have PHFA take on this role could sign an agreement authorizing PHFA to do so.

Provide more Support for Technical Assistance of MH/MR Ventures

MH/MR ventures are too small for private developers to take on. Encourage service organizations to participate in MH/MR development ventures so that rental assistance can be offered in exchange for commitment of services.

Worth the Investment

Create a Statewide Rental Assistance Program

Encourage the state to create its own rental assistance program and, through this program, provide funding that is usable for a longer term than HOME-funded rental assistance. This funding could leverage commitments of supportive services from state, county, and municipal governments.

Support Funding for Pennsylvania’s State Housing Trust Fund

Based on successful experience with county housing trust funds, Pennsylvania should strengthen its housing resource base by creating a state housing trust fund as 43 other states have done.1 Such a trust fund could deliver needed financing to housing providers to implement the priority of affordable homes, provide rental assistance, take measures to end homelessness, and handle the unique issues associated with the natural gas drilling industry new to the state.

Investment in a State Housing Trust Fund Has Economic Impact

In 2009, Econsult Inc. published Potential Economic and Fiscal Impacts of a Pennsylvania Housing Trust Fund, a research report sponsored by the Housing Alliance of Pennsylvania. As documented in the report, Econsult researchers projected that a Pennsylvania housing trust fund could generate an economic impact of up to $2.3 million, as well as up to 290 jobs and up to $1.16 million in state tax revenues.2

Step Three: Address Homelessness Using Cost Effective Solutions

Expand the use of homeless prevention and rapid re-housing strategies.

Diagnosis

Lack of economic opportunity, compounded by factors such as lack of a support network, mental illness and addiction has led people in rural, suburban and urban communities throughout Pennsylvania to double up, live in cars and on the streets. In 2010, there were about 14,500 homeless men, women and children on any given night in Pennsylvania.3 People with low-incomes are especially at risk for becoming homeless because they have to make tough choices between food, transportation, medical expenses and keeping their home—one of their greatest monthly expenses.

In recent years, more people have been struggling to make ends meet because of the recession. An increasing number of people choose to live with others. Between December 2007 and June 2009, the number of doubled up households in the United States increased by 10.7%, while the number of young people (24-34 years old) choosing to live with their parents increased by 25%.4 Those who were doubled up were not included in the calculation of the number of homeless individuals in the country. According to the National Alliance to End Homelessness, 172,671 Pennsylvanians were doubled up in 2009.5

Although more people are struggling, the number of people living on the street or in shelters across the country has remained relatively stable. In fact, the number of people without a home has decreased. This decrease indicates that homelessness is a solvable problem and that there are proven strategies for addressing it.6

3
Housing First Provides Stable Alternative to Traditional Homeless Approaches

Housing First, a model developed by the national organization Pathways to Housing, targets individuals with a long history of chronic mental illness, substance abuse, institutionalization, or life on the streets. In Pathways’ approach, a homeless person is given the opportunity to move directly into a private apartment funded through a rental assistance contract. A case management team offers supportive services to address the resident’s mental and physical health, substance abuse, education, and employment readiness needs, but only after the homeless person has moved into housing.

Housing First is radically different from conventional emergency shelter and transitional housing programs that require progress toward recovery or entrance into treatment as a condition for entering or remaining in assisted housing. Housing First is not the solution to homelessness, but it is a powerful tool in the toolbox. Pathways has successfully housed hundreds of individuals, with an 85% retention rate, even among individuals otherwise categorized as unready for independent living based on standards used by publicly financed programs. As a result, this model has been replicated in 80 cities nationwide including Philadelphia."

Master Lease Programs Expand Housing Options for Challenging Populations

In a Master Lease model, an agency assumes the responsibility of managing lease agreements for multiple tenants on the private market. This has been an effective strategy for working with landlords to provide homes for challenging populations, because of the support agencies provide to the tenant and the responsibility they provide for the unit. Venango County’s forensic supported housing program aids released prisoners in reentry to the community through housing. Short term housing is arranged for newly released prisoners through a master lease arrangement with landlords, mental health providers, and each tenant. An intensive case manager designs a transition plan, including goals such as furthering education, finding employment, and finding mental health or other necessary services. The intent for the transitional housing is to help the individual return to society and be a good community member.

After about six months in a master lease arrangement, participants begin to take over the financial responsibilities of their apartment as well as continue in needed services. The tenant is then supplied with a furnished apartment and is eligible to keep the furniture upon completion of all requirements. Since its inception in April 2010, two former prisoners have already reached permanent, self-sufficient housing.

Lessons from the Data: Models that Work

Housing First Provides Stable Alternative to Traditional Homeless Approaches

The Lancaster County Coalition to End Homelessness (LCCEH) is a collaboration between the homeless service providers and community members from the business, faith-based, social services, and governmental organizations. The LCCEH is working together to prevent and end all types of homelessness in Lancaster County.

Homelessness? Here?

On January 16, 2011, 481 men, women, and children were experiencing homelessness in Lancaster County.

In Lancaster County, an average of 82 family units and 250 single adults experience homelessness on any given day.

More than 2,500 people will stay in a shelter in Lancaster County sometime during the year (based on national statistics).

What is the answer?

The answer is to: move people out of the shelter system as quickly as possible into their own permanent housing.

This new and proven approach is called the “Housing First” model:

Housing First:

1st: Find permanent housing
2nd: Provide support services

What is the answer (cont.)?

Immediate and primary focus is on providing housing services as quickly as possible and then providing services as needed to keep people in their own home.

Everyone’s basic need, including people experiencing homelessness, is having a permanent place to call home.

We need your help to provide more affordable permanent housing in Lancaster County.

How can you help?

Churches, Service Clubs, and Businesses:
Consider investing in or supporting an affordable rental property or house.

Employers: Take a chance on candidates referred to you by social service providers.

Rehabilitation, Treatment, or Correctional Facilities: Work with agencies to ensure that those leaving your facilities are being successfully re-integrated into the community.

Everyone: Stand up for this cause in your neighborhoods, work-places, and social circles. We can’t do it without you!

Who to contact:

For questions and information on how to become involved, please contact:
Lancaster County Coalition to End Homelessness
150 North Queen Street, Suite 610
Lancaster, PA 17603
Phone: 717-299-8037 Fax: 717-295-3680
www.endlancasterhomelessness.org
Practical Steps to Housing Market Recovery

Low- or No-Cost Investment

Develop Effective Coordination of Homeless Veterans Rental Assistance Programs to Expand Reach

Increase coordination between public agencies and service providers to administer Veterans Affairs Supportive Housing (VASH), a U.S. Department of Housing and Urban Development (HUD) program that provides rental assistance funding along with case management and clinical services to homeless veterans. These services are made available through medical centers and other agencies funded by the federal Department of Veterans Affairs. HUD may designate public housing agencies partnered with eligible VA Medical Centers to administer funding.³⁶

State, county, and local officials, working in coordination with homeless service providers, need to ensure that operating plans are designed and implemented for VASH program implementation, specifying how outreach, intake, application processing, and interagency coordination responsibilities should be handled in each area where VASH funds are available.

Replicate and Educate Others About the Benefit of Housing First Strategies

Housing First strategies should be considered for replication in Pennsylvania’s metropolitan areas. Government agencies and community development supporters should determine the best ways to communicate information about the costs and benefits of this program model and about opportunities to design and implement this approach in other Pennsylvania communities.

Use Temporary Assistance for Needy Families (TANF) Funding to Provide Rental Assistance

Petition for the authorization of TANF funding to provide rental assistance to individuals engaged in welfare-to-work programs as other states have done.

Managers of workforce development programs have identified affordable housing as the second greatest barrier (after childcare) faced by program graduates seeking good jobs in the mainstream economy. TANF-funded rental assistance could help many more jobseekers overcome this barrier.

Support Funding for the Homelessness Prevention and Rapid Re-Housing Program

A one-time allocation through the 2009 stimulus plan, this program has helped over one million people nationwide to prevent or end their homelessness.³⁷ Some of the homelessness preventing and ending strategies used include short-term rental assistance, “housing start-up” cost aid (e.g., security deposit, utility deposit, and first month’s rent) and necessary counseling services (e.g., developing a housing plan, assisting in a housing search, and maintaining positive communication with landlords). This funding stream ends in 2012, but the effective programs it uses can be continued under the continuing Emergency Solutions Grant Program.

Support Funding for the Homeless Assistance Program (HAP)

Through this program, $870 can prevent homelessness by paying first and last month’s rent, security deposits or back rent for a family. If not for this program, the same family could become homeless, where shelter costs related to each family would be $1,620 per month.³⁸ With the use of this statewide program, preventing and reducing homelessness is as easy as helping a family stay in their home or locate to an affordable home.

Support Funding for the Human Services Development Fund

This state program is the only one able to be allocated to all human services and all populations.³⁹ It fills in the social service gaps that negatively impact people at risk of homelessness.

Support Funding for McKinney Vento Homeless Assistance Programs

This federal program has helped reduce homelessness in Pennsylvania by 2,000 people since 2007 and helped rural, suburban, and urban areas combat the growth of homelessness due to the recession.⁴⁰
Diagnosis

In many Pennsylvania counties, great portions (over 40%) of homes are over 70 years old. Many are in need of everything from painting to the replacement of basic systems. Often there is a correlation between aging housing stock and the number of low-income persons in a community, particularly when it comes to seniors. These tend to be our older communities, where people have lived for many years as job opportunities have come and gone.

Pennsylvania has the third highest number of older adults in the nation. This, combined with an aging housing stock, creates a challenge as home maintenance and system repair needs increase and household income often decreases or becomes fixed as residents become older.

Consider the following:

• 15% of Pennsylvania’s population is over the age of 65. With increased age, the likelihood increases that a homeowner will have an illness or disability, making investment in home repair or improvement more difficult—even impossible.

• Many members of Pennsylvania’s 65-and-older population choose to stay in their homes and do not have the resources to hire a contractor for major renovations or to undertake do-it-yourself home improvement projects. In 2010, 41% of householders 65 and older had incomes of less than $25,000. In many counties, including Clearfield, Fayette, Mifflin, and Sullivan, the figure was more than half of older adult householders.

• Although, Pennsylvania Housing Finance Agency (PHFA) funds the production of new housing units and rehabilitation of vacant or underused buildings, and the Department of Community and Economic Development (DCED) provides funding for weatherization improvement programs, no ongoing state program addresses the home repair and improvement needs of low-income homeowners.
Rehabilitation of Existing Homes is Major Trend

The increased amount of spending among members of the baby boom generation (ages 45–54) suggests that older homeowners in urban, suburban, and rural areas are planning to remain in their homes after retirement rather than selling their residence. Due to the high level of need for basic home repairs, the small-scale programs below cannot compensate for even local demand. However, the experience gained through locally implemented programs, regardless of the administrator, can help guide decision-making about moving to larger-scale activity.

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Basic Systems Repair Program is a Cost-Effective Alternative to Abandonment and Demolition

This program provided by the Housing Development Corporation in Philadelphia, provides repairs to electrical and plumbing systems, heater replacements, roofs that are leaking severely, and walls or dangerous structural problems. This program provides up to $17,500 in funding, with an average investment of $6,911 per home. Seniors must be able to maintain their home if they are going to stay in their home, living safely and with dignity. Keeping seniors in their homes through programs such as this is substantially more cost effective than nursing home care ($40,000 per year) or demolishing an unsafe structure ($22,000).²

Example of a Homegrown Program that Works: Greater Harrisburg Habitat Home Repair Program

Goals: To preserve affordable homeownership and prevent homelessness.

Target Area: Dauphin County

Income Eligibility: Families with incomes lower than 60% of greater Harrisburg median ($39,400 for a one-person household, $36,250 for a two-person household) are eligible.

Property Eligibility: Homeowners-occupied property with taxes and utilities paid up to date.

Application/Pre-Development Process:

- Homeowner submits application to Habitat.
- A home repair manager completes an assessment of the property to determine what repairs are needed.
- Following assessment, the application is reviewed at a monthly meeting of Habitat’s Home Repair Committee.
- Scope of homeowner participation in repair work is determined. Rather than paying for the repairs, the owner contributes “sweat equity” on a voluntary basis, with the number of hours of work determined in advance.
- Repair work is completed by contractors and volunteers.

Length of Program Cycle: In general, five to eight months from application to completion of repairs.

Funding Sources: Government grants and individual, congregational, corporate, and civic organization donations; the program relies on substantial contributions of materials and labor.

 Volunteers are a Valuable Resource when Rehabilitating Homes

The Pittsburgh Project, a nonprofit community development organization that provides free home repair services for Pittsburgh’s senior homeowners. Since inception in 1983, they have served 1,772 homeowners. In 2010 alone, this program served 253 homeowners in 67 Pittsburgh neighborhoods. The median homeowner age was 72 years, with median incomes of $1,047 per month.³

Evaluation of Homeowners who Received Help from the Pittsburgh Project Showed:

- 95% were satisfied with the work done,
- 98% would recommend the service to a neighbor,
- 93% said it had a positive effect on their outlook on life, and
- 89% said they are more hopeful for the future.

Renovation Mortgage Loan Fund Provides Home Buyers with a Tool for Major Renovations

Pittsburgh Community Reinvestment Group (PCRG) is nearing completion of a year-long process engaging community and large banks to create a user-friendly renovation mortgage product accessible to those seeking to renovate homes throughout the city of Pittsburgh. Filling a significant gap of available investment products in the region, this product was developed through the joining of funds from large banks and foundations. Joining funds from multiple sources will mitigate risk for community banks and allow the product to be offered to a wider range of potential homeowners and to housing markets that any product to recent lending practice. This program is based on the Healthy Neighborhoods Initiatives model in Baltimore and has been adjusted to fit this region’s needs. The loan fund will be designed in a way that it can be used in the variety of housing markets throughout the city and at a scale that is necessary to deal with the great degree of deterioration and disinvestment that plague many neighborhoods.

Home Modification Program is an Affordable Approach to Maintaining Homes and Helping People Age in Place

ACTION-Housing, Inc., helps to reduce low-income household utility costs while making homes safer and more comfortable. ACTION-Housing serves Washington, Greene, and the majority of Allegheny counties, including the city of Pittsburgh. Through the Pennsylvania Accessible Housing Program, ACTION-Housing provides rehabilitation measures to homeowners in order to increase the functionality of their homes. Such improvements include ramps, accessible bathroom modification, chair lifts and elevators. These measures help homeowners remain in their homes and engage in daily living activities that lead to a better quality of life. Since 2001, the Commonwealth of Pennsylvania and Allegheny County have assisted 322 permanently physically disabled and elderly persons with services through ACTION-Housing. Consider the cost savings: the maximum allowance is $10,000, which is four times less than the cost of nursing home care.⁴

Creative Partnerships Generate Comprehensive Targeted Home Repairs

A group of public and private agencies recently formed the Sustainable Home Improvement Partnership in Pittsburgh (SHIP) to leverage funding from the Home Depot Foundation to rebuild 70 homes of military veterans, persons with disabilities, and seniors within four targeted neighborhoods. Supplemental services will also be provided, including housing counseling, crime and disaster prevention, and resource and referral services for persons with disabilities. SHIP’s oversight is a collaborative effort of the Mayor’s Office, the Urban Redevelopment Authority (URA), and the Pittsburgh Partnership for Neighborhood Development (PPND). The work will be done by eight different nonprofit agencies, including: ACTION-Housing, Inc., Hosanna Industries Nazareth Housing Services, The Pittsburgh Project, Rebuilding Together Pittsburgh, Pittsburgh Community Services Corporation, and Three Rivers Center for Independent Living.⁵

Homeowner Rehab is Essential Component of a Targeted Comprehensive Development Strategy

The Clairton Southside Revitalization offers an example of a comprehensive approach for addressing the larger context of housing needs in a community. This revitalization effort was developed and implemented by Allegheny County Economic Development, the Community and Economic Development Corporation of Clairton, the Falbo-Pennrose Joint Venture, ACTION-Housing, the U.S. Department of Housing and Urban Development’s Pittsburgh office, and various other partners. Thanks to funding from PHFA, Allegheny County Economic Development, and the Federal Home Loan Bank, the effort was able to reconfigure and improve the existing public housing community, provide new infrastructure and street improvements, construct 44 lease-purchase townhouses and 23 for-sale homes, rehab 33 owner-occupied homes, and help 22 low-income homeowners resolve property tax, mortgage or legal title issues. The entire community was revitalized and this model collaboration began to stimulate further private investment in the neighborhood.⁶
Practical Steps to Housing Market Recovery

Low- or No-Cost Investment
State government and local and regional constituencies need to share housing preservation responsibility in order to help homeowners who need home repairs and improvements, despite the low level of public funding available for these activities.

Set “Fix It First” Priorities for State and Federal Funds
Decide how to best use available funding in support of low-cost major system repair and replacement. Institute performance standards, and fund government and nonprofit agencies that meet or exceed them using CDBG, HOME, and Keystone Communities Program funding.

Set “Fix It First” Priorities for County Trust Funds
Ensure that a portion of county trust funds be used for housing preservation of homeowner-occupied units. County trust fund dollars are very flexible, and the target of funding depends on the unit of government administering each program locally.

Worth the Investment
Establish a Deferred Loan Fund
Deferred loans allow low-income homeowner-occupants to complete necessary repairs that bring their home to code. These loans would be payable upon sale of the property making such repairs affordable when they could not be otherwise. A small repayment obligation could generate program income to fund more cases and would help prevent property acquisition by speculators. To learn more, study the deferred loan program in Tucson, Arizona.

Create a Competitive Home Improvement Loan Program
Collaborate with private lending institutions to design a program attractive to credit-worthy investor-owners and middle and upper income homeowner-occupants. Use state resources to guarantee or buy down interest rates on home improvement loans underwritten, approved, and serviced by participating lenders based on agreed-upon standards for credit approval.

Create a State Preservation Tax Credit
Such a tax credit could offer homeowner-occupants of single-family properties a tax credit of 20% for qualified home rehabilitation expenses (similar to Maryland’s Sustainable Communities Tax Credit Program). This would stimulate privately financed repair and improvement activities, bringing new money into the economy, and would add Pennsylvania to the list of 48 states that established home preservation tax credit programs.

Support Funding for the Accessible Housing Program (PAHP)
This state program provides home modifications for low-income seniors and people with disabilities. For every $15,000 one-time expense that the Commonwealth incurs to keep a senior or person with disability safe at home, it saves $40,000 per year in nursing home costs.

Offer Home Repair Grants to Extremely Low-Income Seniors
Seniors with extremely low-incomes who are on fixed incomes currently lack access to public home repair loan programs, because they are unable to demonstrate their ability to repay a loan. Grant programs are needed to compliment existing programs, so that those most vulnerable can benefit.
Diagnosis
The Emergence of a “Rentership” Society
According to a 2011 report published by Morgan Stanley, mortgage delinquencies, foreclosures, and tighter credit for housing loans are reducing home buying and moving the country away from being an “ownership society” to a “rentership society.” Among the likely outcomes of this trend are a steady decline in apartment vacancies and new opportunities to build multifamily homes and lease single-family homes for renters.

The production of more market-rate rental housing will be welcomed in many areas of Pennsylvania that lack an adequate supply of quality rental housing for moderate-income individuals and families. However, increased demand for rental housing is also likely to result in a reduction of the supply of rental units affordable to lower-income households.

Insufficient rental housing affordability and availability were documented in a 2010 report by the Federal Reserve Bank of Philadelphia assessing rental market conditions in Pennsylvania in 2000 and 2005–2006. The authors of the report found:

- Shortages of affordable rental housing worsened during the first five years of the twenty-first century. The shortage was the greatest for those with extremely low incomes (30% or below area median income, or AMI). The ratio of affordable units per 100 for this population dropped from 96 in 2000 to 77 in 2005–2006.
- Every region of Pennsylvania experienced rental housing affordability problems across income levels during the period studied. Over 90% of extremely low income households in Bucks, Centre, Delaware, and Monroe counties are affected by cost burdens.
- The gap between those with very low incomes (50% AMI or below) and extremely low incomes (30% AMI or below) is small in terms of dollars. However, there is a great difference between the ability of a very low income person and an extremely low income person to find an affordable place to live.

Besides providing homes for vulnerable people with low-incomes, the construction and maintenance of rental housing provides economic stimulus and job creation. For example, for every 100 multi-family rental units built, $7 million in local income is generated and 133 jobs are created. With more and more people unable to maintain or achieve homeownership and a struggling economy, increased supply of quality, affordable rental housing can act not only as a means to housing but also as a means to increased economic stability.

Step Five:
Invest in Attractive, High Quality Rental Housing Assets
Increase availability of quality rental housing; support renters and landlords to increase stability, save money and increase retention rates.
Lessons from the Data: Models that Work

Preparing Renters Through Training Reduces Eviction.

PREP, an effort headed by the Self-Determination Housing Project of Pennsylvania and the Pennsylvania Housing Finance Agency, prepares seniors and people with disabilities to be high-quality renters. The program helps these renters navigate the entire rental process, from housing search to lease end. This comprehensive program covers key information about leases, fair housing, budgeting, conflict resolution, and eviction.

This general program is used throughout the state in different counties and by different organizations. In each instance, it has been tailored to the specific needs of the program participants. One example is the Tableland Community Action Agency PREP class offered in Somerset County. This agency requires PREP class attendance for everyone who has applied to the organization for rental assistance in hopes to improve rental success and housing stability.

“PREP helps people understand the rules more ... even seasoned renters still need information about the eviction process, the role of the landlord, and the role of the tenant.”

- Brooke Koontz - Housing Assistance Case Manager

Educating Renters on Financial Management to Increases Family Stability.

The Supported Housing Options Program (SHOP), a collaborative effort between the Butler County Homeownership Program and the Butler County Local Housing Options Team, is a model of success in consumer education and financial literacy counseling, promoting increased access to the rental market. SHOP participants are given the opportunity to enroll in a financial literacy program, maintain a savings account with eligibility to receive up to $500 in matching funds, and earn “impact points” to cash in at the program's end.

By obtaining an understanding of budgeting and credit, along with financial literacy and personal accountability, participants receive increased options for housing while reducing the recidivism for rental assistance, housing assistance, and utility assistance from multiple social-service agencies. Upon completion, participants have attended free financial literacy classes through Butler County Community College and have a sum of money they are able to put toward home maintenance or rental expenses, including but not limited to security deposits, turning on utilities, maintaining current utilities, paying mortgage payments, and renters insurance.

Engaging Landlords and Service Providers Creates a Support System for Landlords and Tenants.

To explore the prospects for increasing rental housing opportunities for its clients, Futures Community Support Services, in Northeast Pennsylvania, organized a series of landlord forums. One out of five participants in the forums expressed interest in working with service agencies in the region to complete adaptive modifications to make more of their units accessible to the elderly and individuals with disabilities. However, a number of landlords indicated that service agencies placing clients in their rental units were not responsive to landlord requests for assistance when a tenant problem had to be addressed. Futures then organized meetings with service agency representatives to report on the landlord perspectives gained and to propose collaboration on issues of mutual concern.

Through this dialogue, a master leasing program and an eviction prevention program, in concert with the county, were developed to provide funding and services to enable tenants to avoid eviction and displacement.

Practical Steps to Housing Market Recovery

Low- or No-Cost Investment

Convene and Strengthen Partnerships with Landlords.

Contact the landlord association in your community to organize a landlord forum to discuss concerns and educate them about services available to support tenants.

Support Seniors and Persons with Disabilities.

Collaborate and nurture improved working relationships between area landlords and human service agencies in order to encourage a higher level of landlord participation in adaptive modification programs to sustain housing opportunities for these consumers.

Provide Financial Education to Renters and Teach Renters to be Good Tenants.

Contact the Self-Help Determination Project to receive training on the Prepared Renter Education Program so that you can replicate it in your community.

Worth the Investment

Establish a Fund to Spur Private Investment in Rental Market.

Private landlords play a major role in providing affordable rental housing, however, they too struggle with maintenance issues. Establish a program modeled after the Rental Housing Rehab Program, which the U.S. Department of Housing and Urban Development (HUD) formerly operated. The program provided the owners of private rental properties with financing to support the cost of moderate improvements to existing rental properties. “Site-based” housing vouchers were made available to private rental property owners as a way of sustaining the occupancy of their inventory by low- and moderate-income households.

Support Funding for Public Housing and Housing Choice Vouchers.

This well-established program provides homes for the most vulnerable among us (e.g., senior citizens, people with disabilities, and families making 50% of area median income) through government-built housing and rental subsidies. Both options keep the rents of this vulnerable population at or below 30% of their income. This program effectively provides low-income families with safe, decent, and affordable places to live. Without this program, low-income Pennsylvanians would be forced into substandard housing, where they are deprived of such amenities as hot water or indoor plumbing and in turn experience health and safety issues associated with poor unit maintenance.

Preserve Public Housing Units.

In many areas of the state, mixed-income housing developments are replacing low-income developments. As a result, fewer units are available for those with low incomes, particularly those with extremely low and very low incomes (below 30 and 50% area median income, respectively). One-for-one replacement policies and “build first” models need to be implemented so people have new housing before their current properties are demolished or renovated. This will prevent hardship for families and reduce the displacement of residents. Additionally, time limits placed on some public housing units are expiring and need to be renewed so that the units can remain affordable. Outreach to tenants and owners regarding renewal and, as a last resort, relocation support is needed so that residents of these properties can continue to have affordable homes.

Support the Low Income Housing Tax Credit (LIHTC) Program.

For every 100 affordable homes financed by the LIHTC, 122 construction and 30 permanent jobs are created, $827,000 in local taxes is generated and $7.9 million in local income is earned. This incentive not only helps the development and preservation of quality, affordable rental housing; it provides desperately needed community and economic development.
Diagnosis

“Waste not, want not:” Pennsylvania is rife with blighted and abandoned property that can be reclaimed and repurposed to use existing infrastructure. We need to take a “fix-it first” approach.

The bulk of housing construction around the turn of the 20th century took place in suburban and rural greenfields surrounding older, established communities. As a result of this activity, some suburban areas now have little to no land or buildings available for development.

Market demand for new housing projects such as smaller homes or green, energy-efficient housing is increasing. This trend is likely to continue to grow in the coming years. Many older communities have vacant or underused property that could be developed or improved for occupancy by longtime residents or new homebuyers and renters. The 2010 U.S. Census documents 384,145 vacant non-seasonal housing units in Pennsylvania. (There is no official count of vacant buildings.) In addition, the state has a significant (but uncounted) number of vacant parcels of land.

Municipalities and counties that can assemble and convey marketable real estate to responsible developers will be able to take advantage of new opportunities in the 21st century real estate market. These same municipalities and counties will be able to combat blight and abandonment, a prevalent housing issue statewide.

One abandoned home can wreak havoc on an entire neighborhood. As the home falls into disrepair, the yard grows until the neighbors no longer know what might be living there. Rats and other undesirable pests take up residence, oftentimes along with people engaging in illicit activities. The building becomes prone to catching fire, all the while going unnoticed, threatening the well-being of the neighbors and their homes. Finally, it hits the neighbors where it hurts, their wallets. According to the publication Blight Free Philadelphia, “Houses within 150 feet of an abandoned house experienced a net loss in value of $7,627.***”

Step Six: Increase the Availability of Developable Land for Modestly Priced Homes

Advance land banking and other approaches that make local property acquisition and disposition more effective so that more neglected properties can be returned to local real estate markets for productive reuse.
Lessons from the Data: Models that Work

Land Banks Are Needed stewards for Blighted and Abandoned Properties

Land banks are new organizations designed to acquire, manage, sell, or lease real estate that is inaccessible to the private market because of title problems (such as tax delinquency and mortgage liens) or because of its location in distressed real estate markets, all of which can lead to property abandonment. In Pennsylvania, land bank legislation has been in development over the last several General Assembly sessions (House Bill 712 of the 2009–2010 session and HB 1682 of the current 2011–2012 session). These bills create certain rights and responsibilities for a municipality, or cooperating municipalities, that would choose to create a land bank. The state law, if passed, would augment traditional municipal powers and encourage public-private collaboration and transparency in order to unlock access to hard-to-acquire real estate. Local ordinance procedures, governing board composition, a publicly accessible real estate inventory, and transparent policies are part of the design of land banks that will allow Pennsylvania communities to reclaim and re-purpose abandoned property at the scale of the problem. National land banking models, like the Genesee County Land Bank in Michigan, have inspired Pennsylvania leaders and advocates that are shaping Pennsylvania’s land bank legislation. (For more information, see the Center for Community Progress website at www.communityprogress.net.) Land banks in other states are recycling thousands of properties from small, residential side yards to large, industrial buildings.

Modernizing Zoning Laws Encourages Development

The “When We Fix It Coalition” in Philadelphia worked with the city to develop and pass a modernized zoning code that encourages development and rehabilitation instead of hindering it. According to their Residential Fact Sheet, “The old 1960’s Code aspired to transform Philadelphia’s housing stock to a suburban size and design. As a result they made virtually all classic row homes non-conforming or unable to be built under the Code. This made it difficult to obtain a loan or build an addition. The new Code recognizes the validity of Philadelphia’s row home and makes it easier to maintain and improve these homes.”

Practical Steps to Housing Market Recovery

Low- or No-Cost Investment

Design Land Banks to Have Maximum Impact

The following considerations will assist the creation of successful land banks:

- Delineate geographical coverage of a land bank based on real estate markets that cross political boundaries (cities, boroughs, and townships) and cooperatively create and operate multiple-municipal land banks.
- Engage local representatives of the U.S. Department of Housing and Urban Development, Pennsylvania Department of Community and Economic Development, and Allegheny County Department of Economic Development in the land bank formation phase to ensure land banking is an acceptable practice from county, state and federal perspectives.
- Re-engineer property tax systems to make the connection between property tax collection and the loss of equity for scrupulous property owners adjacent or near tax delinquent properties.
- Build capacity for uniform, not selective, delinquent property tax enforcement.

Land Recycling Task Force Tackles Comprehensive Land Recycling

City of Pittsburgh Mayor Ravenstahl’s Land Recycling Task Force (LRTF) set out in 2010 on a two-year commitment to develop a plan for how the city can better recycle tax delinquent and abandoned properties and turn them back into beneficial assets that provide for future land uses and increased vitality of all of Pittsburgh’s neighborhoods. Over 20 members representing Pittsburgh City Council, various city and county departments, the Pittsburgh School District, Pittsburgh Water and Sewer Authority, the Urban Redevelopment Authority, state legislators, law firms, nonprofits, and advocates made up the LRTF. The LRTF studied national land bank models with guidance from the Center for Community Progress, participated with state legislative efforts, and exhaustively documented the city’s current land recycling practices, procedures, revenue and expenses. This research enabled it to make the business case for land recycling at the scale of the problem in the city of Pittsburgh, where 11% of taxable parcels are tax delinquent. The LRTF has recommended an interim business plan that would incrementally scale Pittsburgh’s land recycling system to comprehensively address property tax delinquency and abandonment.
Diagnosis

As the demand for rental housing has increased (described in Step Five), investors and developers have been exploring opportunities to develop vacant and underused buildings—including single-family homes that have been vacated because of foreclosure—into rental properties. Financial institutions and the federal government are encouraging this momentum. An August 2011 Morgan Stanley research report proposed that federal agencies sponsor bulk sales of distressed properties to investors for development as market-rate and below-market rate rental housing. In the same month, the Federal Housing Finance Agency (FHFA) issued a Request for Information to solicit advice about how foreclosed properties owned by federal agencies could be conveyed for appropriate reuses, including rental housing.

Although new investment in Pennsylvania communities should be encouraged, government and civic leaders need to ensure that investors and developers comply with health and safety codes, observe occupancy and density standards, and are responsive to community concerns. This need is particularly great in some older communities where properties in the housing market are perceived to be “undervalued,” with the potential to generate substantial profits over time. Predatory speculators, who acquire properties at foreclosure sales, illegally convert single-family properties to multi-family occupancy, allow overcrowding, and neglect to fulfill property management responsibilities, which can destabilize neighborhoods.

This chapter will explore models from around the state where cities and towns have been creative and proactive in working with property owners to ensure responsible investment.

Step Seven:
Use Strategic Code Enforcement to Manage Rental Housing Assets and Stabilize Neighborhoods

Respond to growing investor interest in rental housing by mobilizing local resources and using recently legislated powers to encourage responsible investment and prevent property neglect.
Lessons from the Data: Models that Work

Blighted Property Review Committee Uses Code Enforcement to Effectively Target Properties for Compliance

Allentown, Harrisburg, and Reading are among the municipalities that have been successful in addressing the problem of nuisance properties through the strategic use of government authority, guided by the actions of a Blighted Property Review Committee (BPRC).

In Allentown, mayorally appointed BPRC members include city agency staff, real estate professionals, and members of community constituencies. Based on committee members’ own knowledge, supplemented by information provided by the police, fire departments, and local service agencies, the BPRC identifies vacant buildings—sometimes as many as 23 or 30 addresses—that pose the greatest threat to the well-being of the neighborhoods or business districts where they are located, and target code compliance efforts at those properties.

If after several months code-compliance efforts prove unsuccessful, the BPRC schedules two successive public hearings at which each affected property owner is invited to testify. If the owner does not appear or if efforts to secure a commitment to redevelop the property prove unsuccessful, the BPRC certifies the property as blighted.

Certificate of Compliance as a Condition of Sale is Proactive Approach

In 2011, the city of Reading organized an interagency task force that, in consultation with the Reading-Berks Realtors Association and the Berks County Recorder of Deeds, developed a Certificate of Compliance, the filing of which is to be mandated as a condition of the sale of any residential or mixed-use property. The certificate would provide verification that a property maintenance inspection has been completed successfully and that all required city permitting, licensing, fee, and tax requirements have been met. The certificate requirement is expected to save the city from having to carry out hundreds of enforcement actions on a “reactive” basis each year, to resolve allowable use issues during the sale/title transfer process, to improve property safety, and to increase city tax and fee collections.

Implement Conservatorship: An Alternative to Eminent Domain

Some communities have made use of conservatorship action to convey severely deteriorated properties to responsible developers. Conservatorship, authorized through the Blighted and Abandoned Property Conservatorship Law of 2008, makes it possible for a county Court of Common Pleas to appoint a third party to rehabilitate and manage a blighted property under circumstances in which the owner is deceased or refuses to act. A request for conservatorship action may be brought by a resident or business owner within 500 feet of the property, the municipality, the school district, a nonprofit organization, the property owner, or a lien holder.

Buildings that may be considered for conservatorship include properties with code violations or public nuisance conditions that:

- Have been owned by the same party for more than six months;
- Have not been legally occupied for a year;
- Have not been marketed for the past 60 days; and
- Are not part of a foreclosure action.

Conservatorship’s Successful Implementation in Philadelphia

One example of successful conservatorship in Philadelphia was Palmer v. Sciolto Turco VFW Post 593. In this case, Joel Palmer, a neighbor within 500 feet of the blighted property, filed the complaint. As it turns out, the VFW’s charter had been revoked four years earlier and the resultant owner of the property did not want it and was not maintaining it. Settlement concluded that the property would be rehabilitated, sales proceeds would be split between the two parties, and all conservatorship fees and liens would be deducted. The conservator has since obtained title to the property, rehabilitated the property, and divided it into two properties. The first has been sold to a developer, and the second is under contract with the same developer, pending a zoning variance for the developer’s use.

Re-Engineer Code Enforcement Systems Using Data Through a “Progressive Discipline” Approach to Owners Who Fail to Comply

The Blight Reclamation and Revitalization Act of 2010 (also known as Act 90) gives municipalities new and expanded powers to address the worst cases of property neglect. Under Act 90, a court action against the owner of a neglected property can result in a judgment against the owner’s own assets, rather than only against the property. An out-of-state owner with a record of consistent noncompliance can be extradited to Pennsylvania for prosecution. Certain noncompliant property owners can also be denied approvals of application for permits.

Act 90 also encourages the establishment of programs to educate judges about blighted and abandoned property issues and authorizes the formation of housing courts, created to focus exclusively on addressing housing issues as a judicial priority.
Diagnosis

Drilling for natural gas in the Marcellus Shale region has had an extraordinary effect on housing conditions within a zone that extends across the majority of the state. The impact of gas exploration has been greatest in the state’s northern tier, located in some of Pennsylvania’s most economically distressed communities, but it is now spreading to Western Pennsylvania as drilling activity expands.

Although some property owners have benefited from drilling-rights transactions and some local businesses have prospered as a result of the influx of the gas-company workforce, there have been unintended impacts on the local housing market. A shortage of rental housing has arisen, leading to increased rent prices. A house that rented for $600 a month just three years ago now rents for $2,000.

This phenomenon has put landlords in a position where they must choose to whom they wish to rent. Under the circumstances, landlords have often taken one of two approaches. Some landlords, intent on preserving the community, keep their rent prices low and attempt to keep long-time residents in their current homes. Others have decided to take advantage of the increased demand and have begun to evict tenants in order to raise their rent which, in the current economy, only gas drillers can grudgingly afford.

These factors are leading to the disintegration of existing communities and tenant-landlord relationships, with gas drillers conceding to the higher rent prices despite sometimes poor living conditions. In addition, these rural communities are experiencing homelessness for the first time. For instance, homelessness almost doubled in Tioga County between 2007 and 2009.

State government action alone is unlikely to solve the housing affordability crisis that has emerged so quickly in this region.
Lessons from the Data: Models that Work

Convening a Diverse Set of Stakeholders Leads to Effective Problem Solving

In Bradford County, state elected officials are committed to working with community members seeking affordable housing solutions. The coalition includes an experienced nonprofit housing developer and a network of capable service organizations. People are coming to the table with a shared agenda to address housing concerns. There have been public hearings and round tables on Marcellus Shale’s impact on housing and what can be done about it.

Low Income Housing Tax Credit (LIHTC) Developments Provide Additional Units to Combat Shortage

LIHTC developments were never possible in Pennsylvania before Marcellus Shale drilling, because the demand did not make these regions competitive statewide. However, the Trehab Community Action Agency in Northeastern Pennsylvania, with branches in Tioga, Bradford, Susquehanna, Sullivan, Wyoming, and Wayne counties recently closed on two LIHTC developments, one for families and one for seniors, in Tioga and Wyoming counties. They will be applying for two more developments in Towanda and Susquehanna county.

Worth the Investment

Make Sure Your County Has a County Trust Fund

The vast majority of Pennsylvania’s 67 counties have strengthened local and regional real estate markets by taking advantage of the opportunity to create and administer housing trust funds. Capitalized with revenues earned from fees for recording deeds and mortgages, housing trust funds make more investment capital available to develop and upgrade housing that is affordable to a variety of owners and renters. This has been an especially valuable resource because it is not subject to federal regulations specifying criteria for eligible uses of funds or the selection of eligible beneficiaries. Funding criteria can be made county specific, according to current needs, goals, and priorities.

Practical Steps to Housing Market Recovery

Low- or No-Cost Investment

Organize a Broad-Based Coalition to Address Housing Shortage

Create a coalition that involves state elected officials, community members, service providers, county commissioners, real estate professionals, and gas company representatives that can work together to address imbalances in the housing market.

Engage Gas Companies in Being a Part of the Solution

Educate Gas Companies on the impact of drilling on the housing market and the availability of affordable homes. Encourage them to invest in Low Income Housing Tax Credits and donate funds to local housing programs that work.

Increase Fair Market Rents to Reflect Housing Market Changes

Through action by the U.S. Department of Housing and Urban Development (HUD), establish new Fair Market Rental rates for the region so that federally funded rental assistance payments can keep pace with the recent escalation of rent levels.

Encourage Companies to Bring Housing Allowances Provided to Workers in Line with the Local Markets

On a phased basis, reduce housing allowances paid by gas companies to workforce members in order to influence a lowering of rents. Housing allowances of $500 per person made available to the incoming workforce were a major contributor to skyrocketing rent levels that priced existing residents out of the rental market.

Focus on Homeless Prevention and Rapid Re-housing Over the Traditional Shelter Approach

Focus on preventing homelessness and rapidly re-housing people as opposed to developing long-term shelters. This will create the greatest stability in the long run and is more cost-effective, as noted in previous chapters.

Encourage Investment in Existing Housing Stock and Mixed Income Development

Where possible promote investment in existing housing, particularly within small municipalities with vacant or underused housing stock. Where new developments are being considered, pursue mixed-income housing strategies for developing these sites.

Set Rental Assistance Priorities for County Trust Funds

As noted in previous rental housing chapters, rental assistance is a cost-effective way to increase the affordability of existing houses. If designated as a priority of County Trust Funds, this could be a valuable tool for helping low-income people stay in their homes and access homes that have become unaffordable because of increased demand.
Diagnosis

Many of the job opportunities available to middle-class wage earners in Pennsylvania are located in downtown business centers, on the urban and suburban campuses of academic and health care institutions, and in office and industrial parks near highway interchanges. In these locations, rental housing is in short supply and sales housing is priced at levels that families at and below middle income cannot afford.

As a result, many Pennsylvania workers devote substantial time and expense to commuting from their homes in more affordable urban neighborhoods, small cities, or rural areas to their workplaces. As shown below, many working people spend more than an hour traveling from home to work.

**Percentage of Workers with a Work Commute of More than One Hour, for Selected Pennsylvania Municipalities, 2005–2009**

<table>
<thead>
<tr>
<th>Municipality</th>
<th>County</th>
<th>Workers with Commute of More Than 1 Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta</td>
<td>York</td>
<td>12.84%</td>
</tr>
<tr>
<td>Gratz</td>
<td>Dauphin</td>
<td>12.46%</td>
</tr>
<tr>
<td>Maple Glen</td>
<td>Montgomery</td>
<td>12.42%</td>
</tr>
<tr>
<td>White Oak</td>
<td>Allegheny</td>
<td>8.03%</td>
</tr>
<tr>
<td>Hamburg</td>
<td>Berks</td>
<td>5.21%</td>
</tr>
</tbody>
</table>

Affordability is as much about location as it is about housing cost. Transportation costs are often a hidden factor in defining affordable living and are directly impacted by housing and job location. While many home buyers “drive to qualify” for lower-cost housing at the edges of job centers, additional transportation costs quickly offset any housing savings, especially as gas prices rise. A 2005 study reported that for every dollar saved on cheaper housing, 77 cents more is spent on transportation—a figure that has grown in recent years because of escalating fuel costs. The job and housing location disconnect is significant, varies widely based upon location, and must be taken seriously when planning affordable housing location and access.

Collectively, housing and transportation can make up more than half of a household’s annual expenses. The figure at left shows average household spending nationally.

Pennsylvania’s numbers closely match those of the Auto Dependent Neighborhood chart, with families often spending over 60% of their income on housing and transportation, leaving very little for much else. Although the chart suggests that public transit has the potential to reduce housing cost, the real message is that locations with a wide variety of transportation options and a rich, accessible network of shopping, jobs, and services are more affordable than others.
Lessons from the Data: Models that Work

According to the U.S. Bureau of Labor Statistics, the five Pennsylvania industry sectors that employ the most Pennsylvanians are Health Care and Social Assistance, Retail Trade, Manufacturing, Education Services, and Accommodation and Food Services. These industry sectors are predominant in many counties. Wages for jobs in these industry sectors are substantially lower than the area median income in the regions where they are located, as shown by the examples below.

Jobs and Wages in Selected Pennsylvania Occupations (2009)  

<table>
<thead>
<tr>
<th>County</th>
<th>Job Title</th>
<th>Entry-Level Annual Wage (Full-Time)</th>
<th>County Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaver</td>
<td>Cashier</td>
<td>$15,640</td>
<td>$420</td>
</tr>
<tr>
<td>Delaware</td>
<td>Pharmacy Aide</td>
<td>$17,020</td>
<td>$425</td>
</tr>
<tr>
<td>Lackawanna</td>
<td>Physical Therapist</td>
<td>$17,250</td>
<td>$431</td>
</tr>
<tr>
<td>Schuykill</td>
<td>Nursing Aide</td>
<td>$17,010</td>
<td>$425</td>
</tr>
<tr>
<td>Somerset</td>
<td>Cashier</td>
<td>$16,830</td>
<td>$488</td>
</tr>
</tbody>
</table>

The table above shows a clear disparity between fair-market rent and the amount a low-income worker can dedicate to housing. Pennsylvania workers deal with this disparity between income and housing cost in a number of ways. In a household with a single wage earner, the worker may hold two or more jobs. In a two-parent household, each parent may be working up to or more than forty hours a week. Some families “double up” and share rental housing with relatives or other families. Many families bear the expense associated with traveling from low-cost housing to a place of work in another part of the region.

Two kinds of remedies for addressing the jobs-housing disparity—and the related issues of economic segregation and the concentration of poverty in urban neighborhoods—have been designed and tested throughout the country. Both strategies involve the development of mixed housing, consisting of a resident population that includes both market-rate and subsidized rental or sales units. These incentives may include density bonuses (authorization to develop more units on the site than would be allowed under current zoning), development financing, tax abatements, assistance with site assemblage, and expedited processing of permits and licenses.

Inclusionary Zoning is an Effective Tool for Creating Communities with a Range of Housing Options

Inclusionary zoning is a strategy that engages the private sector in developing affordable homes to create a more balanced housing market within a community.

Governments with inclusionary zoning policies can mandate developers to agree to incorporate subsidized units and/or offer incentives to offset the additional costs associated with the production of the subsidized units. These incentives may include density bonuses (authorization to develop more units on the site than would be allowed under current zoning), development financing, tax abatements, assistance with site assemblage, and expedited processing of permits and licenses.

Florin Hill, Mount Joy Borough, Lancaster County

In 2004, Mount Joy Borough enacted an ordinance that offers a density bonus for ventures in which 10 percent of the units are developed as affordable housing, for buyers with incomes at or below 120 percent of county median income or for renters with incomes at or below 80 percent of county median income. To offset the costs associated with developing each affordable unit, the borough allows the developer to build one unit per acre more than would otherwise be allowed by the zoning code.

Charter Homes & Neighborhoods, a new home builder based in Lancaster, made use of this incentive in developing Florin Hill, a large-scale new-construction venture in Mount Joy. Florin Hill is designed to include a total of 483 units covering in housing type and size. The builder has committed to an inclusionary housing program, in which 10 percent of the units produced—both sales and rentals—will be priced to be affordable to households described as “workforce families in Lancaster County.”

Florin Hill offers a density bonus for ventures in which 10 percent of the units are developed as affordable housing, for buyers with incomes at or below 120 percent of county median income or for renters with incomes at or below 80 percent of county median income. This development is strategically located in proximity to public transportation, shops, schools, hospitals, daycares, and a senior center. This and other developments near transit stations and job centers reduce auto reliance and transportation costs, lessening the financial burden of housing and transit.

Smaller-Scale Infill Development is an Affordable Approach to Cultivate Mixed-Income Communities

The Reading Housing Authority’s Goggleworks Apartments will consist of 39 units, 12 of which will be subsidized with Housing Choice Vouchers. The development site is located at the edge of Reading’s business district, a short distance from county government facilities and the campuses of academic and health care institutions.
A Step-by-Step Program for Housing Market Recovery in Pennsylvania

Practical Steps to Housing Market Recovery

Low- or No-Cost Investment

Assess Region by Using Housing and Income Location Information

Compile and publish data on the jobs-housing disparity as it affects your municipality and region. One example is a publication of the Lehigh Valley Planning Commission: An Affordable Housing Assessment of the Lehigh Valley in Pennsylvania 2007.

Leverage Engagement of the Private Sector Through Inclusionary Zoning or Related Policies

Develop a model ordinance and encourage adoption by individual municipalities as Montgomery County, Lehigh County, and Centre counties have done.

Employ Strategies to Give Families with Housing Vouchers the Ability to Live in Communities of Opportunity

In coordination with the housing authority, pursue opportunities to expand the affordable rental-housing pool by encouraging more rental-property owners in higher-cost areas near employment centers to accept tenants with rental assistance vouchers. If working relationships between housing advocates, the housing authority, and rental-property owners are strengthened, the prospects for broadening the number of rental units available for workforce housing will be greatly improved. In conjunction with this approach, pursue a local or statewide income discrimination ban that will prevent landlords from rejecting candidates because of their voucher status.

Consider Transportation and Housing Costs when Selecting Infill Development Sites

From a true affordability standpoint, not all infill development is equal. Practitioners should pursue infill where residents have ready access to affordable transportation and job centers. Walkability, proximity to job and support centers, and availability of robust transit such as high-volume bus lines or train lines should be encouraged, planned, and zoned for. Location efficiency can be measured using the Housing+Transportation (H+T) Index, which looks at the balance of the two in determining affordability. More information is available at http://htaindex.cnt.org.

Work with Housing Authorities and the Department of Public Welfare to Provide Subsidies in Traditionally Market-Rate Developments for a Scattered Site Approach

Housing authorities and the Allegheny County Department of Human Services could direct their resources to provide subsidies for a small percentage of units to be included in developments that are traditionally market-rate, especially those near transit hubs and commercial corridors.

Review and Inform the Qualified Allocation Plan to Reflect Local Priorities Related to Mixed Housing

Through the Qualified Allocation Plan (QAP), Pennsylvania Housing Finance Agency determines how Low Income Housing Tax Credit financing will be distributed in regions across the state in order to support their goals—including the development of workforce housing. Find out how the QAP affects your region, and consider communicating with PHFA to consider ways that the QAP can influence the development of mixed housing in your area.

Worth the Investment

Develop Affordable Homes in Areas Accessible to Job Centers and Other Amenities

With decreasing greenfields and increasing vacant properties, the development of affordable housing needs extensive planning to provide residents and the community with the greatest benefits. Follow the examples of Monarch Development Group, S&A Homes, and the Reading Housing Authority presented above. Develop affordable housing that is centrally located, seeks mixed-income renters, and/or repurposes vacant or abandoned land.
Conclusion
This publication provides some best practices along with practical ideas for creating a more balanced housing market that includes subsidized and unsubsidized rental and home ownership opportunities. It provides insights into the supply and demand of affordable homes and shows areas where disparities exist. It is now the job of local service providers, nonprofit and for-profit developers, public agencies, and others to replicate models of interest and move these solutions forward, so that the region can have stable, healthy residents as well as a stable, healthy economy.

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Our Values
• If you work hard and play by the rules, you should be able to afford a decent place to live.
• Thriving communities should provide people with a variety of choices in places to live.
• No child should be homeless. In fact, no one should be homeless involuntarily.
• Parents should be able to spend time with their children and community, rather than in long commutes to and from work.
• Seniors and people with disabilities should be able to live safely and with dignity.
• Businesses that invest in our communities deserve the support of housing policies that help them find and keep qualified workers.
• Government leaders have an obligation to plan ahead and look at the big picture, to enact policies that allow the housing market to meet the needs of our economy.

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